AXON ENTERPRISES

July 2025

BUSINESS OVERVIEW

Moonshot goal to cut gun-related deaths between police and public in the US by 50% by 2033.

- AXON was founded by CEO Rick Smith in 1993 & is headquartered in Arizona. Axon is a technology leader in global public safety.
- Axon builds **hardware and software** for police officers and public safety agencies. Its platform integrates hardware (TASER, body camera, in-car camera, public camera networks, drones, and VR training) with software via cloud-based digital evidence management system (DEMS) and analytics/AI software solutions (Draft One) layered on top.
- **Phase 1:** Taking TASER from a science fiction concept to a real company, driving significant revenues. **Phase 2:** AXON extended to create the body camera space, deterring unnecessary escalations, and holding all parties accountable to the truth. **Phase 3:** To enable body cameras, AXON created what is now the largest cloud software business in public safety.
- **Manufacturing:** AXON performs light manufacturing, final assembly, and final test operations at its facilities in Scottsdale, Arizona, and owns substantially all the equipment required to develop, prototype, manufacture, and assemble its finished products.
- **Intellectual Property:** AXON holds over 300 U.S. patents, over 125 U.S. registered trademarks, over 240 international patents, and 450+ international registered trademarks, as well as numerous patent and trademark applications pending.
- Sales: US 85%; Rest 15%

Source: Annual reports, sell-side reports, factset, news

SEGMENTS/ PRODUCTS

- **TASERS**
  - Axon has **>90% share of the US TASER market in state and local police departments**, or more than 17K of the roughly 18k departments, and close to ~700K officers in the US.
  - **Growth in the TASER business (20% 3-yr sales CAGR) is largely driven by upgrades** (currently in Year 2 of the 5-yr Taser 7 to Taser 10 upgrade cycle) **and by additional users in areas like Federal, Corrections, and International.**
  - The T10 price starts at $80/user/month, +33% vs T7 at $60. It took Axon more than 8 quarters after its T7 launch to hit 100K cumulative unit shipments. They've hit that 100K number in 6 quarters with the T10.

- **Sensors (Body Cams)**
  - **Axon's share in bodycams is ~60-80% of the US market for police departments (80% of major US cities).**
  - **Bodycams require a digital evidence management system (DEMS), and Axon has the best one on the market.**
  - Bodycams were first launched in 2010, and the company is now on its 4th generation (Axon Body 4 launched 3Q23)
  - Bodycam revenue **3-yr CAGR of 31%** to ~$250M **driven by installed base growth (15-20%) and pricing**.

- **Software and Services (Saas) i**ncludes 1) Digital evidence management system (DEMS), 2) Real-time operations 3) AI & Productivity tools
    - **Axon Evidence (formerly Evidence.com).** One of the largest digital evidence management platforms globally, used in all 50 U.S. states and 90+ countries. Used to store, manage, share evidence.
    - **Axon Respond and Fusus is a real-time operations platform** that enhances situational awareness by **enabling live video streaming**, interactive mapping and critical alerts to help first responders make faster, more informed decisions.
    - **Productivity suite includes Axon Records and AI**, designed to save officers time spent writing reports and doing paperwork.
  - The company has disclosed that **about half of growth in software coming from digital evidence management (i.e. new users) and half coming from premium add-ons (including upgrades to OSP), i.e., pricing/mix.**

- **OSPs:** In 2017 Axon launched its first Officer Safety Plan (OSP), a $99/user/m bundle that included TASER, Bodycam, and Digital Evidence Management. Today, the company's OSPs range from $210/user/m to $350 at the high end, or $549 including AI Era Plan.
  - As departments look at more add-ons that are $10-12/user/m, the OSPs start to make sense. Axon Respond (livestreaming of body cam), FUSUS (realtime translation), Redaction Assistant, Records, Standards are all popular add-ons that drive upgrades.
  - **AI Era plan.** Priced at $199. Includes **DraftOne (writes first draft of police report using AI on bodycam audio)**, Axon Assistant, Realtime Translation, Policy Chat, Smart Detection, Auto-Transcribe, and access to future AI applications.
  - Dynamics that make penetration likely - **labor shortage in law enforcement, overtime costs, required reports for everything.**

- **Platform Solutions (primarily fleet in-car video, VR training, fixed cameras, drones and counter drone equipment)**
  - Fleetcam is the largest bucket here (was >$100M in '23 and '24).
  - Axon launched fixed license plate reader (LPR) cameras in 2025 and have partnerships or made acquisitions in drones and counterdrone in the last few years.

Source: Annual reports, sell-side reports, factset, news

SEGMENTS

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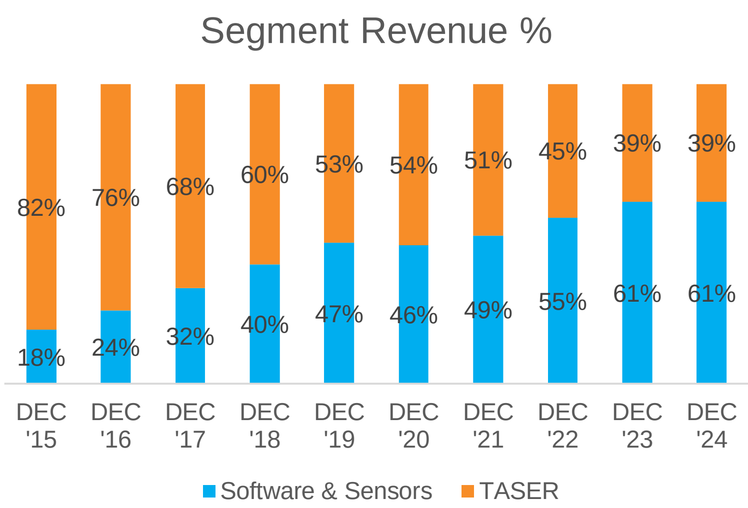

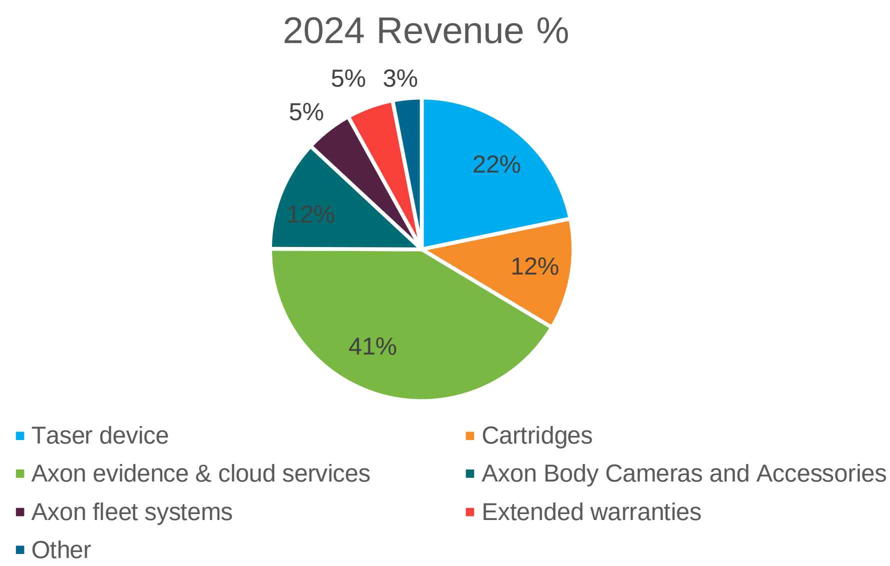

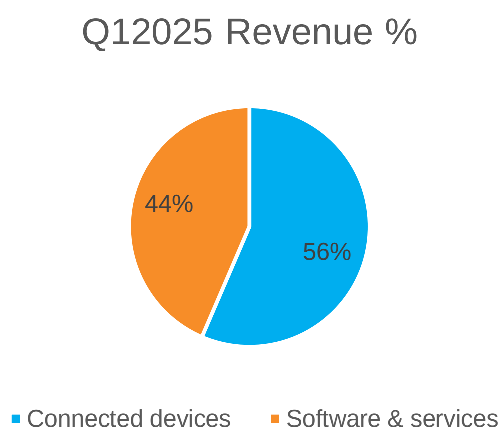

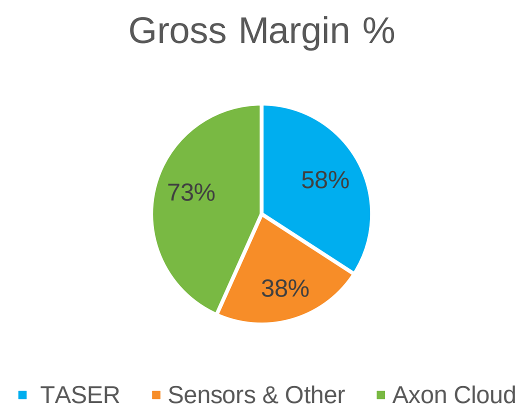

Source: Annual reports, sell-side reports, factset, news

PRICING PLANS

~70% of domestic users are still on basic plans, implying significant room to upsell.

