

Axon Enterprise, Inc. (AXON)

Q1 2021 Earnings Call

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Call Participants

EXECUTIVES

Andrea James

Senior Vice President of Investor Relations & Corporate Strategy

Jawad A. Ahsan

Chief Financial Officer

Jeffrey C. Kunins

Chief Product Officer & Executive VP of Software

Joshua M. Isner

Chief Revenue Officer

Luke S. Larson

President

Patrick W. Smith

Co-Founder, CEO & Director

ANALYSTS

Erik Taylor Lapinski

Morgan Stanley, Research Division

Jeremy Scott Hamblin

Craig-Hallum Capital Group LLC, Research Division

John David Godin

Needham & Company, LLC, Research Division

Jonathan Frank Ho

William Blair & Company L.L.C., Research Division

Keith Michael Housum

Northcoast Research Partners, LLC

William Verity Power

Robert W. Baird & Co. Incorporated, Research Division

Presentation

Andrea James

Senior Vice President of Investor Relations & Corporate Strategy

Hello everyone and welcome to our first quarter 2021 earnings conference webinar. I'm Andrea James, Senior Vice President of Corporate Strategy and Investor Relations. Today, we have with us CEO, Rick Smith; President, Luke Larson; CFO, Jawad Ahsan; Chief Revenue Officer, Josh Isner; and Chief Product Officer, Jeff Kunins.

I hope you've all had a chance to read our very robust shareholder letter, which we released after the market closed. You can find it at investor.axon.com. Our remarks today are meant to build upon the information in that robust letter. At the end of this call, we'll play our quarterly earnings video. That's our first time doing it on the earnings call, and you're welcome to stay for that. If for some reason, we lose connectivity, we'll endeavor to post a copy of our prepared remarks to investor.axon.com.

During this call, we will discuss our business outlook and make forward-looking statements. Any forward-looking statements made today are pursuant to and within the meaning of the safe harbor provision of the Private Securities Litigation Reform Act of 1995. These comments are based on our predictions and expectations as of today. They are not guarantees of future performance. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially. These risks are discussed in our SEC filings.

Okay. Now turning it over to Rick.

Patrick W. Smith

Co-Founder, CEO & Director

Thanks, Andrea, and hello, everyone. As you can see from the shareholder letter, we've had an exceptional start to the year. Our teams have remained heads down, executing on our mission and driving growth across all of our products and markets. I couldn't be more proud of what we've built, of Axon's position as a true change agent, and ultimately, and most exciting, where we're heading. We've always been passionate about innovation, and the inherent drive continues to propel our business forward.

Today, I'd like to address current events, public and personal, that are relevant to our business. First, recent current events, including last year's death of George Floyd and the events that followed forced our nation to reflect upon the values we hold true for all Americans. Axon is and will remain committed to creating technologies that save lives, increase transparency and help communities and public safety agencies who serve them, achieve a higher quality of life to ensure everyone makes it home safe.

Customers, and increasingly more communities, see us as a key thought leader and key partner in the global drive to transform public safety. We hear stories daily about customers using our products to save lives and protect their communities. And we believe our problem-solving approach to these major challenges will continue to drive our growth. Two years ago when I published my book, *The End of Killing*, it was a radical idea that we can actually make the bullet obsolete and create less lethal weapons that could become the primary use of force and eventually displace lethal weapons. Customers were far more receptive to this idea than I could have anticipated. And in light of the events of the past 12 months, we are hearing pleas from our public safety customers and the broader community that they cannot wait until the deadline I had set at the end of this decade for us to achieve the goal of surpassing the sidearm in effectiveness.

Our teams are working extremely hard to bring in the dates for the next generation of TASER weapons, which I believe will be the largest single leap in capability in the history of less lethal weapons. Customers have even begun signing 10-year programs with us to enable seamless upgrades, and we worked with them to create programs that will even allow them early upgrades when the next generation launches.

