

Motorola Solutions

A solid end to the year; demand for public safety marches on

Reiterate Rating: BUY | PO: 370.00 USD | Price: 328.35 USD

Solid 4Q results with opportunity for growth acceleration

Motorola Solutions reported a solid end to the year, with 4Q23 revenue growth of 5.2% YoY above the Street's 4%, supported by better-than-expected performance in LMR Communications and the Software & Services (S&S) portion of Video Security. GM and OM were largely in-line with Street expectations, yet higher sales and a lower-than-expected tax rate drove EPS of \$3.90, with an adjusted 7c beat to consensus' EPS estimates when normalizing for the tax impact. FY24 revenue guidance was raised by approx. \$75mn, mostly attributed to the \$51mn beat to the Street's 1Q revenue expectations, yet we believe the modest raise reflects management conservatism. We see opportunity for growth acceleration, demonstrated by continued demand across public safety, and we reiterate our Buy rating and \$370 PO.

Strong LMR and Video Security Software performance

Positively, the S&S portion of Video Security grew 25.9% YoY vs. Street's 17.6%, supported by the cloud-enabled Avigilon Alta platform, which accounted for 25% of the total Video Security growth in 2023. On the other hand, the Products & Systems Integration (P&SI) portion of Video Security grew 6.3% YoY below the Street's 12.2%, partially driven by reversion to the mean following strong fixed video growth in 2022. LMR growth of 3% YoY was above the Street's 1.2%, yet growth was roughly 6% on an adjusted basis when normalizing for Airwave and ESN headwinds and the transition of low-tier PCRs to a license model. Operating margin of 30.5% was in-line with the Street expectations, yet management expects further margin improvement in FY24.

Backlog trends are positive, signaling demand remains

FY24 revenue growth guidance was slightly raised from 5.6% to 6% YoY, yet we believe the guidance may prove conservative as demand continues to remain strong. The P&SI portion of backlog grew 2% YoY, while the S&S portion grew 8.5% ex-Airwave and ESN impact, suggesting an adjusted 6.3% growth of the total backlog vs. the reported flat growth. We believe the backlog trends point towards a sustainable order pipeline, and improving duration and supply chain could support growth acceleration. Lastly, management guided to 2024 OCF of \$2.2bn and with a 2023 Net Debt to Adjusted EBITDA of 1.4, we believe the company will continue to drive its M&A strategy in FY24.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	10.36	11.95	12.67	13.89	15.41
GAAP EPS	8.14	10.23	11.04	12.17	13.53
EPS Change (YoY)	13.2%	15.3%	6.0%	9.6%	10.9%
Consensus EPS (Bloomberg)			12.68	13.89	15.96
DPS	3.08	3.42	3.41	3.41	3.46
Valuation (Dec)					
P/E	31.7x	27.5x	25.9x	23.6x	21.3x
GAAP P/E	40.3x	32.1x	29.7x	27.0x	24.3x
Dividend Yield	0.9%	1.0%	1.0%	1.0%	1.1%
EV / EBITDA*	21.9x	19.6x	18.0x	15.9x	14.5x
Free Cash Flow Yield*	2.9%	3.3%	3.5%	4.0%	4.3%

* For full definitions of *IQmethod*SM measures, see page 7.

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Timestamp: 09 February 2024 01:00AM EST

09 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	10,514.8	10,577.9
2025E Rev (m)	11,207.0	11,230.4
2026E Rev (m)	NA	11,895.3
2024E EPS	12.68	12.67
2025E EPS	14.10	13.89
2026E EPS	NA	15.41
2024E DPS	3.43	3.41

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Stock Data

Price	328.35 USD
Price Objective	370.00 USD
Date Established	6-Dec-2023
Investment Opinion	B-1-7
52-Week Range	255.85 USD - 330.93 USD
Mkt Val (mn) / Shares Out (mn)	54,496 USD / 166.0
Free Float	99.7%
Average Daily Value (mn)	200.51 USD
BofA Ticker / Exchange	MSI / NYS
Bloomberg / Reuters	MSI US / MSI.N
ROE (2024E)	266.2%
Net Dbt to Eqty (Dec-2023A)	NA
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