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OSP 1.0 (2017)	OSP 10 PREMIUM	OSP 10 PREMIUM WITH AI ERA PLAN
$99	$350	$549
Package includes …	Everything in OSP 1.0 plus …	Everything in OSP 10 + Premium plus …
TASER	VR training	Transcription
Body camera	Respond	Draft One
Digital evidence management	Performance	Live translation
	Auto-tagging	CAD Q&A
	Redaction	Policy chat
	Citizen	and more…
	Records	
	Standards	
	My90	
	Fusus	
	Dedrone	

- Company highest price offering was $99 per user per month in 2017 when it first launched OSP, now $549**, a 24% 8-year CAGR**.
- Axon chose not to raise prices in 2025, it will absorb 50bps EBITDA margin headwind from tariffs.
- Lowest subscription $15/seat/month, highest $350/seat/month

USER PLAN PRICING DETAILS

OFFICER SAFETY PLANS

OSP 10 — $210
- TASER 10
- Extended Warranty
- Unlimited E.com
- Third-Party Storage
- Signal Sidearm
- Respond
- Standards
- Fusus Tier 1

OSP 10+ — $310
- OSP 10 Plan
- VR
- Records
- Channel Service
- Redaction Assistant
- Performance
- Auto-Tagging
- Community Request
- Fusus Tier 2
- Dedrone UAS Sensor

OSP 10 PREMIUM — $350
- OSP 10+ Plan
- Unlimited Third-Party Storage
- My90
- Fusus Tier 3
- Drone as First Responder Dock

OSP 7 — $205
Replace TASER 10 with TASER 7 in above plan

OSP 7+ — $305
Replace TASER 10 with TASER 7 in above plan

OSP 7 PREMIUM — $335
Replace TASER 10 with TASER 7 in above plan

TASER PLANS

T10 CERT — $80
- TASER 10
- TASER E.com License
- Axon Academy Online Training

T10 CERT PRO — $100
- TASER 10
- TASER E.com License
- VR Package
- Axon Academy Online Training

T7 CERT — $74
Replace TASER 10 with TASER 7 in above plan

FIRE/EMS — $134
- Body-Worn Camera
- Unlimited Storage
- Pro E.com License
- Redaction Assistant
- Respond
- Auto Transcribe
- Draft One

JUSTICE — $149
- Pro E.com License
- Redaction Assistant
- Community Request
- Investigate
- Unlimited Storage

AI ERA PLAN — $199
- Transcription
- Draft One
- Live Translation
- CAD Q&A
- Policy Chat
- & more

FLEET PLANS

FLEET 3 BASIC — $149
- Unlimited Storage
- Camera Kit
- Axon Signal Vehicle

FLEET 3 ADVANCED — $235
- Fleet 3 Basic Plan
- Camera Refresh
- Respond
- Automated License Plate Reader

ENTERPRISE PLANS

ENTERPRISE T7 — $90
- TASER 7
- Extended Warranty
- Pro E.com License

ENTERPRISE PRO+ — $154
- Body Worn Camera
- Unlimited Storage
- Pro E.com License
- Redaction Assistant
- Third Party Video Service
- Performance
- Community Request
- Auto Transcribe

CAMERA PLANS

UNLIMITED — $145
- Unlimited E.com License
- Third-Party Storage
- Signal Sidearm
- Respond
- Standards
- Fusus Tier 1

UNLIMITED + VR — $255
- Unlimited Plan
- Virtual Reality
- Records
- Channel Service
- Redaction Assistant
- Performance
- Auto-Tagging
- Fusus Tier 2
- Dedrone UAS Sensor

UNLIMITED PREMIUM — $295
- Unlimited + VR Plan
- Unlimited Third-Party Storage
- My90
- Fusus Tier 3
- Drone as First Responder Dock

Source: Annual reports, sell-side reports, factset, news

REVENUE MODEL

HIGH VISIBILITY REVENUE MODEL

Subscription plans support high-visibility with annual recurring software revenue and regular hardware upgrades.

HARDWARE

Revenue recognized on delivery following scheduled shipment cycles

TASER 10, Cartridges, Virtual Reality Headsets, Axon Body 4, Axon Air Hardware, DedroneBeyond Radar

SOFTWARE & SERVICES

Ratable SaaS revenue recognition

Evidence Management, Records Management, Real-Time Operations, Axon Performance, Redaction Assistant, Community Request, Auto-Tagging, VR Training

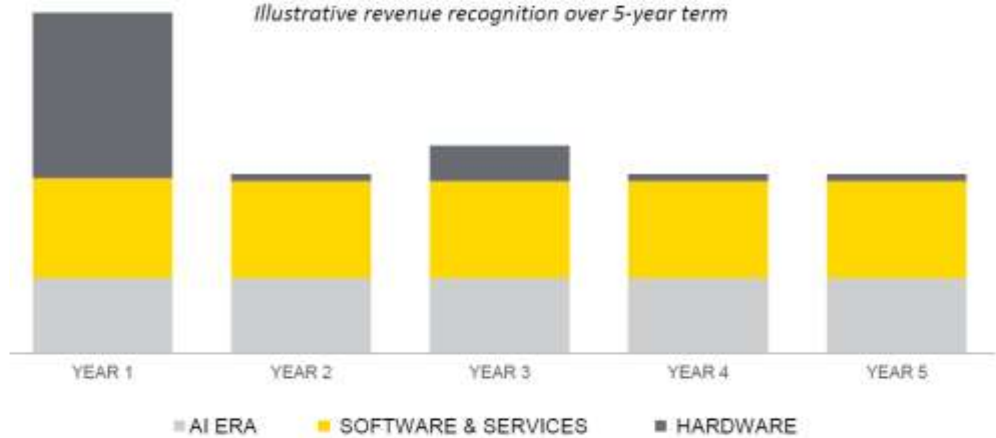
AI ERA PLAN

Optional add-on SaaS offering with OSP to take advantage of the latest advances in AI

Transcription, Draft One, Live translation, CAD Q&A, Policy chat, plus additional over life of contract

OFFICER SAFETY PLAN 10 PREMIUM
WITH AI ERA PLAN

Illustrative revenue recognition over 5-year term



- **Majority of revenues are generated via direct sales**, including online store, although they do leverage distribution partners and third-party resellers.
- **Contracts are for 5 years** and include a low single digit price up annually (75%+ software revenue over 5-year term).
- **Seasonality of bookings**. 50% of annual bookings in 4Q and almost 75% in 2H.

123% net revenue retention* retention*

60+ net promoter score

95%+ of revenue tied to customers on subscription plans

BY THE NUMBERS

1M+ software users

1M+ TASER devices sold

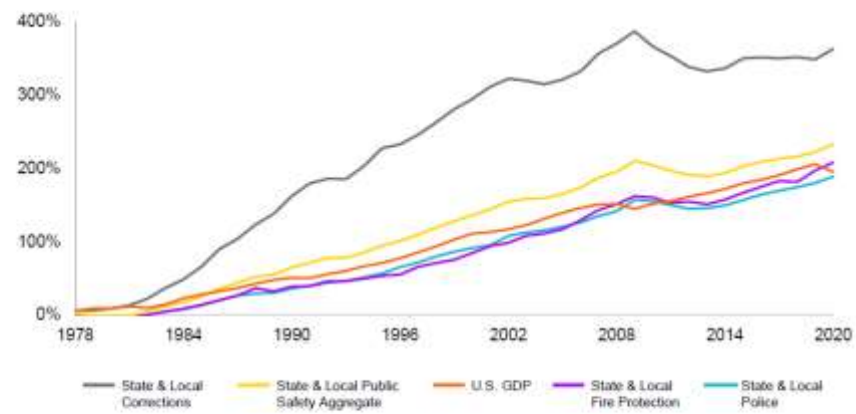
	Q12025
Annual Recurring Revenue ($B)	1.1
Future contracted bookings ($B)	9.9

Source: Annual reports, sell-side reports, factset, news

INDUSTRY OVERVIEW - LARGE AND GROWING TAM (~$129B)

- AXON's key markets are **1) U.S. State & Local governments; 2) U.S. Federal government; 3) International governments; 4) Enterprise.**
- **US State & Local (~75% of Revenue):** 750K state and local police officers **(>90% share in Tasers)**. With a max ARPU of $549 (highest OSP with AI bundle) = ~$5B. Management claims $15B market.
- **Public safety budgets have been stable / growing** - US state and local budgets have almost tripled in the last 40 years (low single digit CAGR). **Axon is a small (1%) but important part of average customer budget**. Opportunity to expand wallet share with software solutions.
- **International government is massive.** UK has 250K members of law enforcement, Europe another 1.5M, Latam >1M, Asia (ex-China) another >2M. At least $32B at $549. Company claims $58B. **Grown at 20% 3-yr CAGR (below avg).**
- **Federal, Corrections and Fire/EMS** each have several hundred thousand agents. ~1.4M agents * $549 = another $9B of market opp. Company claims $17B.
- **Enterprise hard to quantify**. We do know that the deals can be large though. 4Q signed largest deal in company history, was an enterprise deal with a logistics company for bodycam, evidence management, and FUSUS. Company claims $40B market in Enterprise.