Now set expectations, the next-generation of TASER is a couple of years out due to the intense testing a ground-up new design requires as well as the full production automation and scaling. But I wanted to talk about the issue head on, given the growing intense public interest and to help our investors understand why you might be seeing this dynamic behind 10-year programs.

Second, on a personal note, the passing of my father, Phil Smith, our Founding Chairman, last month, was a monumental loss. He was instrumental in helping to get TASER off the ground in its early days, and our company would not exist without him. His final 24 hours were an amazing capstone to an incredible life. His mission lives on among all of us at Axon, and I will miss calling him after the call today to discuss the results.

As we look to the future, Axon can be a huge force for progress through our vision of obsoleting the bullet, reducing social conflict, enabling a fair and effective justice system and building for racial equity, diversity and inclusion.

Luke and Jawad will now take you through some more highlights of our business.

Luke S. Larson
President

Thanks, Rick. As stated in our shareholder letter, which we've got a ton of positive feedback on, shout out to our IR team, our teams are executing on our 2021 strategic priorities to grow our core, scale new products, unlock new markets and drive efficiency to fuel growth. We believe Axon has been at the forefront of change. But the past year, we've been put in the center of truly unprecedented events that inspired our teams to show up in many new ways.

Our body cameras are capturing the most critical events in the world. We're proud of that, and it's a responsibility we take very seriously. During the civil unrest in the capital on January 6, for instance, D.C. Metropolitan Police and the Montgomery County Police, who are Axon Body customers, were called in for backup, and the Justice Department has released Axon body camera videos related to that incident. Axon body cameras are also providing critical evidence in many of the current events that we're all familiar with.

Just last week, NPR published a story about a team of public safety experts and world economists that say body-worn cameras are both beneficial and cost-effective. The University of Chicago Crime Lab and the Council on Criminal Justice task force on policing released a report and stated the key benefit of body-worn cameras is the reduced use of police force. For example, among the police department study, they saw complaints against police dropped 17%, and this is really the compelling statistic, is that use of force by police during fatal and nonfatal encounters fell by nearly 10%.

Professor Jens Ludwig, Head of the Crime Lab says, if you're a local government looking at adopting the cost, from your narrow green eyeshade bottom line, the technology probably pays for itself, and the benefits to the public are a huge win and easily outweigh the cost.

Our focus as a management team is to invest in growth, so that we can continue delivering technologies to protect life and truth. In February, we outlined the capital investments we're making this year, including the TASER manufacturing. We have a great update to share on that front as you see in our shareholder letter. These investments are growing, TASER manufacturing capacity, and driving gross margin expansion. This positions us to meet growing TASER demand globally and in our federal sector. So far this year, TASER device manufacturing and supply chain improvements are on track to deliver more than \$4 million in gross cost savings in 2021.

We are also excited about the momentum that we are seeing in our Software and Sensors segment. Later this year, we expect to launch our third-generation fleet solution. This is our dashboard cam solution, which features AI-powered, automatic license plate recognition known in the industry as ALPR. Demand for this premium fleet bundle, which includes ALPR software add-on and the live streaming off of our cameras, is exceeding our expectations by a healthy margin. And you can read more about this in detail in our shareholder letter.

We are also seeing growing adoption in the usage of LTE-enabled live streaming off of the body cameras and remote evidence uploads. And in the coming weeks, we expect to transition the Baltimore Police Departments to our record solution, and the training and feedback has been going very well.

Finally, we're transforming how agencies train their officers by addressing the inefficiencies around the classroom, role-playing and simulator training. By leveraging VR, we are addressing their two biggest issues, budget and time. In the coming days, we have an exciting product launch that we can't wait to tell you more about. We just did a sneak peak of our big VR announcement yesterday with TASER's training advisory board, and it was very well received. We have a lot to be excited about in 2021 and beyond.

Now I'll turn the call over to our Chief Financial Officer, Jawad.

Jawad A. Ahsan

Chief Financial Officer

Thanks, Luke. As our teams continue to execute at an extremely high level, we're able to confidently invest in our future. Our strong balance sheet also gives us the flexibility to drive growth broadly across products, markets and geographies. We've recently made three strategic investments in Flock Safety, RapidSOS and Cellebrite, as well as expanded our strategic partnerships. These were carefully crafted moves that allow us to extend our platform as we aim to build the public safety ecosystem of the future.