Acronyms on page 5

iQprofileSM Motorola Solutions

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	26.0%	25.9%	26.5%	28.2%	29.2%
Return on Equity	3,296.3%	472.9%	266.2%	238.0%	205.4%
Operating Margin	26.0%	27.9%	28.3%	29.2%	29.7%
Free Cash Flow	1,567	1,791	1,907	2,191	2,341

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.0x	1.0x	1.0x	1.0x	1.1x
Asset Replacement Ratio	0.6x	0.7x	0.7x	0.5x	0.6x
Tax Rate	9.8%	20.1%	20.0%	20.0%	20.0%
Net Debt-to-Equity Ratio	NM	NM	NM	456.1%	374.8%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	9,111	9,978	10,578	11,230	11,895
% Change	11.5%	9.5%	6.0%	6.2%	5.9%
Gross Profit	4,422	5,017	5,340	5,761	6,107
% Change	8.8%	13.5%	6.4%	7.9%	6.0%
EBITDA	2,809	3,140	3,424	3,877	4,251
% Change	9.9%	11.8%	9.0%	13.2%	9.6%
Net Interest & Other Income	(137)	(146)	(159)	(188)	(151)
Net Income (Adjusted)	1,780	2,057	2,168	2,377	2,598
% Change	12.0%	15.6%	5.4%	9.6%	9.3%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,367	1,713	1,846	2,051	2,281
Depreciation & Amortization	440	356	429	597	721
Change in Working Capital	4	(243)	(9)	(132)	(198)
Deferred Taxation Charge	(334)	(32)	(43)	(45)	(47)
Other Adjustments, Net	346	250	0	0	0
Capital Expenditure	(256)	(253)	(317)	(281)	(416)
Free Cash Flow	1,567	1,791	1,907	2,191	2,341
% Change	-1.7%	14.3%	6.5%	14.9%	6.8%
Share / Issue Repurchase	(680)	(700)	(1,111)	(1,250)	(1,382)
Cost of Dividends Paid	(530)	(589)	(584)	(584)	(584)
Change in Debt	(285)	(1)	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,325	1,705	1,263	968	690
Trade Receivables	1,518	1,710	1,800	1,887	1,985
Other Current Assets	2,412	2,310	2,515	2,649	3,063
Property, Plant & Equipment	NA	NA	NA	NA	NA
Other Non-Current Assets	7,559	7,611	8,218	8,809	9,257
Total Assets	12,814	13,336	13,796	14,313	14,995
Short-Term Debt	1	1,313	1,313	1,313	1,313
Other Current Liabilities	4,559	4,423	4,649	4,860	5,127
Long-Term Debt	6,013	4,705	4,705	4,705	4,705
Other Non-Current Liabilities	2,110	2,156	2,240	2,328	2,428
Total Liabilities	12,683	12,597	12,906	13,205	13,573
Total Equity	131	739	890	1,107	1,422
Total Equity & Liabilities	12,814	13,336	13,796	14,313	14,995

* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Data Networking

Company Description

Motorola Solutions (MSI) is a leading supplier of land mobile radio (LMR) systems, as well as providing software solutions for command centers and offering video security and analytics. Over the years, the company has transformed from a sole focus on LMR communications to a focus on physical security, for both public safety and enterprise security, providing an integrated ecosystem across LMR, video security, and command center.

Investment Rationale

We believe Motorola Solutions is well-positioned in its respective end-markets, for public safety and enterprise security use cases, and can expand into other use cases over time. We favor the company's focus on public safety and enterprise security, which merits solid pricing power as well as higher volume sales. The company's leading position in LMR with 28% share of an overall \$25bn TAM, represents solid upsell and cross-sell opportunity to its video security and command center businesses.

