



MOTOROLA SOLUTIONS

Q2 2025 Earnings Conference Call
Thursday, August 7, 2025

PARTICIPANTS

Motorola Solutions, Inc. Executive Participants

Tim Yocum – Vice President, Investor Relations
Greg Brown – Chairman & Chief Executive Officer
Jason J. Winkler – Executive Vice President & Chief Financial Officer
Jack Molloy – Executive Vice President & Chief Operating Officer
Mahesh Saptharishi – Executive Vice President & Chief Technology Officer

Other Participants

Joseph Cardoso – Analyst, JP Morgan Securities LLC
Andrew Spinola – Analyst, UBS Securities LLC
Keith Housum – Analyst, Northcoast Research Partners LLC
Tim Long – Analyst, Barclays Capital, Inc.
Meta Marshall – Analyst, Morgan Stanley & Co. LLC
Amit Daryanani – Analyst, Evercore Group LLC
Ben Bollin – Analyst, Cleveland Research Co. LLC
Tomer Zilberman – Analyst, BofA Securities, Inc.
Louie DiPalma – Analyst, William Blair & Co. LLC

MOTOROLA SOLUTIONS, INC. MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and thank you for holding. Welcome to the Motorola Solutions' Second Quarter 2025 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 posted on the Motorola Solutions' Investor Relations website. In addition, a webcast replay of this call will be available on our website within three hours after the conclusion of this call. The website address is www.motorolasolutions.com/investors. All participants have been placed in a listen-only mode. You will have an opportunity to ask questions after today's presentation.

[Operator Instructions]

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

Tim Yocum, Vice President, Investor Relations

Good afternoon. Welcome to our 2025 second quarter earnings call. With me today are Greg Brown, Chairman and CEO; Jason Winkler, Executive Vice President and CFO; Jack Molloy, Executive Vice President and COO; and Mahesh Saptharishi, Executive Vice President and CTO. Greg and Jason will review our results along with commentary, and Jack and Mahesh will join for Q&A.

We've posted an earnings presentation and news release at motorolasolutions.com/investors. These materials include GAAP to non-GAAP reconciliations for your reference. During the call, we'll reference non-GAAP financial results, including those in our 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, in the comments made during this conference call, in the Risk Factors section of our 2024 Annual Report on Form 10-K or any Quarterly Report on Form 10-Q 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 will turn it over to Greg.

Greg Brown, Chairman & Chief Executive Officer

Thanks, Tim, and good afternoon and thanks for joining us today. I'll begin with a few thoughts of the business before turning it over to Jason. First, Q2 was another outstanding quarter with record Q2 revenue and earnings per share that exceeded our guidance as we continue to see strong customer demand across all areas of the business. Revenue was up 5% in the quarter, highlighted by 15% growth in Software and Services. We also expanded operating margins by 80 basis points, which led to record Q2 operating earnings and strong operating cash flow growth, which was a record for the first half of this year.

Second, investments in public safety and security continue to be a priority for our customers, highlighted by our record Q2 orders, up 27% versus last year, inclusive of 10% growth in products. We also ended the quarter with over \$14.1 billion of backlog, including \$10.7 billion of Software and Services backlog, which is our highest S&S backlog ever, and up \$1 billion versus last year.

And finally, based on our strong Q2 results and our increased expectation for the remainder of the year, we're raising our full year guidance for sales, earnings per share, and operating cash flow.

Now, I'll turn the call over to Jason, who will take us through the results and outlook before I return for some final thoughts.

Jason J. Winkler, Executive Vice President & Chief Financial Officer

Thank you, Greg. Revenue for the quarter grew 5% and was above our guidance with growth in all three technologies. Foreign currency tailwinds during the quarter were \$9 million, while acquisitions added \$39 million. GAAP operating earnings were \$692 million, or 25% of sales, up from 24.5% in the year ago quarter. Non-GAAP operating earnings were \$818 million, up 8% from the year ago quarter. And non-GAAP operating margin was 29.6%, up 80 basis points, driven by higher sales and improved operating leverage.

GAAP earnings per share was \$3.04, up from \$2.60 in the year ago quarter. Non-GAAP EPS was \$3.57, up 10% from \$3.24 last year, driven by higher sales and operating margins, as well as a lower diluted share count in the current year. OpEx in Q2 was \$615 million, up \$22 million versus last year, primarily due to acquisitions.

Turning to cash flow. Q2 operating cash flow was \$272 million, up \$92 million versus last year, and free cash flow was \$224 million, up \$112 million. The increase in year-over-year cash flow was primarily driven by higher earnings and

improved working capital. And for the first half of the year, operating cash flow was a record \$783 million, up 39% versus the first half of 2024.

For the full year, we're raising our operating cash flow expectations to \$2.75 billion, up 15% from last year and is inclusive of \$75 million of transaction fees related to the Silvus acquisition as well as incremental interest to financing the deal.

Capital allocation for Q2 included \$218 million in share repurchases at an average price below \$415 a share, \$182 million in cash dividends, and \$48 million of CapEx. And subsequent to the quarter end, we closed the Silvus acquisition for \$4.4 billion of upfront consideration, which was primarily funded through \$2 billion of long-term notes that we issued in Q2, and \$1.5 billion of new term loans drawn subsequent to quarter-end. The remaining consideration of \$900 million was settled through a combination of cash on hand and issuance of commercial paper.