U.S. PUBLIC SAFETY SPEND IS RESILIENT & GROWING



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GROWTH DRIVERS – PRODUCT UPGRADES & NEW MARKETS

1. Core Product Cycles: TASER 10 & Axon Body 4

TASER 10

- Fastest-selling TASER in Axon's history; **adoption rate is 2x that of TASER 7**; major upgrade: 10 shots, 45-foot range, precision targeting.
- Drives recurring cartridge revenue and upgrades across agencies.
- Apollo cartridge (launching ~2026) could unlock international and enterprise markets by improving performance through thick clothing.

Axon Body 4

- Most successful body camera launch to date; Features: live streaming, two-way voice, AI assistant, better optics.
- **Still early in adoption: ~15% U.S. penetration**; only 10 states mandate body cams.
- Expanding into retail and healthcare (e.g., Walmart pilot).

2. New Market Expansions

Enterprise

- Large logistics deal in Q4 (Fusus connects 300K+ video feeds).
- Retail opportunity: Walmart pilot; 2.1M associates vs. 900K U.S. officers.

International

- Pipeline includes Italy, UK, Australia, LATAM.
- International market is 1.5x the size of U.S. State & Local.
- 2–3 large international deals expected to close in 2025.

Federal

- Focused on Department of Homeland Security (DHS), Department of Defense (DoD), and civilian agencies.
- Use cases: drones, counter-drone, real-time video, translation.
- Fusus nearing FedRAMP certification - key to unlocking federal deals.
- FY26 budget includes $44B increase for DHS; Axon well-positioned.

3. Emerging Technologies:

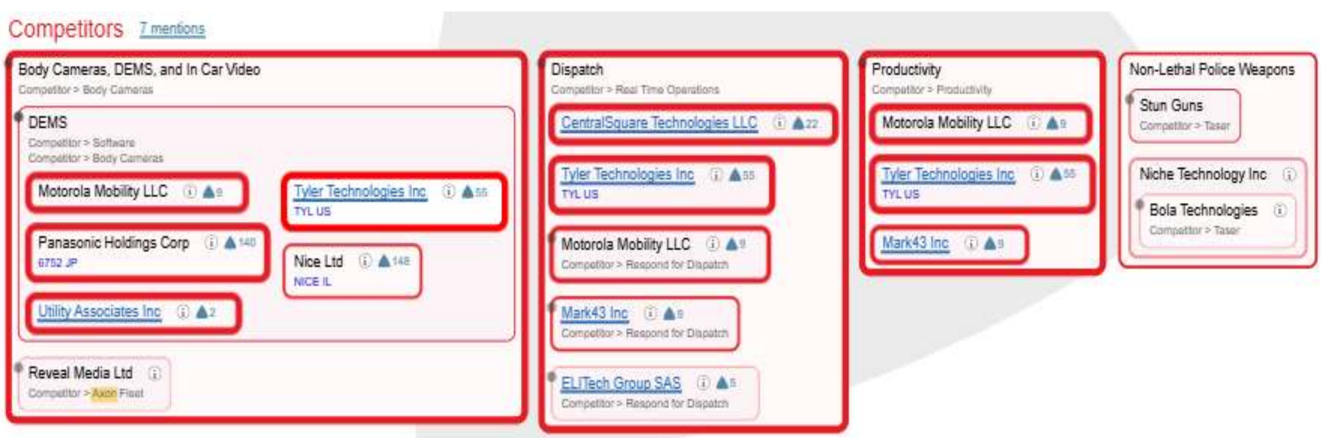
- Drones-as-First-Responder (DFR): 1,000+ departments trialing or using; Dedrone (acquired): counter-drone tech used in Ukraine; Skydio partnership: exclusive partner for U.S.-made drones.

Source: Annual reports, sell-side reports, factset, news

COMPETITION – NOT STRONG ENOUGH

No one has the breadth of integrated offerings (hardware + cloud + AI) like Axon.

- AXON sees essentially **no competition in the TASER business**, as its technology is patent protected.
- **Body camera main** competitor is Motorola Solutions and then a fragmented group of much smaller companies. Motorola has a minority share in US State and Local police, they've had more success in International markets and in Enterprise. Other competitors include Utility's BodyWorn™, Panasonic, Getac, and others.
- Flock (private company) in **LPR fixed cameras** – Was a partner, now a competitor.
- **Records Management Systems (RMS) competition:** Mark43 (private), CentralSquare (PE owned), Tyler Technologies
- **In software**
  - Motorola competes with FUSUS in its CommandCentral Aware platform.
  - Flock Safety, known for its real-time crime center solutions, FlockOS - competes with FUSUS
- **Customers increasingly prefer full-stack Axon solutions over fragmented vendors.**



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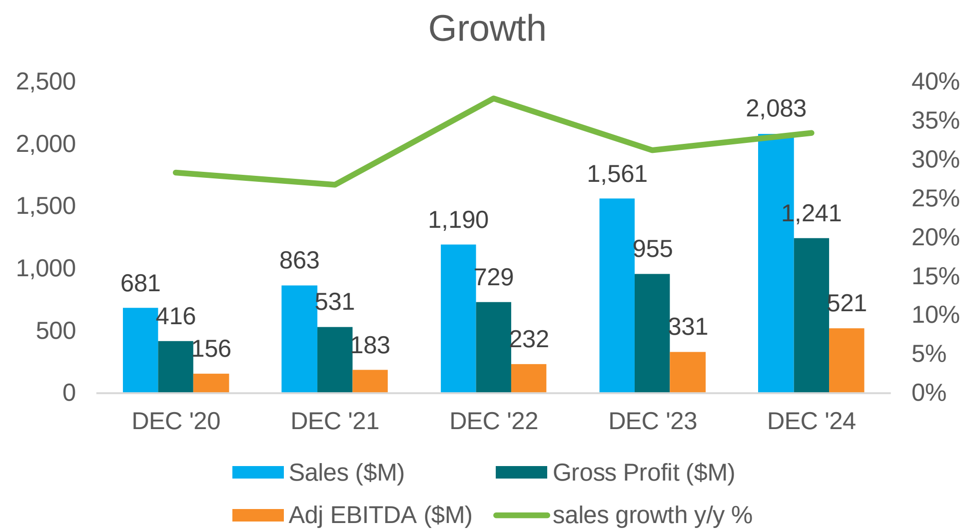
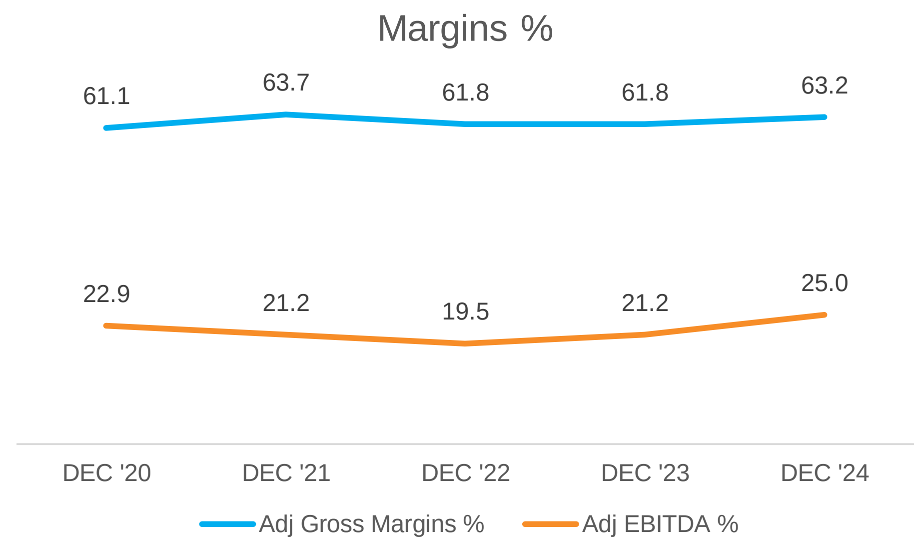
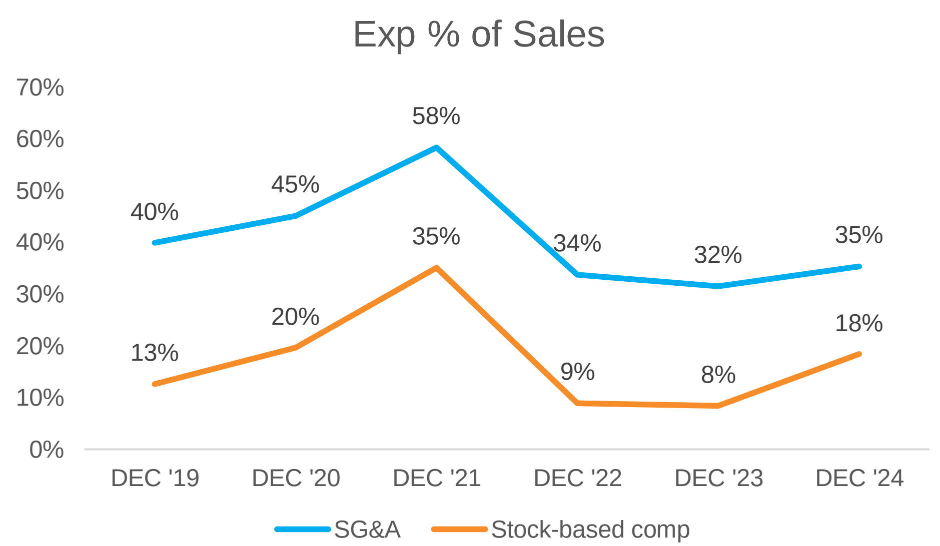
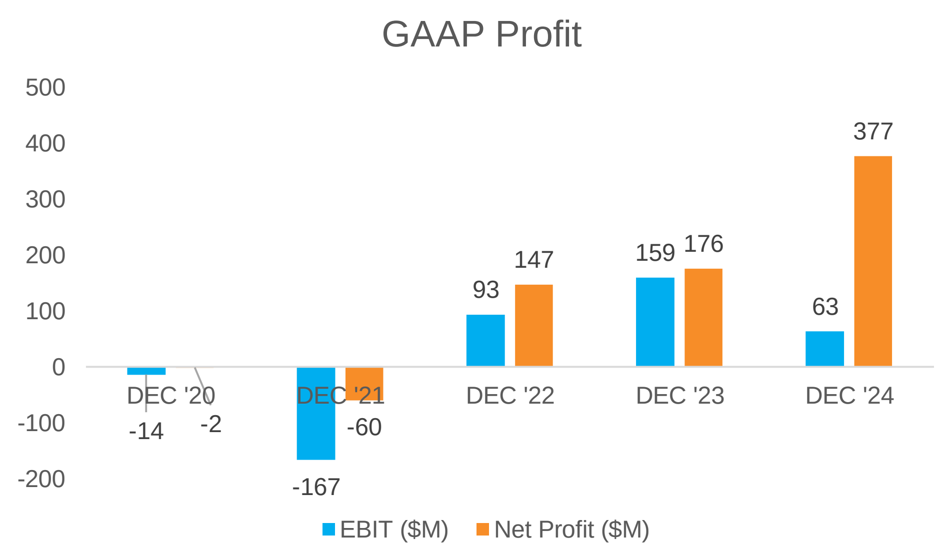
FINANCIALS – GROWING AT 30%+