In Q1, we invested \$20 million in RapidSOS and more recently completed a strategic partnership. When people dial 911, lives are literally in the balance when the call center doesn't know where they are. RapidSOS is a leader in solving this problem. For example, if you call 911 today using your iPhone in the vast majority of U.S. jurisdictions, Apple will send your location to public safety via RapidSOS. Now the location and live streams of Axon body cameras and Axon Fleet cameras can be integrated into the RapidSOS platform, and RapidSOS data can be integrated into our new Axon Respond dispatching platform.

Another recent investment in strategic partnership includes a \$90 million participation in a pipe transaction in connection with Cellebrite going public by a SPAC IPO. Cellebrite is the market leader in digital intelligence. Their software complements our lead in digital evidence management, and they share our strong emphasis on safeguards to protect privacy. We are consistently hearing great feedback from our customers in common with Cellebrite, and the company has been delivering compelling results. This partnership will make Evidence.com even more valuable for our customers.

From an M&A perspective, as you can see, we're taking a deliberate approach to how we partner and deploy our capital. You can expect to see us continue to be opportunistic and make strategic moves that strengthen and extend our platform. To be clear, we will be highly selective. Our continued strong execution allows us to make these types of investments and keep our strategic focus on investing for growth. However, it's really the fact that we always lead with our mission to protect life, truth in the communities we serve that has us taking a long-term view on our business.

As we work towards goals such as obsoleting the bullet, we are measuring our progress over a longer-term horizon. In fact, we'd like to invite you to think about our business the way that we do in terms of years and not quarters. This is why today, we are introducing two-year revenue guidance for both 2021 and 2022. For 2021, we are raising our revenue guidance by \$40 million at the midpoint to \$800 million. In 2022, our early view of the year anticipates that we will deliver approximately \$920 million in revenue. The combination of positive underlying demand trends and our strategic growth and expansion initiatives gives us tremendous confidence in our longer-term outlook.

We've been making investments in several new geographies outside of the U.S., and many of these investments are starting to yield results. The nature of the international market is such that the deals are often for larger regions or entire nations. The larger and more complex nature of these deals makes their timing difficult to forecast, and thus, growth is not as linear as we might expect in the U.S. We, therefore, expect the phasing of revenue from international deals to contribute to variability in our quarterly revenue, a trend we expect to continue for the foreseeable future. This is why we're anchoring on annual revenue guidance. We don't want the timing of large international deals to signal anything about the underlying

growth rate of our business. We are laser-focused on building a business that will sustainably grow at a 20%-plus CAGR.

I want to reiterate that we are committed to continuing to execute and invest with rigor and discipline. As such, and given our strength and outlook for the year, we're raising our adjusted EBITDA guidance for 2021 by \$12.5 million at the midpoint. We're also maintaining our long-term target adjusted EBITDA margin of 30% while continuing to invest for growth.

I'd like to close by highlighting another aspect of Axon that I'm particularly proud of. How diversified we've become. We sell hardware and software, solutions and services, products and training. We've diversified geographically as well as to the types of customers we sell to. Revenues from our market-leading tailored devices and body cameras remain on a strong growth trajectory, while our ARR has now surpassed \$240 million and is expected to grow approximately \$15 million per quarter. I've never felt better about how Axon is positioned for growth, and I'm looking forward to seeing how our team continues to deliver. And with that, Andrea, let's move to questions.

Question and Answer

Andrea James

Senior Vice President of Investor Relations & Corporate Strategy

Thanks Jawad and team. Just want to check with our moderators that we can bring everybody up into the gallery view. And give me a nod when we are up in gallery view. Okay. We are up on gallery review. [Operator Instructions] We'll take our first question from Keith Housum at Northcoast. Go ahead Keith.

Patrick W. Smith

Co-Founder, CEO & Director

That's my move, Keith. You're on mute. I've got patent on that.