Moving to our segment results in Products & SI, sales of \$1.7 billion was flat compared to the year prior, while operating earnings of \$442 million, or 26.7% of sales, was comparable, inclusive of additional tariff costs and the continued investments in video during the current year, offset by lower material costs.

Some notable Q2 wins and achievements in this segment include an \$82 million P25 system upgrade for tri-county systems in the St. Louis region, a \$30 million P25 device order for the City of Miami, Florida, a \$22 million P25 system upgrade for the State of Michigan, a \$15 million fixed video order for a US federal customer, and an \$11 million P25 device order for the Las Vegas Metro Police Department.

In Software and Services, revenue was up 15% compared to last year, driven by strong growth across all three technologies. Revenue from acquisitions was \$39 million in the quarter. Operating earnings in the segment were \$376 million, or 33.8% of sales, up from 32.3% last year, driven by higher sales and improved operating leverage, partially offset by acquisitions.

Some notable Q2 highlights in S&S include: a \$44 million Command Center order for a US state and local customer, a \$29 million P25 system upgrade and LMR services order for the City of Chicago, a \$12 million LMR cybersecurity order for the State of Victoria, Australia, an \$11 million LMR services order for the State of New Mexico, and finally, a \$9 million LMR services order for a US federal customer.

Looking next at our regional results, North America Q2 revenue was \$2 billion, up 6% on growth in all three technologies. International Q2 revenue was \$738 million, up 4% versus last year, driven by growth in LMR.

Moving to backlog, ending backlog for Q2 was \$14.1 billion, up \$150 million versus last year and up \$19 million sequentially driven by strong demand, including record Q2 orders which were up double-digits in both of our segments.

In the Products & SI segment, ending backlog decreased \$902 million versus last year and \$172 million sequentially due to continued strong LMR shipments. In Software and Services, backlog increased \$1 billion compared to last year and \$191 million sequentially, driven by strong demand for multiyear contracts across all three technologies and the impact of foreign currency, partially offset by revenue recognition for the U.K. home office.

Turning next to our outlook, we expect Q3 sales growth of approximately 7%, with non-GAAP EPS between \$3.82 and \$3.87 per share. This assumes a weighted average diluted share count of approximately 169 million shares and an effective tax rate of approximately 24%.

For the full year, we now expect revenue of approximately \$11.65 billion, or 7.7% growth, up approximately \$250 million from our prior guidance of 5.5% growth, and expect non-GAAP EPS between \$14.88 and \$14.98 per share, up from our prior guidance of \$14.64 to \$14.74. This full year outlook assumes an effective tax rate of approximately 23%, which is unchanged, and now assumes a weighted average diluted share count of approximately 169 million shares.

Before I turn the call back to Greg, I'd like to share a few thoughts regarding the Silvus transaction. First, when we announced the transaction in May, we shared the strong financial profile of Silvus with expectations of \$475 million of full year 2025 revenue at approximately 45% adjusted EBITDA margins. Our full year outlook assumes \$185 million of revenue contribution from Silvus this year, representing the stub period following the transaction close yesterday. It also assumes that Silvus will be slightly dilutive for EPS in Q3 and neutral for 2025.

Second, as it relates to our three technologies, we are expanding our LMR technology category to include Silvus under the new name of mission-critical networks, or MCN. With the inclusion of Silvus, this year, we expect MCN to grow mid-single-digits. And from a segment perspective, the majority of the business will be reported under Products and Systems Integration.

And finally, our balance sheet remains strong. Following the acquisition of Silvus and the financing plan I described earlier, and all three rating agencies have affirmed our BBB level ratings, we maintain a balanced maturity profile with approximately eight years of duration and an average coupon of just under 4.6% on our senior notes. Strong growth in our earnings power and cash generation has significantly expanded our leverage capacity, which we expect to continue to grow with Silvus, providing us flexibility to deliver on our capital allocation framework, which includes share repurchases, as well as additional acquisitions.

With that, I'd like to turn the call back to Greg.

Greg Brown, Chairman & Chief Executive Officer

Thanks, Jason. First, I'm very pleased with our Q2 results, which highlight the durability of our business and the strength of our portfolio. We continue to invest both organically and inorganically in solutions that are continuing to provide us with sustainable long-term growth. Some recent examples include our announcement of SVX, which is a first-of-its-kind video remote P25 speaker mic that converts to secure voice, video, and AI and eliminates the need for a separate body-worn camera.

We started shipping SVX just a few weeks ago, and the customer feedback has been strong. Since the launch, we've received orders from over 30 agencies, with the majority coming from customers that do not currently use a Motorola body camera, highlighting the opportunity we have to capture future market share in the US public safety body-worn camera space.

In drones and unmanned systems, we've made several investments this year that allow us to capitalize on this fast-growing space. With our acquisition of Silvus, we're now a leader in mobile ad-hoc networks, which provides the high-

speed, infrastructure-less communications backbone for unmanned systems in the air, on the ground, and in the water that have become increasingly important in today's defense environment, as well as border security and public safety.

In drone as a first responder, our strategic alliance with BRINC provides us with an American-made, purpose-built, public safety drone that allows customers to reduce emergency response times and deliver critical supplies to those in need. And in drone detection, our alliance with SkySafe integrates their advanced solutions into our Command Center software and allows customers to detect, identify, track and analyze drone activity.

And finally, we've introduced our next-generation ASTRO P25 LMR infrastructure, featuring our D-Series base stations and AXS consoles, which bring many benefits, including increased capacity, improved energy efficiency, and greater interoperability through leveraging complementary technologies such as low earth orbit satellites.

