Motorola Solutions (MSI)

Updated May 11th, 2025 by Derek English

Key Metrics

Current Price:	$407	**5 Year Annual Expected Total Return:**	0.0%	**Market Cap:**	$67.9 B
Fair Value Price:	$260	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	06/13/25
% Fair Value:	157%	**5 Year Valuation Multiple Estimate:**	-8.6%	**Dividend Payment Date:**	07/15/25
Dividend Yield:	1.1%	**5 Year Price Target**	$381	**Years Of Dividend Growth:**	13
Dividend Risk Score:	B	**Sector:**	Technology	**Rating:**	Hold

Overview & Current Events

Motorola Solutions offers purpose-built public safety and enterprise security solutions, providing technologies in Land Mobile Radio Communications (LMR), Video Security and Access Control, and Command Center software. The company serves 100,000 public safety and commercial customers in more than 100 countries through two segments: Products and Systems Integration and Software and Services. Motorola Solutions aims to integrate critical communications, video security, access control, data, and analytics to create connected systems that unify data, streamline workflows, and simplify operations.

Motorola Solutions reported Q1 2025 results on May 1st, 2025. Sales reached a first quarter record of $2.5 billion, reflecting a 6% increase year-over-year, led by strong performance in North America. The Products and Systems Integration segment grew 4%, driven by Land Mobile Radio Communications. In addition, the Software and Services segment rose 9%, supported by growth in Video Security, LMR services, and Command Centre software. GAAP EPS was $2.53, and non-GAAP EPS rose 13% to $3.18. Operating cash flow hit a record $510 million for the quarter, up from $382 million in the prior year. Free cash flow increased to $473 million. The company completed two acquisitions, RapidDeploy and Theatro, for a combined $414 million to strengthen its Command Centre offerings. It also launched two key innovations: SVX, a converged P25 speaker mic and body-worn camera, and Assist, a public safety-focused AI platform. The company's backlog at the end of the quarter was $14.1 billion, down slightly due to strong LMR shipments, although the Software and Services backlog rose 8%.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$3.02	$3.24	($0.95)	$5.62	$4.95	$5.45	$7.17	$7.93	$9.93	$9.23	***$12.98***	***$19.07***
DPS	$1.43	$1.70	$1.93	$2.13	$2.35	$2.63	$2.92	$3.25	$3.62	$3.92	***$4.36***	***$5.83***
Shares[1]	202	173	163	176	174	174	174	172	172	171	***170***	***166***

Since 2015, earnings per share have grown at an impressive average of 13.2% annually, with even higher growth of 19.0% for the last five years. Sometimes, numbers can be misleading as earnings were stagnant from 2014 to 2020, with most of the growth happening from 2020 onwards driven by acquisitions. The company estimates that acquisitions made since 2015 will contribute to ~31% of revenue in 2025. Given the strong performance of these acquisitions and the growth in cloud and SaaS revenue, we believe an 8% growth rate is more than achievable. Our EPS target of $12.98 for 2025 is based on management projections.

In relation to dividends, the company saw significant growth, with an average annual rate of 11.9% over the past 10 years and 10.6% over the last five years. The company increased the quarterly dividend by 11% in November 2024 to $1.09 per share. However, we have aligned our dividend growth rate to 6% through 2030. Our 2030 target dividend per share is $5.83.

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[1] Share count is in millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	11.1	18.9	19.9	18.7	19.0	30.7	31.5	36.8	32.0	31.4	***31.4***	***20.0***
Avg. Yld.	2.6%	2.7%	2.5%	2.0%	1.6%	1.8%	1.4%	1.4%	1.3%	0.8%	***1.1%***	***1.5%***

Motorola Solutions expects high single-digit growth in 2025, driven by strength in video, software, and recurring services. Nearly half of the company's revenue is now recurring, which is enhanced by a $14.1 billion backlog of Software and Services multi-year agreements. The company is starting to see the benefits of expansion through acquisitions, leading to share price doubling from 2019 to date. Motorola is trading at a price-to-earnings ratio of 31.4, which is much higher than the 10-year average of 25. Based on an 8% growth rate, we estimate that the PE ratio will return to 20x earnings, which is similar to the values seen between 2016 and 2019. The stock is also trading at 157% of our fair value estimate of $260, and we currently have a five-year price target of $381.

Safety, Quality, Competitive Advantage, & Recession Resiliency

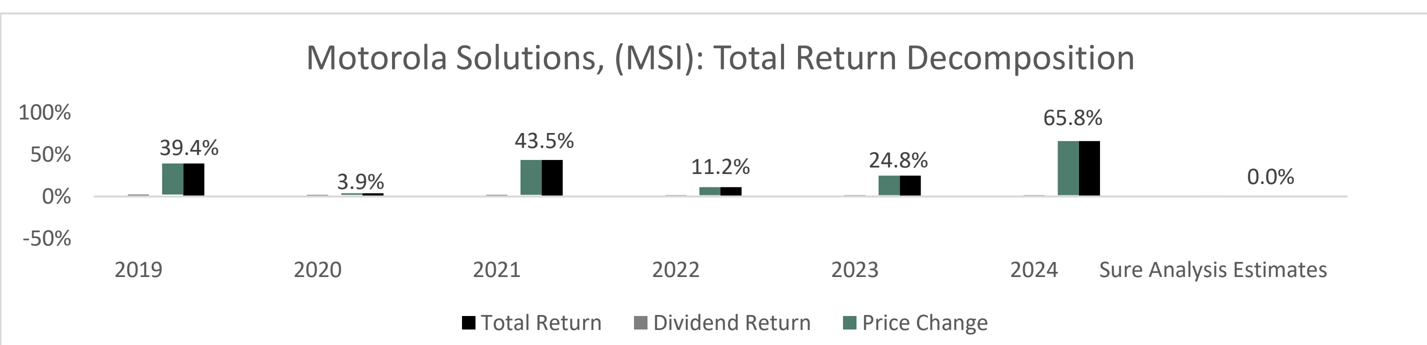
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	47%	52%	-203%	38%	47%	48%	41%	41%	36%	42%	***34%***	***31%***