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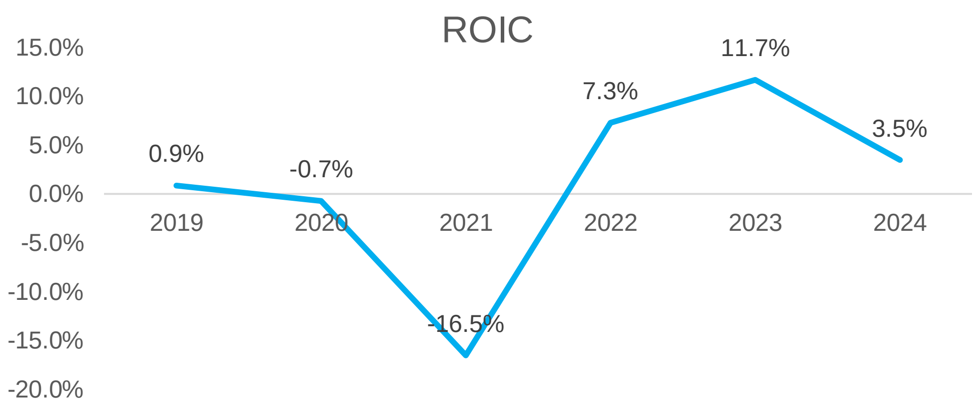
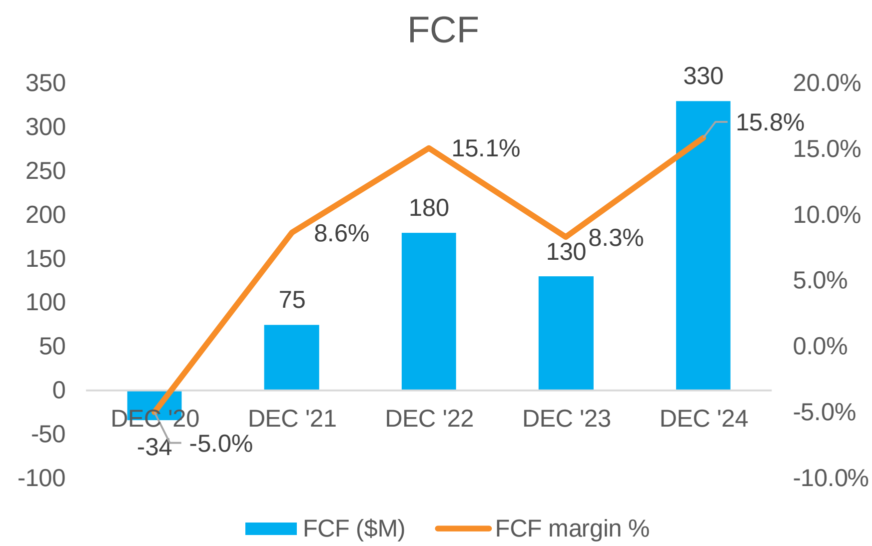
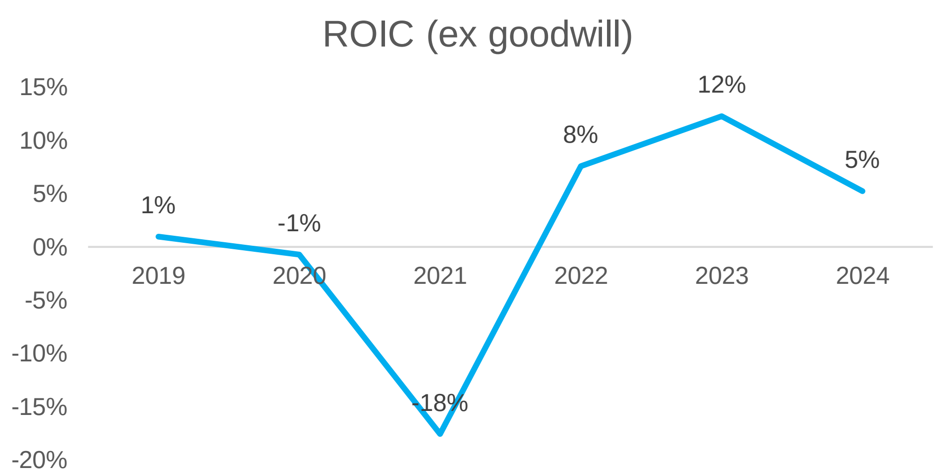
ROIC







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VALUATION – NO ROOM FOR ERROR