We received several large orders this quarter, including from the St. Louis tri-counties, in the State of Michigan, and we're building a strong pipeline of large, multiyear network refresh opportunities with expanded scope in Software and Services that we expect to convert to orders over the next several years.

Second, I'm very encouraged by our differentiated approach to AI. We began utilizing AI when we entered the fixed video space several years ago to solve complex video security problems, with AI-enabled cameras and video management software, and it continues to be an important driver of growth in video software, which actually grew 25% in Q2 and has grown over 20% annually over the last five years.

Our investments in AI have continued to expand, and just a few months ago, we announced our public safety AI platform, Assist, which is built around the objective of helping everybody involved in the incident workflow from 911 call takers to frontline responders, make better decisions and save precious time.

This comprehensive approach allows us to do things no one else is doing in key areas such as AI-assisted report writing, where our AI solution leverages a holistic view of the incident, including the 911 call, dispatch and responder voice communications, as well as body-worn video recording.

When implementing AI, we're also making sure that we continue to build trust both with our customers and the communities they serve, which is reflected in our recent launch of AI labels, an industry first. These labels provide transparency as to what, how, and where AI is used in customer workflows, which is a critical step in the path of product trust and adoption, and further differentiates us from our competitors in this area.

And finally, I'm very excited about the Silvus acquisition, which is the culmination of discussions that lasted more than a year. When allocating capital for acquisitions, we remain committed to a very disciplined approach, prioritizing long-term value creation for our shareholders.

With Silvus, we're acquiring a technology leader in a rapidly growing industry that's seen impressive customer adoption and has a very strong financial profile. Their business complements our leadership in LMR and video and provides us with opportunities to leverage our strong customer relationships.

Additionally, I'm particularly excited about the exceptional engineering and technical talent that the Silvus team brings us, and I look forward to working closely with them to drive meaningful revenue and earnings growth for years to come.

And with that, I'll turn the call over to Tim and open it up to questions.

Tim Yocum, 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 to 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 is from Joseph Cardoso with JPMorgan. Your line is now open.

Joseph Cardoso

Analyst, JPMorgan Securities LLC

Hey. Good afternoon, everyone. Thanks for the question. Greg, maybe I just wanted to start off. Last quarter, you put out this mid-3s product – mid-\$3 billion product backlog bogey out there for year-end, and, which based on the 2Q orders looks like you're well on track to, maybe you can just take a moment and talk about like on a product level, where you're seeing this growth in the product orders across your portfolio?

Obviously, it sounds like the P25 devices are doing well. You mentioned a couple of deals on the base stations, as well as anything else that you can think of that you think is really driving the momentum there. And then, as you kind of think about that bogey that you put out for year-end, how are you feeling about momentum, tracking towards that bogey, and particularly, any updates, just given now that you have Silvus under the belt, and it sounds like that's going to be levered towards product side? Thank you and then I have a follow-up.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Yeah. So Joe, in regards to the ZIP code of mid-3s in product backlog, which I mentioned last quarter, if anything, I feel as good, I actually feel better about that. And just to be clear, that color did not include anything associated with Silvus. So, I still feel very good about the mid-3s, even better than I did in May. And you're right, coming out of Q2 with 27% record orders, 10% of that in products, I feel really good about that.

I think the strong Q2 orders was driven on the product side by LMR device refresh, by LMR infrastructure, and the ASTRO Next D-Series and AXS consoles. I mentioned, we've also had strong fixed video orders, and one of the largest Fed orders we've ever had in regards to Silent Sentinel. So it was multi-product.

And on Software and Services, we had one of our largest Command Center orders ever at \$44 million. So it was across the board, really good strength coming out of Q2, which further supplements even more confidence in the "mid-3s" are slightly better.

Joseph Cardoso

Analyst, JPMorgan Securities LLC

No. I appreciate the thoughts there. Sounds wonderful. And maybe as my second question, it's more of a big picture question. Like, obviously, it's been like a little bit more than a month since we've had the Beautiful Bill get passed, there's various programs in Europe that are aiming funds towards areas that look ripe for Motorola, particularly now with Silvus under the covers here.

So just maybe one, curious, as you look across these opportunities, where are you feeling most excited about? And then in both the US as well as internationally, and if there's any difference between like the opportunities between the two areas? And then two, how do you think investors should think about the timing around these opportunities materializing from Motorola? And then, I mean, just to kind of hit it on the nose, are you seeing any of these opportunities trickling into your orders today?

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Trickling into what?

Joseph Cardoso

Analyst, JPMorgan Securities LLC

Orders.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Okay. So let's start with Silvus. I mean, look, we love Silvus. We spent a lot of time on it as a team. I've heard from some people that said, this thing actually looks too good to be true, and we spent a lot of time on it, and we love the fact that it's a market leader. We love the fact that it was the tip of the sphere and has been tested from an efficacy and a performance and a scale standpoint in Ukraine.

We expect Silvus to grow about 20% in 2026. It's EPS neutral for the stub period this year, and we expect it to be at least \$0.20 accretive in 2026. And I love the fact that, look, Silvus powers a number of defense and military drone platforms, including Anduril and AeroVironment, and it's certified with over 100 leading manufacturers.

When I think about the revenue contribution, particularly around Ukraine and Silvus, you mentioned Europe and International, we expect the revenue from Ukraine as it relates to Silvus revenue expectations this year to be less than 15% of overall revenues, and we expect Ukraine revenue for Silvus next year to be even less than that.