Stock Data

Average Daily Volume 610,671

Quarterly Earnings Estimates

	2023	2024
Q1	2.22A	2.53E
Q2	2.65A	2.86E
Q3	3.19A	3.34E
Q4	3.90A	3.95E

Financial Highlights

Exhibit 1: Actual versus Estimated Results

Actual revenue and EPS of \$2,848mn and \$3.90, respectively, was above BofA's expectations for \$2,815mn and \$3.65

\$mn, except EPS	4Q22	1Q23	2Q23	3Q23	4Q23	Estimated	QoQ	YoY	Delta
Net Sales from Products	1,671	1,224	1,349	1,490	1,750	1,733	17.4%	4.7%	17
QoQ	16.1%	-26.8%	10.2%	10.5%	17.4%	16.3%			
YoY	23.0%	17.0%	11.3%	3.5%	4.7%	3.7%			
Net Sales from Services	1,035	947	1,054	1,066	1,098	1,082	3.0%	6.1%	16
QoQ	10.8%	-8.5%	11.3%	1.1%	3.0%	1.5%			
YoY	7.6%	11.9%	13.6%	14.1%	6.1%	4.5%			
Net Sales	2,706	2,171	2,403	2,556	2,848	2,815	11.4%	5.2%	33
QoQ	14.0%	-19.8%	10.7%	6.4%	11.4%	10.1%			
YoY	16.6%	14.7%	12.3%	7.7%	5.2%	4.0%			
Costs of Sales	1,347	1,109	1,207	1,264	1,381	1,385	9.3%	2.5%	(4)
Gross Profit	1,359	1,062	1,196	1,292	1,467	1,430	13.5%	7.9%	37
Total Operating Expenses	537	530	555	551	597	578	8.3%	11.2%	19
Operating Earnings	822	532	641	741	870	852	17.4%	5.8%	18
YoY	22.7%	42.2%	29.0%	9.6%	5.8%	3.7%			
Total Other Expense	(36)	(39)	(44)	(32)	(31)	(29)	-3.1%	-13.9%	(2)
Net Earnings Before Income Taxes	786	493	597	709	839	823	18.3%	6.7%	16
Income Tax Expense	167	108	137	161	170	198	5.6%	1.8%	(28)
Net Earnings Attributable to Motorola Solutions, Inc.	618	384	458	547	668	625	22.1%	8.1%	43
Non-GAAP EPS	3.60	2.22	2.65	3.19	3.90	3.65	22.3%	8.3%	0
YoY	26.0%	31.0%	28.1%	6.3%	8.3%	1.6%			
Diluted Share Count	171.9	172.6	172.6	171.7	171.5	171.0	-0.1%	-0.2%	1
Gross Margin	50.2%	48.9%	49.8%	50.5%	51.5%	50.8%	96 bps	128 bps	69 bps
Operating Margin	30.4%	24.5%	26.7%	29.0%	30.5%	30.3%	155 bps	17 bps	27 bps
Net Margin	22.8%	17.7%	19.1%	21.4%	23.5%	22.2%	205 bps	61 bps	126 bps

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 2: Summary of Model Changes