All positives look priced in

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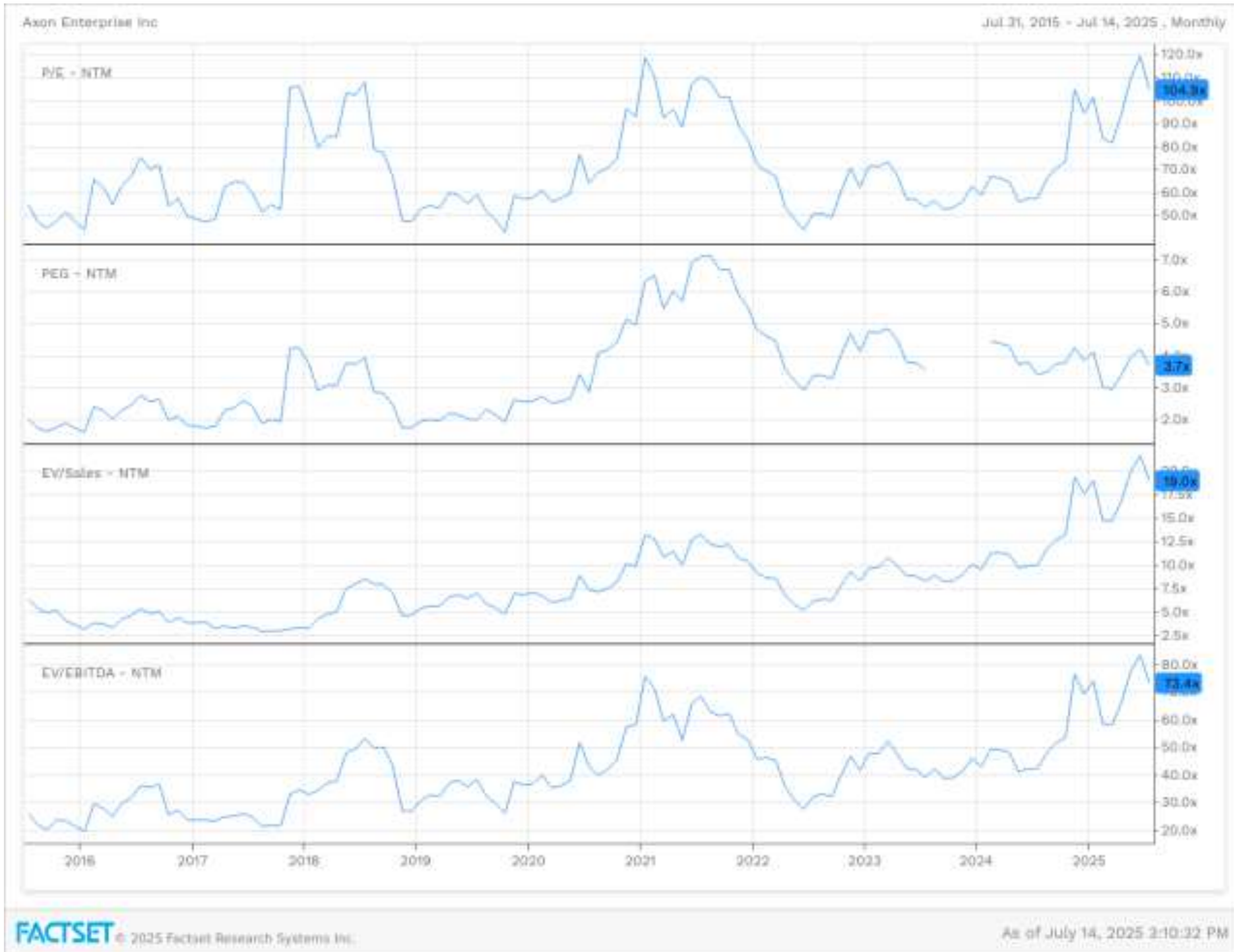

Ticker	AXON-US
Exchange	NASDAQ
IPO Date	07-Jun-01
Share Price	$742
Market Cap ($B)	$64.6
EV ($B)	$63.6
PE (LTM)	127x
EV/Sales (LTM)	19x

At 10 times revenues, to give you a 10-year payback, I have to pay you 100% of revenues for 10 straight years in dividends. That assumes I can get that by my shareholders. That assumes I have zero cost of goods sold, which is very hard for a computer company. That assumes zero expenses, which is really hard with 39,000 employees. That assumes I pay no taxes, which is very hard. And that assumes you pay no taxes on your dividends, which is kind of illegal. And that assumes with zero R&D for the next 10 years, I can maintain the current revenue run rate. Now, having done that, would any of you like to buy my stock at $64? Do you realize how ridiculous those basic assumptions are? You don't need any transparency. You don't need any footnotes. What were you thinking?

Source: Annual reports, sell-side reports, factset, news

VALUATION MODEL (EMMY)

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Bull case ~50% upside over 3 yrs on 18x sales (based on ~30% sales growth & ~35% EBITDA margins)

Valuation

Valuation		2021	2022	2023	2024	2025	2026	2027	2028
Current Price									
Shares outstanding		67.7	72.5	75.4	78.5	82.2	84.2	86.2	88.2
Net Cash (Debt)									
Cash (Debt) / Share									
Market Cap									
Enterprise Value									
Revenue	681.1	863.4	1,189.9	1,560.7	2,082.5	2,656.3	3,220.8	3,900.0	4,636.0
% chg y/y		26.8%	37.8%	31.2%	33.4%	27.6%	21.3%	21.1%	18.9%
multiple on current px	88.2x	69.5x	50.5x	38.5x	28.8x	22.6x	18.6x	15.4x	13.0x
consensus									
Non-GAAP EBIT	(14.1)	(165.4)	96.3	343.8	191.6	520.5	775.4	1,010.8	1,286.9
% chg y/y		1072.7%	-158.3%	256.9%	-44.3%	171.7%	49.0%	30.4%	27.3%
margin	-2.1%	-19.2%	8.1%	22.0%	9.2%	19.6%	24.1%	25.9%	27.8%
multiple on current px	-4258.3x	-363.1x	623.3x	174.7x	313.5x	115.4x	77.4x	59.4x	46.7x
Adj EBITDA	6.2	(122.7)	220.6	331.4	521.4	700.9	865.3	1,124.7	1,424.9
% chg y/y			-279.8%	50.2%	57.3%	34.4%	23.5%	30.0%	26.7%
margin	0.9%	-14.2%	18.5%	21.2%	25.0%	26.4%	26.9%	28.8%	30.7%
multiple on current px	9709.9x	-489.4x	272.2x	181.2x	115.2x	85.7x	69.4x	53.4x	42.1x
consensus									
Non-GAAP diluted EPS		$ (0.89)	$ 2.03	$ 4.81	$ 6.50	$ 7.50	$ 8.86	$ 10.82	$ 13.06
% chg y/y		#VALUE!	-329.0%	137.0%	35.2%	15.4%	18.1%	22.1%	20.7%
multiple on current px		-814.2x	355.6x	150.0x	111.0x	96.2x	81.4x	66.7x	55.3x
consensus									
FCF / share	$0.00	$1.10	$2.47	$1.71	$4.20	$3.67	$4.23	$5.60	$6.98
% chg y/y		#DIV/0!	125.6%	-30.8%	145.6%	-12.6%	15.2%	32.3%	24.8%
multiple on current px	#DIV/0!	658.4x	291.9x	421.9x	171.8x	196.6x	170.6x	128.9x	103.3x
Valuation Metric		Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue
Value		863.4	1,189.9	1,560.7	2,082.5	2,656.3	3,220.8	3,900.0	4,636.0
Multiple		15.0x	15.0x	15.0x	15.0x	15.0x	15.0x	15.0x	15.0x
Other (/share)		8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9
Target Price		200.1	255.0	319.2	407.0	493.4	582.5	687.3	797.0
Implied multiples on Target Price									
Revenue		15.0x	15.0x	15.0x	15.0x	15.0x	15.0x	15.0x	15.0x
Non-GAAP EBIT		-78.3x	185.3x	68.1x	163.1x	76.5x	62.3x	57.9x	54.0x
Adj EBITDA		-105.6x	80.9x	70.6x	59.9x	56.9x	55.8x	52.0x	48.8x
Non-GAAP diluted EPS		-215.8x	121.3x	64.5x	61.2x	64.6x	64.7x	62.7x	60.4x
FCF / share		174.5x	99.6x	181.5x	94.8x	132.0x	135.7x	121.2x	112.9x

Valuation	FY0	2025	2026	2027	2028
Current Price		$730.29			
Shares outstanding	78.5	82.234	84.2	86.2	88.2
Net Cash (Debt)	732.5				
Cash (Debt) / Share	$8.91				
Market Cap		60,054.7			
Enterprise Value		60,045.8			
Revenue	2,082.5	2,726.4	3,432.3	4,293.5	5,382.2
% chg y/y		30.9%	25.9%	25.1%	25.4%
multiple on current px	28.8x	22.0x	17.5x	14.0x	11.2x
consensus		$2,655	$3,265	$3,885	
Non-GAAP EBIT	191.6	548.7	916.1	1,268.6	1,773.5
% chg y/y		186.4%	66.9%	38.5%	39.8%
margin		20.1%	26.7%	29.5%	33.0%
multiple on current px	313.5x	109.4x	65.5x	47.3x	33.9x
Adj EBITDA	521.4	729.0	1,006.0	1,382.5	1,911.4
% chg y/y		39.8%	38.0%	37.4%	38.3%
margin		26.7%	29.3%	32.2%	35.5%
multiple on current px	115.2x	82.4x	59.7x	43.4x	31.4x
consensus		$671	$857	$1,165	
Non-GAAP diluted EPS	6.5	$ 7.76	$ 10.20	$ 13.21	
% chg y/y		19.4%	31.4%	29.5%	
multiple on current px	111.0x	92.9x	70.7x	54.6x	
consensus		$6.23	$7.68	$9.16	
FCF / share	4.2	$3.93	$5.56	$7.99	$11.39
% chg y/y		-6.5%	41.6%	43.5%	42.7%
multiple on current px	171.8x	183.6x	129.6x	90.3x	63.3x
Valuation Metric	Revenue	Revenue	Revenue	Revenue	Revenue
Value	2,082.5	2,726.4	3,432.3	4,293.5	5,382.2
Multiple	18.0x	18.0x	18.0x	18.0x	18.0x
Other (/share)	8.9	8.9	8.9	8.9	8.9
Target Price	486.7	605.7	742.4	905.1	1,106.9
Implied multiples on Target Price					
Revenue	18.0x	18.0x	18.0x	18.0x	18.0x
Non-GAAP EBIT	195.7x	89.4x	67.4x	60.9x	54.6x
Adj EBITDA	71.9x	67.3x	61.4x	55.9x	50.7x
Non-GAAP diluted EPS	73.5x	76.9x	71.9x	67.8x	
FCF / share	113.8x	151.9x	131.8x	112.2x	