So I like the fact that it's driven by a wide base of US defense, ex-Ukraine and unmanned systems, and I think there'll be a lot of attention and interest in European allies to invest in technologies that I think Silvus will be front and center as an opportunity. As it relates to the One Big Beautiful Bill, and maybe, Jack, you might want to talk about that a little bit?

Jack Molloy

Chief Operating Officer & Executive Vice President, Motorola Solutions, Inc.

Sure, Joe. I think the first thing I'd address is, think of the One Big Beautiful Bill, it's funding over the next four years. So it's a four-year horizon, and it's good news for Motorola.

From a DoD standpoint, they've increased funding \$150 billion, which would have been good before, but it's even better now that we've acquired Silvus, and as Greg just articulated, their defense, border, and unmanned systems trajectory. Also, there's money in there, another \$70 billion for Customs and Border, a big customer of ours, as well as ICE, another \$75 billion, a lot of that funding is being directed at refreshing technology, both video, secure communications and services as well.

The last thing I'd say, which probably has been underappreciated, is for our enterprise customers. Think of our PCR channel, the accelerated depreciation of CapEx provides them an opportunity to go talk to manufacturing, healthcare customers, and the like, and go talk about refreshing their network and some of the tax benefits that they have.

So we're excited about the One Big Beautiful Bill. I would add the final piece of it is the timing of it, given it was signed on July 4, and that there's a 90-day window, we're expecting some of that funding to actually kick in, in early Q4 this year, and that's implied in our guide.

Joseph Cardoso

Analyst, JPMorgan Securities LLC

Yeah. Got it. Thank you, Greg. Thank you, Jack. Appreciate all the color.

Operator: The next question is from the line of Andrew Spinola with UBS. Your line is now open.

Andrew Spinola

Analyst, UBS Securities LLC

Thank you. I want to follow-up on the question on Silvus. The question I've gotten mostly is people are trying to understand why Silvus, and it's interesting – it reminds me a little bit about Avigilon, because when you made that acquisition, it wasn't clear why you wanted to be in video, and it obviously became a much bigger part of public safety.

So are you thinking about Silvus that way? Do you see this technology becoming something much bigger to public safety, and it's going to be incorporated into your LMR technology longer term? Or is this a new avenue that you're going down, and we're going to see you investing more in defense tech and acquiring more, and creating a new business line? How should we think about it?

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Yeah, Andrew, I think about it as, first, I love the fact that it's a market leader. And it's a market leader that gives us exposure to a market we don't participate in today, unmanned systems in the air, in the water, on the ground.

So it's new.

Having said that, it's video and data centric. So it's all about ad-hoc, high-speed, infrastructure-less mobile and data and video communications. We see it in defense. We see it on border security. Obviously, to your point, we see it in mission-critical deployments, primarily on the battlefield and adjacencies where there's intense conflict, but having said that, we also see it as complementary, complementary to LMR and complementary to video.

We lead in land mobile radio infrastructure and devices. This gives us an opportunity to lead in infrastructure-less ad-hoc mesh networks. Given both Silvus and our heritage in LMR, have a radio frequency or RF centrality, I like the fact that I think there's a one-plus-one equals three proposition in terms of expansion to new markets.

This is a great, great product. I think one of the limiting factors of their growth is their ability to reach outside the United States and capitalize on a global footprint where, like in Motorola Solutions, Molloy has people in dozens and dozens and dozens of countries.

So I think in the federal business, internationally, it's a new market, but I also think of it as complementary as well to LMR and video. And maybe you want to talk Mahesh, a little bit about the thinking not just in what they do today, but some of the possibilities going forward.

Mahesh Saptharishi

Executive Vice President & Chief Technology Officer, Motorola Solutions, Inc.

So besides really offering highly resilient communication, the other element of Silvus is spectrum monitoring, and it's probably very important to talk about it in the context of drones, being able to detect drones in this case. So as part of our overall drone strategy, the ability to detect drones, not just with radar, which is the most common way of detecting drones today, but also through RF, we believe, really enhances and positions us very uniquely in that space.

The other very important element about Silvus is that it's – and Greg mentioned this, it's data-oriented communication, and it allows for any IP device to be attached to it, including cameras. So we believe that there's an opportunity there with cameras as well that's coming in the future.

Jack Molloy

Chief Operating Officer & Executive Vice President, Motorola Solutions, Inc.

So the only thing I'd add, and as we've discussed, Greg, is that similar to Motorola Solutions, our LMR business, as well as our video security business, there's an opportunity to add recurring revenues by way of service providing, just given the nature of the customer base as well.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

I agree.

Andrew Spinola

Analyst, UBS Securities LLC

Perfect. Thank you very much.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Thanks, Andrew.

Operator: The next question is from the line of Keith Housum with Northcoast Research.. Your line is now open.

Keith Housum

Analyst, Northcoast Research Partners LLC

Good afternoon, guys. Hey, question for you on, maybe a little bit off the wall here, but the base station that you guys are introducing here. I can't remember perhaps last time you actually introduced a new base station here, and is there a pent-up demand here that could perhaps be a little bit more of a growth driver than some of us are thinking here?

Jack Molloy

Executive Vice President & Chief Operating Officer, Motorola Solutions, Inc.

Yeah. So you're right, Keith. I think you're jogging my memory here, but I think it was probably about 12 years ago that we last had our base station, but the D-Series, which we're talking about, does a few things.