We fine-tune our estimates to be more streamlined with guidance

	Net Sales (\$mn)			Gross Margin			Operating Margin			Diluted EPS			Free Cash Flow		
	Old	New	Delta	Old	New	Delta	Old	New	Delta	Old	New	Delta	Old	New	Delta
FY23															
1Q23	\$ 2,171	\$ 2,171	\$ -	48.9%	48.9%	0 bps	24.5%	24.5%	0 bps	\$ 2.22	\$ 2.22	\$ -	(62)	\$ (62)	\$ -
2Q23	\$ 2,403	\$ 2,403	\$ -	49.8%	49.8%	0 bps	26.7%	26.7%	0 bps	\$ 2.65	\$ 2.65	\$ -	40	\$ 40	\$ -
3Q23	\$ 2,556	\$ 2,556	\$ -	50.5%	50.5%	0 bps	29.0%	29.0%	0 bps	\$ 3.19	\$ 3.19	\$ -	649	\$ 649	\$ -
4Q23	\$ 2,815	\$ 2,848	\$ 33	50.8%	51.5%	69 bps	30.3%	30.5%	27 bps	\$ 3.65	\$ 3.90	\$ 0.24	1,039	\$ 1,164	\$ 125
Total	\$ 9,945	\$ 9,978	\$ 33	50.1%	50.3%	20 bps	27.8%	27.9%	8 bps	\$ 11.71	\$ 11.95	\$ 0.24	1,666	\$ 1,791	\$ 125
FY24E															
1Q24E	\$ 2,307	\$ 2,345	\$ 38	49.1%	49.1%	0 bps	24.6%	25.0%	45 bps	\$ 2.41	\$ 2.53	\$ 0.11	352	\$ 225	\$ (127)
2Q24E	\$ 2,541	\$ 2,526	\$ (15)	49.8%	49.9%	5 bps	26.6%	26.8%	21 bps	\$ 2.90	\$ 2.86	\$ (0.04)	449	\$ 414	\$ (35)
3Q24E	\$ 2,712	\$ 2,710	\$ (2)	50.6%	50.8%	12 bps	28.9%	29.2%	26 bps	\$ 3.38	\$ 3.34	\$ (0.04)	578	\$ 602	\$ 24
4Q24E	\$ 2,956	\$ 2,998	\$ 42	51.5%	51.8%	26 bps	31.2%	31.4%	17 bps	\$ 3.99	\$ 3.95	\$ (0.04)	610	\$ 666	\$ 56
Total	\$ 10,515	\$ 10,578	\$ 63	50.4%	50.5%	11 bps	28.0%	28.3%	27 bps	\$ 12.68	\$ 12.67	\$ (0.01)	1,989	\$ 1,907	\$ (83)
FY25E															
1Q25E	\$ 2,512	\$ 2,533	\$ 21	49.9%	50.1%	21 bps	25.5%	25.7%	27 bps	\$ 2.71	\$ 2.75	\$ 0.03	760	\$ 796	\$ 36
2Q25E	\$ 2,740	\$ 2,710	\$ (29)	50.5%	50.8%	27 bps	27.5%	27.9%	38 bps	\$ 3.23	\$ 3.15	\$ (0.08)	454	\$ 450	\$ (4)
3Q25E	\$ 2,835	\$ 2,845	\$ 10	51.4%	51.6%	12 bps	29.9%	29.8%	-9 bps	\$ 3.67	\$ 3.60	\$ (0.07)	195	\$ 268	\$ 73
4Q25E	\$ 3,120	\$ 3,142	\$ 22	52.5%	52.4%	-2 bps	33.0%	32.6%	-44 bps	\$ 4.49	\$ 4.39	\$ (0.10)	534	\$ 677	\$ 144
Total	\$ 11,207	\$ 11,230	\$ 23	51.2%	51.3%	14 bps	29.2%	29.2%	1 bps	\$ 14.10	\$ 13.89	\$ (0.21)	1,943	\$ 2,191	\$ 248

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



Exhibit 3: Income Statement

Updated summary of financials; we raise our FY24 revenue estimate by \$63mn to \$10,587mn