Source: Annual reports, sell-side reports, factset, news

MODEL ASSUMPTIONS (EMMY)

Axon **monetizes approximately $210 / sensor per month** today, or ~60% of the total ARPU opportunity ($350 the highest OSP price pre-AI Era), a **13% 3-yr CAGR.**

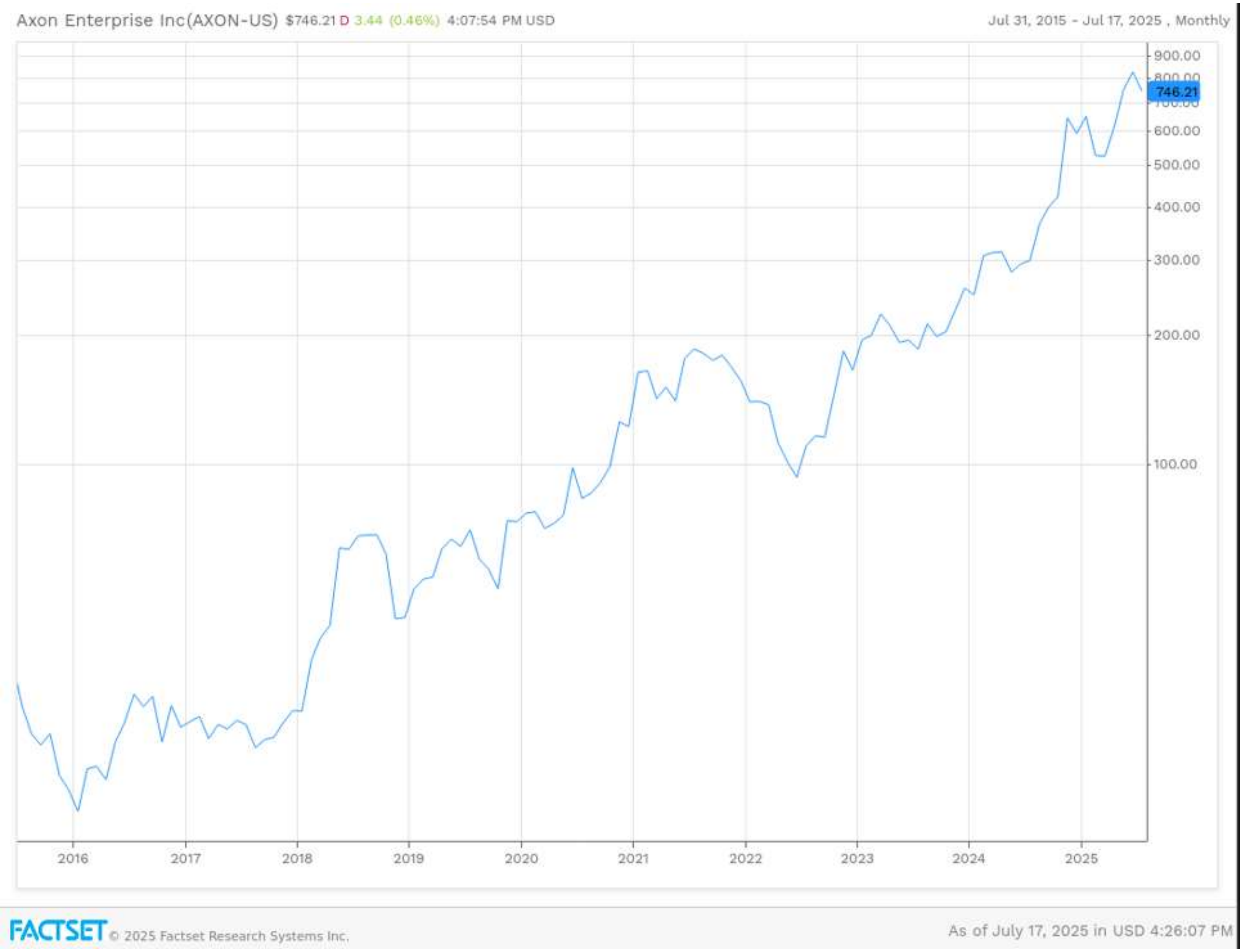
Key Metrics

Unit shipments (last disclosed 2022)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
TASER 10 (est)					51,200	155,000				
TASER 7	49,221	77,451	90,348	139,217	115,000	50,000				
Other	101,556	113,966	95,661	59,801	40,000	10,000				
Total TASER unit sales	**150,777**	**191,407**	**186,009**	**199,018**	**206,200**	**215,000**				
growth in TASER unit shipments	-7%	27%	-3%	7%	4%	4%				
Estimated TASER installed base (5-yr life)	716,624	799,477	849,019	889,046	933,411	997,634	1,047,516	1,099,891	1,154,886	1,212,630
growth in installed base	10%	12%	6%	5%	5%	7%	5%	5%	5%	5%
TASER Revenue per unit per month	$33	$38	$42	$48	$51	$63	$67	$74	$79	$83
growth in installed base		16%	11%	14%	6%	22%	8%	10%	7%	5%
Axon Body	151,499	162,536	181,663	253,501	280,000	310,000				
Axon Fleet	10,467	11,304	11,264	24,344	41,385	33,108				
Axon Flex	15,586	8,962	7,828	6,018	6,000	6,000				
Axon Dock	22,275	25,422	25,584	28,844						
Total Personal Sensors unit sales	**199,827**	**228,226**	**226,339**	**312,707**						
growth in Personal Sensors	55%	14%	-1%	38%						
Est. sensor installed base (2.5-yr life)	348,317	435,832	492,335	586,020	711,625	818,424	941,188	1,082,366	1,223,073	1,382,073
growth	29%	25%	13%	19%	21%	15%	15%	15%	13%	13%
Personal+Platform Revenue per unit per month	$28	$26	$31	$41	$46	$48	$54	$57	$59	$61
growth in installed base		-7%	16%	33%	12%	5%	14%	4%	3%	4%
AI revenue	-	-	-	-	-	2.5	50.5	136.5	299.6	450.8
growth							1958%	170%	119%	50%
Software revenue	131.0	179.7	255.2	390.6	596.7	861.2	1,192.7	1,507.1	1,944.3	2,424.5
Software revenue / sensor / mo	$31	$34	$43	$56	$70	$88	$106	$116	$132	$146
growth	13%	10%	26%	29%	26%	25%	20%	10%	14%	10%
Total Revenue	**530.9**	**681.1**	**863.4**	**1,189.9**	**1,560.7**	**2,082.5**	**2,656.3**	**3,220.8**	**3,900.0**	**4,636.0**
Total Rev / sensor / mo	**$127**	**$130**	**$146**	**$169**	**$183**	**$212**	**$235**	**$248**	**$266**	**$280**
growth	-2%	3%	12%	16%	8%	16%	11%	5%	7%	5%
penetration of max. ARPU ($350 in '24, $549 in '28)						61%				51%

Source: Annual reports, sell-side reports, factset, news

SHARE PRICE (~10X IN 5 YEARS)

Brown ADVISORY Thoughtful Investing.



Source: Annual reports, sell-side reports, factset, news

MOATS

- **Cost Advantage: No**
  - Axon's scale, vertical integration, and proprietary data give it better margins and pricing flexibility than smaller or newer competitors.
  - But Axon doesn't win on price alone, it wins on value, integration, and performance.
- **Intangible Assets: Yes**
  - Axon Evidence has amassed **decades of proprietary law enforcement data (40x Netflix catalogue)** which is not easily replicable and is deeply embedded in agency workflows.
  - **300+ patents** across TASERs, cameras, AI, and cloud software; FedRAMP High and ATF compliance create regulatory barriers that deter new entrants.
  - Built strong relationships with govt agencies through years **(Law enforcement is a reference-based market).**
  - Overall, Axon's IA is **deeply embedded in customer workflows**, legally protected and reinforce each other (e.g., data → better AI → more usage → more data).
- **Switching Costs: Yes**
  - AXON's products are **tightly bundled and integrated together** into one seamless platform. This makes each of the products work much better than using different vendors for each product.
  - Axon's ecosystem is deeply embedded in daily operations; **high cost of failure (public safety is mission critical); require months of procurement**, testing, and training; strong NRR 123% & **95%+ Revenues from subscription plans**
  - Implicit Costs of **retraining officers on new hardware/software, reconfiguring workflows, and migrating digital evidence** (often terabytes per agency); **explicit costs** to replace TASERs, sensors, and cloud infrastructure.
- **Network effects: No (One sided network)**
  - AXON now has majority U.S. law enforcement agencies as customers and has built up a very strong reputation in the industry.
  - While not a classic two-sided platform, Axon's data flywheel, workflow integration, and customer lock-in create a powerful network effect (more users – more data – better AI models – more value for customers).
- **Efficient Scale: No**
  - While the broader $129B TAM includes enterprise and international, core public safety markets are finite and highly specialized.
  - Axon has an efficient scale moat only in submarket (state/ local govt), not across the entire TAM.
  - Enterprise and international markets are much larger and less saturated.