Motorola Solutions offers several competitive advantages across its Command Center, LMR, and Video Security & Access Control segments. Approximately 60% of its customers use one or more cloud solutions, contributing to over $700 million in sales and double-digit growth within a $14 billion TAM. The transition to SaaS cloud offerings and platform rationalization drives margin expansion. In LMR, Motorola manages over 13,000 networks globally, with recurring services and regular device replacements every 6 to 8 years, supported by multi-year service agreements for software upgrades, cybersecurity, and remote monitoring. In Video Security & Access Control, Motorola is rapidly gaining market share with a portfolio including over 5 million fixed video cameras deployed across 300,000+ sites, with 90% featuring embedded AI capabilities. We expect Motorola Solutions to continue to have a ~30% payout ratio. Although we project that the dividend will continue to grow, it is important to note that in 2009, the business stopped its dividend because earnings fell. Fortunately, Motorola has a solid balance sheet, with current assets exceeding total liabilities. The business also has ~$1.7 billion in cash & cash equivalents, which is greater than what the company will pay out in dividends for the fiscal year 2025.

Final Thoughts & Recommendation

Motorola Solutions has stood the test of time, having been in business for nearly a century. The transformation into a SaaS model is driving growth, which has led to strong multiple expansion over the last five years. The downside is that the expected return over the next five years is flat. Unfortunately, we feel that this is not a good enough return on investment, and, based on current valuations, we would recommend Motorola as a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	5,695	6,038	6,380	7,343	7,887	7,414	8,171	9,112	9,978	10,820
Gross Profit	2,719	2,869	3,024	3,480	3,931	3,608	4,040	4,229	4,970	5,512
Gross Margin	47.7%	47.5%	47.4%	47.4%	49.8%	48.7%	49.4%	46.4%	49.8%	50.9%
SG&A Exp.	1,021	999	979	1,179	1,325	1,212	1,230	1,327	1,462	1,752
D&A Exp.	150	295	343	360	394	409	438	440	356	336
Operating Profit	1,070	1,204	1,326	1,419	1,711	1,495	1,840	1,866	2,458	2,689
Operating Margin	18.8%	19.9%	20.8%	19.3%	21.7%	20.2%	22.5%	20.5%	24.6%	24.9%
Net Profit	610	560	(155)	966	868	949	1,245	1,363	1,709	1,577
Net Margin	10.7%	9.3%	-2.4%	13.2%	11.0%	12.8%	15.2%	15.0%	17.1%	14.6%
Free Cash Flow	846	894	1,119	878	1,575	1,396	1,594	1,567	1,791	2,134
Income Tax	274	282	1,227	133	130	221	302	148	432	390

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	8,346	8,463	8,208	9,409	10,642	10,876	12,189	12,814	13,336	14,600
Cash & Equivalents	1,980	967	1,205	1,257	1,001	1,254	1,874	1,325	1,705	2,102
Accounts Receivable	1,362	1,410	1,523	1,293	1,412	1,390	1,386	1,518	1,710	1,952
Inventories	296	273	327	356	447	508	788	1,055	827	766
Goodwill & Int. Ass.	469	1,549	1,799	2,744	3,394	3,453	3,670	4,654	4,656	4,775
Total Liabilities	8,442	9,415	9,935	10,685	11,325	11,417	12,212	12,683	12,597	12,880
Accounts Payable	653	733	744	777	779	776	1,086	1,207	1,021	1,178
Long-Term Debt	4,349	4,396	4,471	5,320	5,129	5,175	5,693	6,014	6,018	5,997
Shareholder's Equity	(106)	(964)	(1,742)	(1,293)	(700)	(558)	(40)	116	724	1,703
D/E Ratio	(41.03)	(4.56)	(2.57)	(4.11)	(7.33)	(9.27)	(142.3)	51.84	8.31	3.52

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	6.5%	6.7%	-1.9%	11.0%	8.7%	8.8%	10.8%	10.9%	13.1%	11.3%
Return on Equity	45.7%	-	-	-	-	-	-	N/A	393%	128.3%
ROIC	11.7%	14.6%	-5.0%	28.5%	20.4%	20.9%	24.2%	23.1%	26.5%	21.8%
Shares Out.	202	173	163	176	174	174	174	172	172	171
Revenue/Share	28.22	34.88	39.17	42.69	44.91	42.58	47.07	53.01	57.98	63.33
FCF/Share	4.19	5.16	6.87	5.10	8.97	8.02	9.18	9.12	10.41	12.49

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.