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E	FY22	FY23	FY24E	FY25E	FY26E
Income statement in millions, except per share amounts	Mar-31	Jun-30	Sep-30	Dec-31	Mar-31	Jun-30	Sep-30	Dec-31	Mar-31	Jun-30	Sep-30	Dec-31	Mar-31	Jun-30	Sep-30	Dec-31					
Products and Systems Integration	909	1,038	1,243	1,523	1,080	1,150	1,312	1,585	1,121	1,207	1,382	1,670	1,142	1,236	1,437	1,719	4,713	5,127	5,380	5,534	5,710
Software and Services	546	570	569	590	577	626	605	592	598	647	621	609	626	669	654	647	2,275	2,400	2,474	2,597	2,755
Land Mobile Radio (LMR) Communications	1,455	1,608	1,812	2,113	1,657	1,776	1,917	2,177	1,719	1,854	2,002	2,278	1,768	1,905	2,091	2,366	6,988	7,527	7,853	8,130	8,465
Products and Systems Integration	194	247	286	287	223	287	300	305	253	313	331	336	294	352	370	374	1,014	1,115	1,233	1,390	1,558
Software and Services	113	123	133	139	136	146	153	175	155	168	175	196	187	203	213	242	508	610	694	846	916
Video Security and Access Control	307	370	419	426	359	433	453	480	408	481	505	532	481	556	583	616	1,522	1,725	1,926	2,236	2,474
Products and Systems Integration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Software and Services	130	162	142	167	155	194	186	191	218	191	202	188	284	249	171	160	601	726	798	864	957
Command Center Software	130	162	142	167	155	194	186	191	218	191	202	188	284	249	171	160	601	726	798	864	957
Net sales from products	1,046	1,212	1,439	1,671	1,224	1,349	1,490	1,750	1,295	1,392	1,570	1,836	1,377	1,473	1,679	1,965	5,368	5,813	6,093	6,494	6,948
Net sales from services	846	928	934	1,035	947	1,054	1,066	1,098	1,050	1,134	1,139	1,162	1,156	1,237	1,165	1,177	3,743	4,165	4,485	4,736	4,947
Net sales	1,892	2,140	2,373	2,706	2,171	2,403	2,556	2,848	2,345	2,526	2,710	2,998	2,533	2,710	2,845	3,142	9,111	9,978	10,578	11,230	11,895
YoY%Chg	6.7%	8.6%	12.6%	16.6%	14.7%	12.3%	7.7%	5.2%	8.0%	5.1%	6.0%	5.3%	8.0%	7.3%	5.0%	4.8%	11.5%	9.5%	6.0%	6.2%	5.9%
Costs of sales	1,026	1,141	1,175	1,347	1,109	1,207	1,264	1,381	1,194	1,266	1,334	1,445	1,263	1,334	1,378	1,494	4,689	4,961	5,238	5,469	5,788
Gross profit (non-GAAP)	866	999	1,198	1,359	1,062	1,196	1,292	1,467	1,151	1,260	1,375	1,553	1,270	1,377	1,467	1,648	4,422	5,017	5,340	5,761	6,107
Gross margin (non-GAAP)	45.8%	46.7%	50.5%	50.2%	48.9%	49.8%	50.5%	51.5%	49.1%	49.9%	50.8%	51.8%	50.1%	50.8%	51.6%	52.4%	48.5%	50.3%	50.5%	51.3%	51.3%
Total operating expenses	492	502	522	537	530	555	551	597	564	583	585	613	618	620	620	624	2,053	2,233	2,345	2,481	2,578
Operating earnings	374	497	676	822	532	641	741	870	587	677	790	940	652	756	847	1,024	2,369	2,784	2,995	3,280	3,530