Number one, better capacity, provides better coverage, but also it leverages less capacity. So think of it as a green base station, less energy consumption, which a lot of our customers have been asking for. It also adds a layer of redundancy with low earth orbit capability to extend in certain places. But we're really pleased.

And I think, as Greg said, we've got a few big wins out of the gate. We had wins with the State of Michigan, who is one of the largest LMR customers. And the way to think about it is we've got significant footprint of statewide, countywide, citywide networks that all need now to be refreshed. It will be a multiyear phenomenon in terms of that growth.

The other thing to think about is this continues to build – this continues to extend our capabilities and need for us to deliver more services for our customers, meaning cybersecurity services, which are up substantially for us this year as, well as new software monetization services for the new D-Series base station.

The last piece of it, we're really pleased is the AXS, which gives us a new dispatch console through these investments we've made. And an example of that is the City of Chicago, really proud. Our hometown, we went and displaced a competitor and had a significant pickup in a Command Center win by way of AXS Console. So again, great opportunity for us. I think it's multiyear horizon, but also lends itself to new service selling capabilities as well.

Jason J. Winkler

Executive Vice President & Chief Financial Officer, Motorola Solutions, Inc.

And Keith, most of our customers are on software agreements that keep them current and ready. What this opportunity presents is in a hardware refresh with a lot of attributes. And to Jack's point, comes with yet another opportunity to sell them additional Software and Services around that new hardware. So we view it as benefiting us long-term for sure.

Keith Housum

Analyst, Northcoast Research Partners LLC

Great. Appreciate it. And then if I can just ask one follow-up question on the backlog. Obviously, there's a lot of focus on that recently, but how do we look at the backlog of the makeup of that? Is it similar to the disaggregation of revenue you guys have in the presentation here? Or is there a different mix we should be thinking about within that backlog?

Jason J. Winkler

Executive Vice President & Chief Financial Officer, Motorola Solutions, Inc.

Well, most of the backlog within S&S, Services and Software comes from LMR. So I'd say the power hitter in our backlog contribution, particularly for S&S is LMR because of the nature of our long-term contracts and the Services and Software business that we've built over the years. That would be one indicator. And then the size of LMR includes, even in products, it's our largest business. So I think those two things give you some insights around the makeup of backlog.

And to Greg's point earlier, as we began the year, we expected quick-turn to accelerate, and it's done that with our record Q2 orders and 10% growth in products, and we expect that growth to continue into the second half. That's long been a part of our outlook, and our outlook has improved.

Keith Housum

Analyst, Northcoast Research Partners LLC

Helpful. Thank you.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Thanks, Keith.

Operator: The next question is from the line of Tim Long with Barclays. Your line is now open.

Tim Long

Analyst, Barclays, Inc.

Thank you. Two quick ones, if I can. Greg, you talked about SVX and some of their early momentum. Understanding it's only been out a month or so. Could you guys talk a little bit about what you think that will do

from a revenue ramp perspective as well as impacting maybe the upgrade cycle to APX NEXT, number one.

And number two, if you can talk about the video business, still strong growth there, very much driven by the software side. The hardware piece of that still kind of flat to low-single-digit type of growth. I get there is a cloud impact, but maybe can you just touch a little bit on the product side there and what we could expect to see to potentially reaccelerate growth there? Thank you.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Yeah. Just on the SVX, and Jack and Mahesh can jump in, but as I mentioned, first of all, I'd say the orders are outpacing our expectations. That's number one. Number two, I love it because we're not selling a product per se, we're selling an ecosystem. And that's just not hyperbole, but SVX is anchored and runs off of an APX NEXT.

We upgraded that device. We upgraded it to dual banded to include LTE, 4G or 5G, to get all the benefits of a dual-banded radio and you see us enhancing that.

We're driving more applications and recurring revenue off of the APX NEXT, and now we have the speaker mic, which is tied to every radio we sell virtually, and it displaces the need for a body camera. It's kind of like if you want an iPod, buy a body camera. But if you want a multi-dimensional full function device, you would just go with SVX. And SVX is really an ingestion point that does a lot more than just body cam, which is why I referenced earlier, it's the tipping point that ingests more information on situational awareness, AI around dispatch information, around 911, audio logs, around the radio P25 system, as well as the body cam video.

So it does more than that. And I like the early traction. It will take time. I also like the fact that we're right in the middle of going through FedRAMP certification process. So that continues to go well, and I'm optimistic about the timeline for that, which will, in turn, open up more opportunities for us as well.

Jason J. Winkler

Executive Vice President & Chief Financial Officer, Motorola Solutions, Inc.

Greg, the rest of the portfolio, as I think about internationally and the body-worn cameras that we've been refreshing. We've made some pretty significant wins in Romania, Scotland, France, Bulgaria, and a number of agencies in the U.K. So our international body-worn camera business, which is not SVX attached APX NEXT, which is more North America...

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Right.

Jason J. Winkler

Executive Vice President & Chief Financial Officer, Motorola Solutions, Inc.

...continues to do well also.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

I agree.

Mahesh Saptharishi

Executive Vice President & Chief Technology Officer, Motorola Solutions, Inc.

I agree. And perhaps the last thing I'll say on SVX, is we believe we're creating a new category here. This is a body-worn assistant versus a body-worn camera. It's not just recording evidence. It is all about capabilities like translation, and SVX is a gateway into Assist. So you can ask questions about either situational awareness questions, it's integrated to Assist Chat. So at the end of the day, we're creating a new category here, it's not just a body-worn camera.

Jack Molloy

Executive Vice President & Chief Operating Officer, Motorola Solutions, Inc.