Source: Annual reports, sell-side reports, factset, news

CUSTOMER OUTCOME - POSITIVE

Entrenched and sticky customer base

- **Operational Efficiency: Saves time on reporting, redaction, and evidence handling.** Draft One AI reduces time spent writing incident reports by 67% (Fort Collins PD), Fusus improves stolen vehicle recovery time by 32 minutes (Cobb County PD), Redaction Assistant cuts evidence redaction time by 75% (Rowlett PD).
- **Enhanced Public & Officer Safety: Reduces use of force, improves officer and public safety.** Body-worn cameras increase transparency and reduce use-of-force incident.
- **Cost Savings: Lowers litigation risk, reduces manual labor, and enables budget predictability.** $3M saved in Tennessee by using Axon Justice for digital evidence management and discovery; Subscription-based pricing (e.g., OSP 10 Premium) allows predictable budgeting and reduces upfront capital expenditure.
- **Increasing ROI.** Draft one can save atleast 1 hour per day/ officer implying $2000/month savings (20 hrs* $50/hr)
- **Integrated Ecosystem & Workflow Automation.** Real-time operations tools (Axon Respond, Fusus) enable faster, more informed decisions; AI-powered tools (e.g., transcription, live translation, CAD Q&A) streamline administrative tasks.

❖ **Positive Customer Reviews**

  - All customers emphasized **ease of use** for all its products. Axon has **NPS score of 60+** which is very good; **NRR ~123%**
  - Customers were excited about the new AI products led by Draft One. Report writing is a significant pain point & price of Draft One can quickly pay for itself. One customer is already using Draft One & sees ~50% time savings.
  - All customers highlighted that **AXON is "night and day" vs. peers**. Motorola's body cams were viewed to be inferior (lack of interoperability with other products, lack of innovation and customer support).
  - Customers highlighted the **significant innovation** AXON has driven over the years, which is **unmatched in the market**.

Source: Annual reports, sell-side reports, factset, news

PORTERS 5 FORCES

- **Bargaining Power of Buyers: Moderate**
  - Customers are mostly government agencies with budget constraints and procurement rules.
  - Enterprise and international buyers may have more pricing power as they scale.
  - However, Axon's **products are mission-critical** and deliver high ROI (e.g., time savings, reduced litigation).
  - While buyers are price-sensitive, Axon's value proposition and ecosystem reduce their leverage.

- **Bargaining Power of Suppliers: Low**
  - Axon is vertically integrated and has diversified its supplier base through acquisitions and partnerships.
  - No single supplier appears to dominate or pose a systemic risk.

- **Threat of Substitutes: Low**
  - Substitutes for TASERs (e.g., firearms) are not viable alternatives in de-escalation.
  - Legacy systems (e.g., on-premise RMS, manual reporting) are being replaced by Axon's cloud and AI tools.
  - Substitution risk is low due to Axon's unique integration (hardware + software + AI) and performance (NPS 60+).

- **Threat of New Entrants: Low to Moderate**
  - High entry barriers due to regulatory compliance, deep workflow integration, IP, long procurement processes/ sales cycles
  - Axon's brand trust and relationships with 17,000+ agencies are hard to replicate.
  - However, emerging tech firms in AI, drones, or SaaS could enter niche areas.

- **Competitive Rivalry: Moderate**
  - Axon dominates TASERs and digital evidence management but faces high competition in body/in-car cameras and RMS/CAD systems.
  - Net revenue retention ~123%, NPS 60+ indicates strong customer loyalty; superior products vs competitors
  - Axon is creating new categories (e.g., AI bundles, drone-as-first-responder) rather than just competing for existing share.

Source: Annual reports, sell-side reports, factset, news

CORPORATE GOVERNANCE - QUESTIONABLE

Brown ADVISORY
Thoughtful Investing.

- **Share-based comp is high and increasing (~23% of Sales 2025E)**
  - Annual dilution has averaged ~5% the last couple of years.
  - In last 5 years, cumulative CFO is 0 and FCF negative if we exclude stock-based comp.
  - 2 large grant programs approved in 2024 (driving a big step-up in expense in 2025E $580-630M)
  - Performance-based vesting tied to **Revenue, Adj. EBITDA, or share price milestones;** these **metrics don't seem aligned with long-term SH value**.
- In 2021, **incentive hurdles cleared 5 years early led by $41mn gains ($29mn unrealized) in a startup which boosted Adj income**; unlocked $844mn from stock plan for top officers ($571mn claimed by Smith); gains were significantly offset months later by unrealized losses on another investment.
- The 2018 CEO Performance Award was designed to align the CEO's interests with long-term shareholder value creation. **Waiving the holding period weakens that alignment by allowing early monetization of shares**.
- Documents and interviews show **Axon pays its leaders lavishly** while vowing to keep their compensation in line with corporate peers. **These leaders have drawn on company resources to finance private interests**, costly perks and ostentatious spending. In some instances, the company did not fully disclose these activities in regulatory documents (Reuters).
- **Work culture seems toxic** based on news; more founder led culture and operating like a private company.
- **Rick Smith, CEO** owns approximately **3.5 million shares (~4% holding).** His **base salary is minimum wage**. **In 2024, Axon modeled its CEO total compensation after Musk's package at Tesla.** Nearly all his money lies in stock awards. This type of compensation is high-risk, but also high-reward.

Rick Smith tops 2024 CEO pay rankings with $165 million as executive compensation hits record high

Axon's Ethics Board Resigned Over Taser-Armed Drones. Then the Company Bought a Military Drone Maker

	Operational Goals[1] (in millions)							Minimum Service Requirement		
Tranche	Revenue		Adj. EBITDA[2]		Stock Price Goal		2024 Employee XSP	2024 CEO Performance Award	Goal Expiration
1	$1,834	or	$382	and	$247.40	and	June 2025	December 2028	December 31, 2026
2	2,293	or	497	and	309.25	and	December 2025	December 2028	December 31, 2027
3	2,866	or	644	and	386.56	and	June 2026	December 2029	December 31, 2028
4	3,583	or	834	and	483.20	and	December 2026	December 2029	December 31, 2029
5	4,479	or	1,077	and	604.00	and	June 2027	December 2030	December 31, 2030
6	5,599	or	1,389	and	755.00	and	December 2027	December 2030	December 31, 2031
7	6,999	or	1,739	and	943.75	and	June 2028	December 2030	December 31, 2032

Axon CEO Rick Smith claims his highly successful Taser company was inspired by the death of two school friends gunned down years ago. But much of the tale is false, Reuters found, part of a pattern of misrepresentations and self-serving behavior among top Axon executives.

At Taser maker Axon, ex-staffers say loyalty meant being tased or tattooed

CEO Letter Agreement with Patrick Smith (Applicable to $25 Million Charitable Donation)

On December 8, 2023, the Company entered into a letter agreement (the "CEO Letter Agreement") with Mr. Smith, pursuant to which the Company agreed to waive the holding period on shares of Company common stock having a value of approximately $25 million, which Mr. Smith acquired upon exercise of options pursuant to the 2018 CEO Performance Award, so that Mr. Smith could contribute such shares to a charitable fund in 2023.

Pursuant to the CEO Letter Agreement, if Mr. Smith resigns for any reason on or before December 31, 2025, Mr. Smith will promptly pay to the Company $25 million.