Operating margin (non-GAAP)	19.8%	23.2%	28.5%	30.4%	24.5%	26.7%	29.0%	30.5%	25.0%	26.8%	29.2%	31.4%	25.7%	27.9%	29.8%	32.6%	26.0%	27.9%	28.3%	29.2%	29.7%
Total other expense	(26)	(40)	(35)	(36)	(39)	(44)	(32)	(31)	(21)	(37)	(44)	(57)	(40)	(55)	(47)	(46)	(137)	(146)	(159)	(188)	(151)
Net earnings before income taxes	348	457	641	786	493	597	709	839	566	640	746	883	611	702	801	978	2,232	2,638	2,836	3,092	3,379
Income tax expense	53	102	126	167	108	137	161	170	130	150	175	208	141	161	184	225	448	576	664	711	777
non-GAAP net earnings	295	355	515	619	385	460	548	669	436	490	571	676	471	540	616	753	1,784	2,062	2,172	2,381	2,602
Less: Earnings attributable to non-controlling interests	1	1	1	1	1	2	1	1	1	1	1	1	1	1	1	1	4	5	4	4	4
Net earnings attributable to Motorola Solutions, Inc.	294	354	514	618	384	458	547	668	435	489	570	675	470	539	615	752	1,780	2,057	2,168	2,377	2,598
Net margin, attributable to Motorola Solutions, Inc. (non-GAAP)	15.5%	16.5%	21.7%	22.8%	17.7%	19.1%	21.4%	23.5%	18.6%	19.4%	21.0%	22.5%	18.5%	19.9%	21.6%	23.9%	19.5%	20.6%	20.5%	21.2%	21.8%
Diluted Earnings per common share (non-GAAP)	1.70	2.07	3.00	3.60	2.22	2.65	3.19	3.90	2.53	2.86	3.34	3.95	2.75	3.15	3.60	4.39	10.36	11.95	12.67	13.89	15.41
Weighted average common shares outstanding, diluted	173.1	170.9	171.5	171.9	172.6	172.6	171.7	171.5	172.0	171.0	170.9	170.7	171.1	171.1	171.2	171.2	171.9	172.1	171.1	171.1	168.6
Margin Analysis																					
Gross margin (non-GAAP)	45.8%	46.7%	50.5%	50.2%	48.9%	49.8%	50.5%	51.5%	49.1%	49.9%	50.8%	51.8%	50.1%	50.8%	51.6%	52.4%	48.5%	50.3%	50.5%	51.3%	51.3%
Operating margin (non-GAAP)	19.8%	23.2%	28.5%	30.4%	24.5%	26.7%	29.0%	30.5%	25.0%	26.8%	29.2%	31.4%	25.7%	27.9%	29.8%	32.6%	26.0%	27.9%	28.3%	29.2%	29.7%
Net margin, attributable to Motorola Solutions, Inc. (non-GAAP)	15.5%	16.5%	21.7%	22.8%	17.7%	19.1%	21.4%	23.5%	18.6%	19.4%	21.0%	22.5%	18.5%	19.9%	21.6%	23.9%	19.5%	20.6%	20.5%	21.2%	21.8%
Effective tax rate (non-GAAP)	15.2%	22.3%	19.7%	21.2%	21.9%	22.9%	22.7%	20.3%	23.0%	23.5%	23.5%	23.5%	23.0%	23.0%	23.0%	23.0%	20.1%	21.8%	23.4%	23.0%	23.0%
YoY Growth																					
Net sales	6.7%	8.6%	12.6%	16.6%	14.7%	12.3%	7.7%	5.2%	8.0%	5.1%	6.0%	5.3%	8.0%	7.3%	5.0%	4.8%	11.5%	9.5%	6.0%	6.2%	5.9%
Gross profit (non-GAAP)	0.0%	4.2%	14.0%	14.4%	22.6%	19.7%	7.8%	7.9%	8.4%	5.4%	6.5%	5.9%	10.3%	9.2%	6.6%	6.1%	8.8%	13.5%	6.4%	7.9%	6.0%
Total operating expenses (non-GAAP)	8.1%	5.2%	5.2%	3.7%	7.7%	10.6%	5.6%	11.2%	6.4%	5.0%	6.2%	2.7%	9.6%	6.4%	5.9%	1.7%	5.5%	8.8%	5.0%	5.8%	3.9%