And I think, Tim, the last piece of it is just related to the fixed video business. Really pleased with our Q2 performance. And I'd say refreshed portfolio largely with Alta, Alta leading the engine, meaning our cloud business driving that growth.

And I think we continue to see incremental investments we make in our go-to-market team continue to expand our reach, not only here in the US and in Canada, but also overseas. We've made surgical investments in Europe and in Australia, and we're starting to see the benefits of those investments that we've made there as well.

Jason J. Winkler

Executive Vice President & Chief Financial Officer, Motorola Solutions, Inc.

And those investments continue to show up in higher software growth within video. While the category of video or the technology we expect to grow 10% to 12%, the software portion of that continues to grow much faster.

Tim Long

Analyst, Barclays, Inc.

Okay. Thank you, guys.

Operator: Our next question comes from Meta Marshall with Morgan Stanley. Your line is now open.

Meta Marshall

Analyst, Morgan Stanley & Co. LLC

Great. A couple of smaller questions for me. Just on, you guys have been talking about kind of the software transition, particularly on the video side of the business. Is that any meaningful headwind to revenue growth at this point, clearly kind of helping the backlog transition? So, just a question there. And then just second, kind of any update on APX NEXT adoption rates? Thanks.

Jason J. Winkler

Executive Vice President & Chief Financial Officer, Motorola Solutions, Inc.

So on cloud adoption within video, as Jack mentioned, we continue to see the fastest growth within our cloud platform of Alta. Orders are greater than sales. Although we're able to manage through the deferred revenue transition, we haven't outlined a number this year as to what that is, because we're managing through it and still printing significant growth. So I'd say cloud is on path in video. And then the second question in terms of APX NEXT adoption. Jack?

Jack Molloy

Executive Vice President & Chief Operating Officer, Motorola Solutions, Inc.

Yeah, sure. So APX NEXT, couple of things. Q2, let's start there, double-digit order growth with APX NEXT. We just spoke about SVX, but it's important to note that the SVX is exclusive to the APX NEXT family, which helps – which from the collaborative aspect there benefits both SVX as well as APX NEXT. The last thing that I would note that we talked about for is, it's also driving our application service business.

So for every APX NEXT radio, and we've got greater than 90% attachment rate, \$300 of radio and application services per year. So we continue to see the benefit. I think SVX has also been a tailwind in terms of customers making that conversion and looking to move from APX Original to APX NEXT.

Meta Marshall

Analyst, Morgan Stanley & Co. LLC

Great. Thank you.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Thanks, Meta.

Operator: Our next question comes from Amit Daryanani with Evercore ISI. Your line is now open.

Amit Daryanani

Analyst, Evercore ISI

Yep. Thanks. And I just have two as well. Maybe to start with operating margins came in better than our and street expectations. So can you just touch on, A, what the tariff headwinds were in the quarter for you folks? And then B, just what's the durability of the leverage that helped the operating margins here?

Jason J. Winkler

Executive Vice President & Chief Financial Officer, Motorola Solutions, Inc.

Yeah. Thank you. So gross margins were up on higher S&S sales and operating margins were up on both

margins in S&S as well as leverage elsewhere. So, an update on tariffs. We are estimating that this year's tariff impact will be about \$80 million, down from the \$100 million. That's in part due to mitigations and other things that have changed.

We began seeing the tariff impact in late Q2. Most of that \$80 million is in front of us in the second half. So the operating margin expansion that you saw didn't have a significant impact from tariffs. It was more core to the business on improved mix and S&S.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

And Amit, a quarter ago, we said gross margins would be comparable for the year. We now expect gross margins to be up year-on-year. And to your point on operating margin expansion, we envision about 100 basis points expansion year-over-year.

Jason J. Winkler

Executive Vice President & Chief Financial Officer, Motorola Solutions, Inc.

And that improvement is coming not just from the addition of Silvus, but from also the core business. Both are helping gross margins and operating margins this year.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Exactly.

Amit Daryanani

Analyst, Evercore ISI

Super helpful. And then maybe just shift gears a bit. Can you just talk about how do you think you're positioned to address sort of this growing focus in the unmanned systems market as you go forward? And how big do you think this can eventually become for you folks?

I get Silvus gives you a really good presence there. But I just want to understand like on a longer term, how big do you think this unmanned systems market can get? And then maybe somewhat specific, do you think Silvus enables you to participate in like some of the initiatives that the Pentagon has like replicator or DIU autonomy pushes are making? Thank you.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Well, Amit, let me just talk about the TAM first. We see the TAM for unmanned at about \$3 billion and growing – probably one of the fastest-growing TAMs we have now with the addition of Silvus now in portfolio. And we would expect that TAM not be surprised to double it in the next four years.

Mahesh Saptharishi

Executive Vice President & Chief Technology Officer, Motorola Solutions, Inc.

And maybe just focusing a bit on drones, per se. If you think about our drone strategy right now, we have three elements to it. There's drone as a first responder. This is our strategic alliance with BRINC in North America. We also have a solution for international. Given the increased FAA waivers in 2025, we see that as a significant force and that strategic alliance with BRINC, I think, is important. And we see our mission-critical networks, Silvus, in particular, also integrating with BRINC in that scenario.

For communications, we just talked about it. I think Silvus is dominant in terms of being able to be the most resilient communication mechanisms, low probability detection, low probability of intercept for drones, which I think is a key driver, and that continues to grow.