Source: Annual reports, sell-side reports, factset, news

MANAGEMENT

- **Rick Smith, CEO & Co-founder:** Mr. Smith has served as CEO and as a director of the Company since 1993. Rick started the company with his brother Tom. He worked with the inventor of Taser, Jack Cover, to develop and commercialize the device with the mission to reduce gun violence through technological innovation.
- **Josh Isner** has been President since July 2023. Prior to that, Mr. Isner served as the company's Chief Operating Officer, starting in 2022, and before that, he was the Chief Revenue Officer 2018-2022 (15 years total tenure).
- **Brittany Bagley** has been CFO & COO since September 2022 (and now is also COO), with prior experience as CFO of Sonos & 12 years at KKR
- **Jeffrey Kunins** has been CPO & CTO since September 2019 and brings strong experience from AMZN & MSFT.
- **Cameron Brooks (Chief Revenue Officer)**

RICK SMITH	JOSH ISNER	BRITTANY BAGLEY	JEFF KUNINS	CAMERON BROOKS
Chief Executive Officer & Founder	President	Chief Operating Officer & Chief Financial Officer	Chief Product Officer & Chief Technology Officer	Chief Revenue Officer

Source: Annual reports, sell-side reports, factset, news

REGULATIONS

- Axon operates in a highly regulated space due to its focus on law enforcement, public safety, and weapons technology. Key regulatory considerations include:
- **Government Procurement & Contracts:**
  - Non-appropriation clauses in government contracts allow agencies to cancel agreements if funding is not approved.
  - Contracts often include optional renewal periods and termination clauses, creating uncertainty in long-term revenue realization.
- **Product Classification & Compliance:**
  - TASER devices and related hardware are subject to regulation by the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF).
  - Cloud services (e.g., Evidence.com) must meet FedRAMP High standards for federal data security.
  - International operations require compliance with local data privacy, export control, and law enforcement regulations.
- **AI & Data Use**
  - Axon's AI tools (e.g., Draft One, Redaction Assistant) rely on sensitive law enforcement data.
  - Regulatory scrutiny around AI ethics, bias, and data privacy is increasing.
  - Axon must ensure transparency, fairness, and compliance with evolving AI governance standards.

❖ **Regulations create high barriers to entry** in Axon's market by **requiring new players to meet strict standards** for weapons classification, cloud security (e.g., FedRAMP), AI governance, and government procurement. These demands **involve costly certifications, legal compliance, and long sales cycles** making it difficult for startups or smaller firms to compete.

Source: Annual reports, sell-side reports, factset, news

ACQUISITIONS & PARTNERSHIPS

- **Dedrone (May 2024):** Dedrone is a global leader in airspace security, whose technologies protect against increasing drone threats and advancing the use of Drones as First Responders (DFR). **AXON paid ~$400m**
- **Fusus (February 2024):** Fusus is a global leader in real-time crime center technology, and this expands AXON's ability to aggregate live video, data, and sensor feeds, which enhances situational awareness and investigative capabilities for customers**. AXON paid $240m.**
- **Sky-Hero (July 2023):** This started AXON's push into drones. Sky-Hero is an indoor tactical drone product, targeted at specialized markets where indoor drones are needed (stadiums etc.).
- **Skydio (Strategic Investment & Partnership):** U.S.-based drone manufacturing. Axon is not manufacturing drones itself but partners with Skydio to integrate drone footage into its Evidence.com platform; supports Axon Air and DFR programs

Source: Annual reports, sell-side reports, factset, news

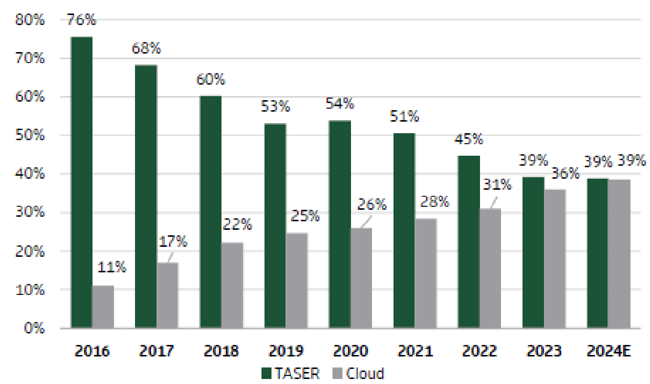
RISKS

- **TASER demand:** TASER represents a large portion of revenue, and acceptance of these devices is critical to AXON's growth. Demand for TASERS is affected by several factors including market acceptance, technological change, product functionality, negative publicity about their effectiveness, and budget constraints. TASERs have now proven to be safe but there has been public scrutiny given cases where the subject died after a TASER was used.
- **Law enforcement agencies:** AXON's largest customers are U.S. state and local law enforcement. If these agencies were to slow their demand for AXON’s products this could negatively impact growth. In the past sales were adversely impacted by negative publicity surrounding its products.
- **Budgetary and political constraints:** AXON's end-user customers are largely government agencies, who often do not set their own budgets, or could experience political pressure that could dictate how they spend money.
- **Cybersecurity & Data Breaches:** Axon stores vast amounts of sensitive digital evidence in the cloud. Risk of data loss or breaches (including via third-party providers); extended outages affecting mission-critical services
- **Regulatory Changes:** Shifts in U.S. or international regulations could impact Product classification (e.g., TASERs), export restrictions, data storage/ AI usage
- **Product Liability Exposure.** Axon is frequently named in lawsuits related to TASER use (wrongful death/injury). While no settlement has exceeded its $5M self-insurance threshold, the reputational and legal risk is material.
- The product cycles of TASER 10, Axon Body 4, & the AI Era Bundle could see slower adoption; Expansion into newer markets could be slower than expected. Sales cycles are long (6-9mo) and are subject to budget approvals and pressures.

Source: Annual reports, sell-side reports, factset, news

ADDITIONAL CHARTS

Figure 7 : TASER vs. Cloud % of Revenue



Source: TD Cowen, company reports

Figure 17 : Overcoming Obstacles

"Police will never use an electric weapon on people."
-1999

"Cops will never wear cameras."
-2006

"Police will never put their data in the cloud."
-2010

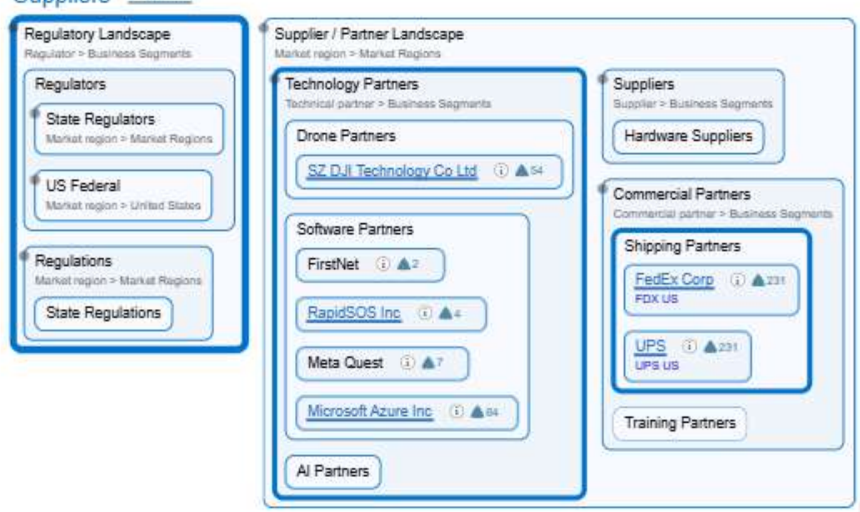
"Police work will always involve burdensome paper work."
-2016

Source: 2016 AXON analyst day

Ownership →

Holder	%OS	Position (000)
TOP 5 INSTITUTIONAL HOLDERS		
The Vanguard Group, Inc.	10.87	8.286
BlackRock Fund Advisors	6.26	4.775
SSgA Funds Management, Inc.	4.05	3.088
Fidelity Management & Research Co. LLC	3.34	2.549
Geode Capital Management LLC	2.57	1.957
TOP 5 INSIDERS		
SMITH PATRICK W	4.02	3.064
PARTOVI HADI	0.54	0.415
ISNER JOSHUA M	0.35	0.269
KUNINS JEFFREY C	0.21	0.158
BAGLEY BRITTANY	0.15	0.115

Suppliers 1 mention



Source: Annual reports, sell-side reports, factset, news

ADDITIONAL CHARTS

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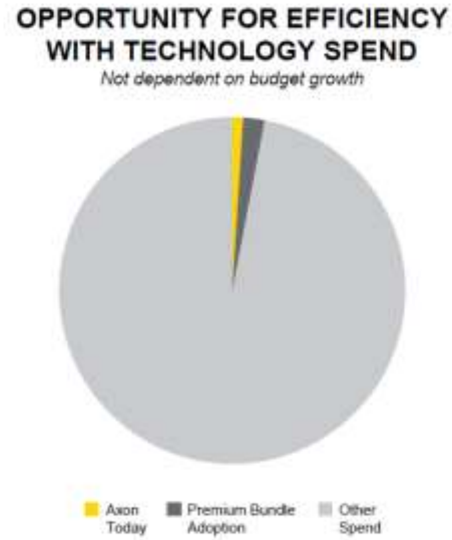

Axon captures less than 1% of the average customer budget with the potential to reach 3% with premium product adoption.

- **State and local vs other opportunities**
  - International revenue has grown at a 20% 3-yr CAGR (below average) and makes up 15% of revenue. It sounds like international bookings are picking up with Taser10 (record bookings in Q1 2025).
  - In Q42024, 7 of their top 10 TASER 10 orders to date came from outside US state and local, including customers in international, federal and corrections. Enterprise team booked the largest deal in company history with a global logistics provider (bodycams, Fusus, evidence.com).

Source: Annual reports, sell-side reports, factset, news