Operating earnings (non-GAAP)	-9.0%	3.1%	21.8%	22.7%	42.2%	29.0%	9.6%	5.8%	10.3%	5.7%	6.7%	8.1%	11.1%	11.7%	7.2%	9.0%	11.9%	17.5%	7.6%	9.5%	7.6%
Net earnings attributable to Motorola Solutions, Inc. (non-GAAP)	-9.3%	-1.4%	25.7%	24.3%	30.6%	29.4%	6.4%	8.1%	13.3%	6.7%	4.2%	1.0%	8.0%	10.3%	8.0%	11.5%	12.0%	15.6%	5.4%	9.6%	9.3%
Diluted Earnings per common share (non-GAAP)	-9.2%	-0.1%	27.6%	26.0%	31.0%	28.1%	6.3%	8.3%	13.7%	7.7%	4.7%	1.5%	8.6%	10.2%	7.8%	11.2%	13.2%	15.4%	6.0%	9.6%	11.0%
QoQ Growth																					
Net sales	-18.4%	13.1%	10.9%	14.0%	-19.8%	10.7%	6.4%	11.4%	-17.7%	7.7%	7.3%	10.6%	-15.5%	7.0%	5.0%	10.4%	-18.2%	8.4%	6.6%	12.3%	
Gross profit (non-GAAP)	-27.1%	15.4%	19.9%	13.4%	-21.9%	12.6%	8.0%	13.5%	-21.6%	9.5%	9.1%	12.9%	-18.2%	8.4%	6.6%	12.3%	-18.2%	8.4%	6.6%	12.3%	
Total operating expenses (non-GAAP)	-5.0%	2.0%	4.0%	2.9%	-1.3%	4.7%	-0.7%	8.3%	-5.5%	3.4%	0.4%	4.8%	0.8%	0.4%	-0.1%	0.7%	-5.0%	2.0%	4.0%	2.9%	
Operating earnings (non-GAAP)	-44.2%	32.9%	36.0%	21.6%	-35.3%	20.5%	15.6%	17.4%	-32.6%	15.4%	16.7%	19.0%	-30.7%	16.0%	12.0%	20.9%	-30.7%	16.0%	12.0%	20.9%	
Net earnings attributable to Motorola Solutions, Inc. (non-GAAP)	-40.8%	20.4%	45.2%	20.2%	-37.9%	19.3%	19.4%	22.1%	-34.9%	12.4%	16.6%	18.4%	-30.4%	14.8%	14.2%	22.2%	-30.4%	14.8%	14.2%	22.2%	
Diluted Earnings per common share (non-GAAP)	-40.5%	22.0%	44.7%	20.0%	-38.1%	19.3%	20.1%	22.3%	-35.1%	13.0%	16.7%	18.5%	-30.5%	14.8%	14.1%	22.2%	-30.5%	14.8%	14.1%	22.2%	
Cash Flow Analysis																					
Net cash provided by operating activities	152	10	388	1,273	(8)	93	714	1,245	295	490	683	756	860	517	339	756	1,823	2,044	2,224	2,472	2,757
OCF margin	8.0%	0.5%	16.4%	47.0%	-0.4%	3.9%	27.9%	43.7%	12.6%	19.4%	25.2%	25.2%	33.9%	19.1%	11.9%	24.1%	20.0%	20.5%	21.0%	22.0%	23.2%
Free cash flow	98	(49)	318	1,200	(62)	40	649	1,164	225	414	602	666	796	450	268	677	1,567	1,791	1,907	2,191	2,341
FCF per share	0.57	(0.29)	1.85	6.98	(0.36)	0.23	3.78	6.79	1.31	2.42	3.52	3.90	4.65	2.63	1.57	3.96	9.12	10.41	11.14	12.80	13.89
FCF margin	5.2%	-2.3%	13.4%	44.3%	-2.9%	1.7%	25.4%	40.9%	9.6%	16.4%	22.2%	22.2%	31.4%	16.6%	9.4%	21.6%	17.2%	17.9%	18.0%	19.5%	19.7%
Cash and cash equivalents	878	717	822	1,325	1,022	710	910	1,705	1,452	1,328	1,316	1,263	1,560	1,439	1,066	968	1,325	1,705	1,263	968	690
Total Debt	5,693	6,013	6,013	6,014	6,015	6,015	6,017	6,018	6,018	6,018	6,018	6,018	6,018	6,018	6,018	6,018	6,014	6,018	6,018	6,018	6,018
Net Cash	(4,815)	(5,296)	(5,191)	(4,689)	(4,993)	(5,305)	(5,107)	(4,313)	(4,566)	(4,690)	(4,702)	(4,755)	(4,458)	(4,579)	(4,952)	(5,050)	(4,689)	(4,313)	(4,755)	(5,050)	(5,328)

