



Buy: Motorola Solutions

NOVEMBER 2025

HOLDINGS UPDATE

JENSEN QUALITY GROWTH STRATEGY

The Jensen Quality Growth Investment Team added **Motorola Solutions** (ticker: MSI) to the **Quality Growth Strategy** with an initial weighting of 1%. As of November 30, 2025, the Strategy had 26 holdings.

Why We Like Motorola Solutions

Our thesis for Motorola Solutions ("Motorola") is driven by their strong business fundamentals' alignment with key tenets of the **Jensen Quality Growth Strategy's** investment selection process:

• Competitive Advantages

Economies of scale: Motorola dominates the radio market when it comes to mission critical (e.g., first responder) networks. This allows the company to out-invest competitors in research and development and maintain a leading edge in technology, while spreading costs across a wide base.

Switching-costs: Radio networks have longevity spanning decades and installing a new network would require redoubling the investment, an unlikely pursuit for those managing public budgets. This creates opportunity for Motorola to have years/decades-long services contracts that are unlikely to be displaced, resulting in consistent, recurring, and predictable revenue. There are also costs to switching devices. First-responders consider their radio to be among the most important pieces of equipment — it is the lifeline of a firefighter running into a burning building. While switching devices may seem insignificant, it can introduce frictions (e.g., users asking, "How do I turn this thing on?") that can literally mean life or death. The software pieces of the Video and Command Center businesses also create switching costs as software becomes embedded into client workflows.

Brand: Due to the aforementioned "mission critical" nature of devices, Motorola's decades-long history of reliably servicing first-responders create a high degree of trust when making procurement decisions.

• Earnings Stability

Motorola has stably grown revenue at compound annual growth rates (CAGRs) of 6.5% and 6.3% over the last 5- and 10-year periods. This has translated into adjusted earnings per share (EPS) CAGRs of 11.7% and 18.3% over those periods, demonstrating the significant operating leverage of the business model. The company maintains some leverage due to growth through acquisition; however, there is a demonstrated history of paying down debt, and maturities are laddered over the next decade with no single maturity above FY24's free cash flow. The average coupon is 4.6% and interest coverage is in the double digits.

Company Overview

Motorola, Inc. was founded in 1928. In 2011, the company split into two separate entities: Motorola Solutions and Motorola Mobility. Today, Motorola Solutions is headquartered in Chicago, Illinois, and led by CEO Greg Brown. The company has approximately 21,000 employees.

Motorola Solutions specializes in mission critical radio networks used by first responders and government agencies. The company builds and maintains network infrastructure (e.g., radio towers and repeaters) and produces high-tech radio devices that are used by law enforcement, EMS/Fire, TSA, schools, military, and private enterprises. The company has a dominant position in the U.S. first-responder market and has presence abroad including in the UK, Europe, and Middle East. In addition to its core radio business, Motorola has Video Security and Command Center businesses. These segments extend Motorola's presence within public safety including fixed video, body-worn cameras and software that assists in 911 emergency response.



• Valuation

Motorola trades at an attractive valuation with strong expected returns based on our forecasts of future cash flows.

Why Now

While we have long viewed Motorola's attributes as quality, the company's relatively weak stock price year-to-date provided an entry point for us. The reasons for weakness are moderating top-line growth, as well as the market digesting a historically large acquisition. In our view, the weakness is not due to a fundamental deterioration of competitive advantages, creating an opportunity for long-term investors to initiate a position.

Although we have liked the competitive advantages and fundamentals of the business, our model previously signaled that the stock was too expensive relative to intrinsic value.

Outlook

Motorola's organic revenue has slowed somewhat after several years of exceptional growth related to U.S. federal stimulus. Despite slower top-line growth (closer to historical performance), margins are expected to continue expanding in the near term. The company is currently integrating a large acquisition geared toward defense that shows promising potential.

Longer-term, we believe Motorola should maintain its dominant position in its core radio business. The company's investments into video and software adjacencies provide an avenue to boost topline growth and continued strong double digits EPS growth.

Definitions

Compound Annual Growth Rate (CAGR): The year-over-year growth rate of an investment over a specified period of time. The CAGR is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.

Earnings Per Share (EPS): The net income of a company divided by the total number of shares it has outstanding.

EPS Growth: Illustrates the growth of earnings per share over time. **Earnings growth is not a measure of an investment's future performance.**

Free Cash Flow: Is equal to the cash from operations of a company less capital expenditures.

Interest Coverage: A measure of how easily a company can meet its interest obligations, calculated by dividing its earnings before interest and taxes by its interest expense.

Strategy holdings are subject to change and should not be considered recommendations to buy or sell any security. For a listing of the Quality Growth Strategy's current holdings, please visit www.jenseninvestment.com/growth-composite-holdings.

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