And finally, drone detection and forensics, we have a partnership with SkySafe. And as I mentioned before, with Silvus, we have the ability to detect drones, leveraging their spectrum monitoring functionality as well. So across those three things for drones as a specific instance of unmanned systems, that is our strategy there.

Operator: The next question is from the line of Ben Bollin with Cleveland Research Company. Your line is now open.

Ben Bollin

Analyst, Cleveland Research Co. LLC

Good afternoon, everyone. Thank you for taking the question. The first one, I'm interested in your thoughts on what the Silvus sales motion looks like. Could you maybe compare and contrast it to your existing sales motion? And any preliminary thoughts you have on getting your existing sales teams up to speed and out there accelerating this and driving more attached? And then I have a follow-up.

Jack Molloy

Executive Vice President & Chief Operating Officer, Motorola Solutions, Inc.

Sure. So their sales motion, it's amazing the success that that team has had. When we first started a year ago, they had a relatively small sales team that was largely focused in the US and some of the US sales resources focused outside the continental United States would call on bases, et cetera, in Europe and other points abroad. It's a direct sales motion largely, given the size and the strategic level of the selling process.

There's also an element of this that sells to, I think, as Jason or Greg articulated, that sells to the primes and the integrators, the Andurils, the AeroVironments, we're going to – so that's where it was. Where is it going to go? You heard Greg mention earlier, we're going to put a pretty concerted effort to have local resources in allied countries around the world. Anywhere where we're seeing a dial up in military exercise, we're going to quickly be putting salespeople over there. We've already invested in channel salespeople as well to get after new channels to sell the Silvus MANET software into those elements.

And I think the last component of it is lobbying. They have had limited resources in lobbying. We have a government affairs arm in D.C. We will be looking to address not only lobbying on the hill for probes for DoD, but also lobbying into the different branches of government, where I think we can articulate our story. It's US-made technology. It plays really well, I think, with where we want to go.

But yeah, so we're really excited. We've run this playbook before, when we got into the video space, I think it's a different playbook, a different end market, but it starts with just having a strategic idea of where we want to go, where we want to invest. And I think you'll quickly see that we're going to be making moves in the next coming weeks and months ahead there.

Ben Bollin

Analyst, Cleveland Research Co. LLC

Okay. That's great. I guess the follow-up, probably more for you, Jack. I'm interested a lot of the US states closed their fiscal year in June. How do you think budgets are coming together into fiscal 2026? Just any high-level thoughts on what you're hearing? I understand the orders have been exceptional. Just interested if you've got much visibility into incremental fiscal 2026 budgets at this point? Thank you.

Jack Molloy

Executive Vice President & Chief Operating Officer, Motorola Solutions, Inc.

Yeah, sure. So I think as you articulated record Q2 orders. We've raised our annual guide. But we just took a look because we now have a view to what the 26 state and local budgets look like. And the reality is we just went through this in detail with our strategy team a couple of weeks back. The budgets look very good. So the budget situation remains very strong.

The other piece of it that we always think about is we're a little different because we can tap 911 funds. We get the benefit of the increase in property taxes, sales taxes, because the reality is the selling environment is still good. And then we have income tax, and incomes are relatively steady. So across the board, the situation looks good, and I think that really advises our confidence in the back half of 2025 and beyond.

Ben Bollin

Analyst, Cleveland Research Co. LLC

Thank you.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Thanks, Ben.

Operator: [Operator instructions] The next question is from the line of Tomer Zilberman with Bank of America Securities. Your line is now open.

Tomer Zilberman

Analyst, BofA Securities, Inc.

Hey, guys. Question for you on the core LMR business. If I think about the long-term historical growth trajectory of this market, it's anywhere between 1% to 3%. In the last two quarters, you've been growing 3% to 4%. And I believe you previously guided for that similar type of growth rate, 3%, 4% for the rest of the year.

My question more so is, as we think about next year or the next few years, are these trends that you're talking about in regards to this ecosystem with APX NEXT and SVX and the other positive trends you're seeing enough to sustain these kind of above-market growth rates? Or do you think that these trends have a long enough tail that we might be more exposed to cyclical growth – fluctuations of growth over the next few years?

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Well, from a technology standpoint, as Jason mentioned already, we are relabeling LMR to MCN, mission-critical networks. And as a result, we now expect mission-critical networks, inclusive of LMR, to be mid-single-digits for this fiscal year.

We're obviously not going to comment yet on 2026. But I think that the strong Q2 orders print, the gaining confidence in the product backlog, even though it is transitioning more to a quick-turn business, but our confidence is incrementally higher than it was a quarter ago, i.e., vis-à-vis the mid-3s. I like that trend.

Now remember also, we're coming off of record years, last year and the year before. So we're – and as somebody earlier mentioned on the call, given the ecosystem that you just referenced, we're trying to drive more toward recurring revenue, toward more applications revenue, toward more revenue as a service.

So as long as we can continue a healthy, robust company-wide revenue growth and then continue our focus on operating expense, operating leverage, improved cash flow, operating margin expansion, and continuing to build backlog, particularly around multiyear services or recurring apps revenues, that's the profile we want for the firm. So we'll come in and out of quarters, we'll come in and out of years. But when we take a look where we are now and going forward, and I think of the long-term durability and the criticality of 13,000 networks for LMR that compose both critical infrastructure and enterprise as well as public safety, as well as North America and International.

And again, just to come back to Silvus. I love Silvus, because it's intelligent, high-growth, high-performance infrastructure. It can support lots of different drone platforms, lots of different drone manufacturers. We've had a lot of experience, and I have, in selling "devices or commodities." You could call the drone market, depending upon which one you define, as a commodity.