Source: BofA Global Research estimates, company report



Acronyms:

LMR - Land Mobile Radio

ESN - Emergency Services Network

PCR - Professional and Commercial Radio

Price objective basis & risk

Motorola Solutions (MSI)

Our \$370 PO is based on roughly 26x our 2025E P/E. The company is at a premium to communications equipment peers that trade on average between 10x-20x. We believe a premium to the valuation is warranted as the company is in a multi-year runway with its Video Security and Command Center markets, representing robust top-line and margin growth. As the company grows further into software and continues its optimization of supply, as well as employing additional operating levers, we believe the valuation can expand. The positives of Motorola's growth and long-term opportunities are also supported by solid margins.

Upside risks to our PO are: 1) faster-than-expected Video Security and Command Center revenue growth, 2) faster-than-expected Software and Services growth, 3) higher enterprise security revenue contribution, and 4) growth into new use cases and adjacent markets, such as business analytics.

Downside risks to our PO are: 1) deterioration in the funding environment, 2) regulatory and legal issues, 3) a decrease or shift in government budgeting, and 4) slowdown in new customer adoption and expansion deals.

Analyst Certification

I, Tomer Zilberman, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Telecom and Data Networking Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Akamai	AKAM	AKAM US	Madeline Brooks
	Amdocs	DOX	DOX US	Tal Liani
	Arista Networks	ANET	ANET US	Tal Liani
	Check Point Software Technologies	CHKP	CHKP US	Tal Liani
	Ciena	CIEN	CIEN US	Tal Liani
	CrowdStrike Holdings Inc.	CRWD	CRWD US	Tal Liani
	CyberArk	CYBR	CYBR US	Tal Liani
	Fastly	FSLY	FSLY US	Madeline Brooks
	Fortinet	FTNT	FTNT US	Tal Liani
	Gen Digital, Inc.	GEN	GEN US	Jonathan Eisenson
	InterDigital, Inc.	IDCC	IDCC US	Tal Liani
	Motorola Solutions	MSI	MSI US	Tomer Zilberman
	Qualcomm	QCOM	QCOM US	Tal Liani
	Zscaler	ZS	ZS US	Tal Liani
NEUTRAL				
	Cellebrite	CLBT	CLBT US	Tal Liani
	Cisco Systems	CSCO	CSCO US	Tal Liani
	Palo Alto Networks	PANW	PANW US	Tal Liani
	SentinelOne, Inc.	S	S US	Tal Liani
UNDERPERFORM				
	Cloudflare	NET	NET US	Madeline Brooks
	CommScope	COMM	COMM US	Tal Liani
	F5 Inc	FFIV	FFIV US	Tal Liani
	Okta Inc	OKTA	OKTA US	Madeline Brooks
	SecureWorks	SCWX	SCWX US	Tal Liani

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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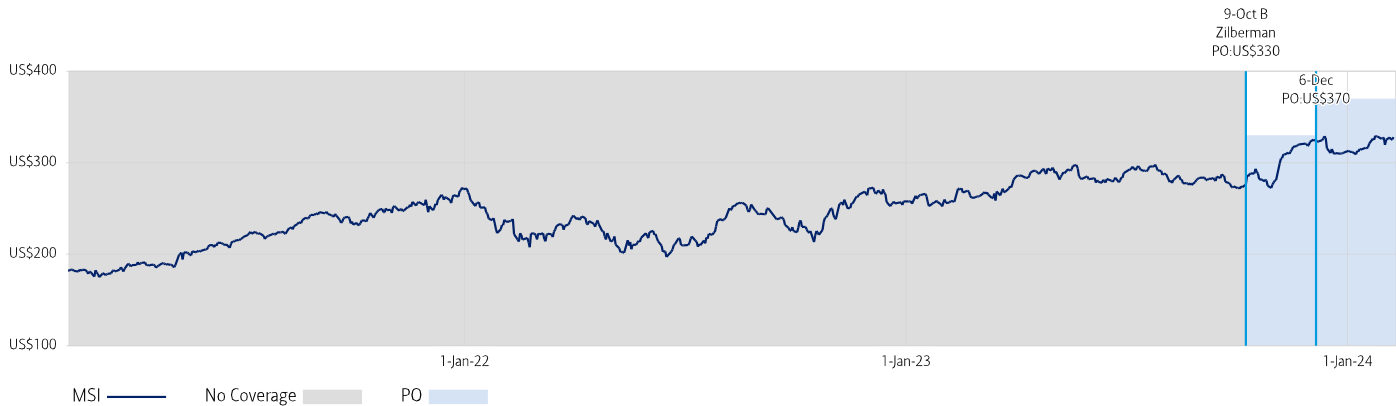
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Disclosures

Important Disclosures

Motorola Solutions (MSI) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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