We've been very purposeful to invest where we think we can differentiate, where we think the revenues and the competitive advantage are sticky, and where we can build a competitive advantage and adjacency for public safety, critical infrastructure, and national security. That's the strategy we're implementing. And I feel good about it, and I definitely feel good about exiting Q2 and what we need to get done between now and the end of the year. And Tomer, as you know, we'll update you on next year in November.

Tomer Zilberman

Analyst, BofA Securities, Inc.

Got it. Maybe as a quick follow-up, just a housekeeping question. Apologies if I missed it earlier. Your guidance raise includes a mix of the Silvus acquisition, but also core improvements. Did you break out what you expect Silvus to contribute in Q3 versus Q4? I know you have this stub period going on, so any direction you can give us

would be helpful.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

So we're flowing through the Q2 beat. We're flowing through the improvement of FX, and we're articulating that Silvus is about \$185 million in the stub period of revenue for the remaining five months post-close. We haven't specifically broken out Q3, but...

Jason J. Winkler

Executive Vice President & Chief Financial Officer, Motorola Solutions, Inc.

If you want to use weeks, it's a pretty good approximation of where to put the \$185 million... weeks remaining.

Tomer Zilberman

Analyst, BofA Securities, Inc.

Got it. Thank you.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Thanks, Tomer.

Operator: Our final question today is from the line of Louie DiPalma with William Blair. Your line is now open.

Louie DiPalma

Analyst, William Blair & Co. LLC

Greg, Jason, Jack, Mahesh and Tim and Vicki, good afternoon and congrats on closing Silvus.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Hey, Louie. How are you doing? Thanks.

Louie DiPalma

Analyst, William Blair & Co. LLC

Great. I was wondering, does Silvus give you a competitive advantage for your drone as a first responder offering on the law enforcement side? Today, nearly all of Silvus revenue is for the battlefield, but it seems you can significantly enhance their first responder capabilities, especially at that scale. Or alternatively, do you today view Silvus as too powerful of a solution for law enforcement? So are you going to focus all of your efforts on the battlefield? What's the strategy there with the Silvus expansion?

Mahesh Saptharishi

Executive Vice President & Chief Technology Officer, Motorola Solutions, Inc.

Louie, I think in the near term, at least, our biggest limitation is going to be spectrum availability in North America, because we need to operate within a certain spectrum to be able to take advantage of Silvus' technology within drones, specifically licensed spectrum. So we think it'll happen, but it'll happen in the future. In the meantime the other important element of us supporting DFR operations is being able to track and being able to detect drones in air space. And that's where spectrum monitoring comes into play and being able to do that not just with radar, but also to do it with RF. I think that gives us the ability to integrate that as part of our DFR program while we figure out the spectrum challenges.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

And there are a couple of instances with public safety agencies in the US that have had spectrum waivers where they've been implemented and granted, Silvus has played a role there. So there's more we can do.

Jack Molloy

Executive Vice President & Chief Operating Officer, Motorola Solutions, Inc.

Yeah. And the other thing, I think the last thing I'd say is we can't sleep on the borders, because really, I think, as Greg said earlier, what Silvus does is Silvus basically builds a bridge to our LMR or the voice mission-critical networks to video, and they're going to secure the borders leveraging this technology. And with that, it's going to pull through video opportunities for us as well.

Louie DiPalma

Analyst, William Blair & Co. LLC

That makes sense. And Greg, you mentioned LEO satellite connectivity being integrated into your network. Can you elaborate further there? Or maybe Mahesh. Are you partnering with Starlink or FirstNet via AST SpaceMobile there?

Mahesh Saptharishi

Executive Vice President & Chief Technology Officer, Motorola Solutions, Inc.

So I think it's what Jack referred to in the context of our LMR infrastructure there, Louie. We will support LEO via our base stations, because I think that's the better way to attack redundancy and have high bandwidth connectivity with lower earth orbit satellites. And we are having conversations with all the appropriate LEO providers there to give us that flexibility.

Louie DiPalma

Analyst, William Blair & Co. LLC

Great. Thanks everyone.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Thanks, Louie.

Operator: This concludes our question-and-answer session. I'll now turn the floor over to Mr. Greg Brown, Chairman and Chief Executive Officer, for any additional comments or closing remarks.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Yeah. I just want to close and say thank you to all the people at Motorola and all of our partners, really pleased with the strong Q2 performance on revenue, earnings per share and cash, record Q2 orders, in particular, up 27%, as we talked about. And as was mentioned earlier on the call, it's fairly broad-based, the performance on record orders. So that's even more foundational and gives us even more confidence.

I'm pleased with the fact that midyear here, we're able to raise top line, bottom line and overall raising operating cash flow in the face of \$80 million of tariffs headwind, the majority of which is in the back half, and increased interest expense as well as \$75 million of fees associated with the Silvus acquisition and expanding gross margins and expanding operating margins.

So I'm excited about Q3 and Q4 and really excited about Silvus joining the firm. All the capabilities, engineering, technical talent, the sales organization that's coming over as well, I think it's going to be a great mix and a great team, and I'm excited about it. And I look forward to talking to everybody again in three months. Thanks for listening.

Operator: This does conclude today's teleconference. A replay of this call will be available over the Internet within three hours. The website address is www.motorolasolutions.com/investors.

We thank you for your participation, and ask that you please disconnect your lines at this time.