Keith Michael Housum

Northcoast Research Partners, LLC

All right. How are we doing now? All right. Congratulations on a great quarter, and I appreciate the guidance going forward. Rick, it looks like now two quarters in a row, fantastic TASER sales with growth. Perhaps you can provide a little bit more color on what you think some of the drivers are? How are you guys achieving this TASER growth in the past two quarters? Then I guess, previous quarters weren't as nearin this type of growth.

Patrick W. Smith

Co-Founder, CEO & Director

Yes, I'll touch on it and then, Josh, I'll hand it off to you. I would say there's really a shifting focus. Ten years ago, the focus with TASER, there was a lot of focus on sort of the medical safety of the devices. I think we've come out of that, where now there's really an intense focus on effectiveness. And in my book where I talked about -- I'm very transparent. We are not yet reliable enough to be a substitute for lethal force, but we're heading that direction. We made a big step with TASER 7, and we'll make an even bigger step on our next launch. And I think our customers are pretty excited, and we're just seeing a lot of TASER 7 adoption that has really kind of picked up. We're also seeing, I think, broader international adoption. There's -- we're getting -- I see orders coming in our data reports, and I got to go look at the map to see where some of these countries are that a few years ago, weren't even on our radar. And now we're getting much broader coverage. And with that, Josh, let me hand over to you.

Joshua M. Isner

Chief Revenue Officer

Yes. Thank you, Rick. Ultimately, I think it's just a continued story of a lot of investments in the channel that we've made over the years are starting to pay off. As Jawad said, we're diversifying. State and local law enforcement is absolutely a big part of that growth story, but so is international, so is federal, so is corrections. And so we've got a lot of talented people, doing a lot of great work right now, and we'll continue to invest in white space in the channel to make sure those results continue to grow in the out years.

Keith Michael Housum

Northcoast Research Partners, LLC

Okay. Great. And then just if I could, my follow-up. I guess I've got to ask a question about the supply chain issues that's happening really across all technologies these days. I guess where in your portfolio of products, I guess, do you have any pinch points with supply chain? And are the issues getting worse here as we're going into the second quarter?

Luke S. Larson

President

Yes. Great question, Keith. I'll field that. So our supply chain and ops team is led by a phenomenal guy named Josh Goldman. And over the last year, we've really put buffers in place to ensure that we can meet the quarterly demand as well as forecast out critical components, and I've just got to give the team a lot of credit, who have navigated the last 12 months, and we're keeping that same strategy looking forward. And we -- and as of today, we feel really good about it.

Andrea James

Senior Vice President of Investor Relations & Corporate Strategy

Thanks, Keith. We'll take our next question from Will Power at Baird.

William Verity Power

Robert W. Baird & Co. Incorporated, Research Division

Great. Okay. Rick, first, sorry for your loss.

Patrick W. Smith

Co-Founder, CEO & Director

Thanks, Will. On the positive side, I hope to die the way he did. It was actually as positive and uplifting as such a thing could be.

William Verity Power

Robert W. Baird & Co. Incorporated, Research Division

Okay. That's good. Well, congratulations on the results. Obviously, really strong across the board. I guess maybe broadly looking at the opportunities in the U.S. and the spending habits as we -- what are you seeing in terms of municipal budgets? Any headwinds on that front? And to what degree are some of the federal aid plans helping?

Patrick W. Smith

Co-Founder, CEO & Director

Josh?

Joshua M. Isner

Chief Revenue Officer

Absolutely. So I think about this time last year, there were a lot of questions about how that would materialize, and we're still very happy to say it really hasn't in a meaningful way. And in fact, a lot of the federal conveyed packages have provided additional funding to state local. At first, it was mainly the large cities. But in the latest grant package, it was for small and midsized cities as well. So we don't see any kind of systematic challenges across municipal funding that make it any more or less worrisome than in the past. We think it's in front of us and we provide the right products that our customers value. We really believe that they'll be able to find funding to buy them.

William Verity Power

Robert W. Baird & Co. Incorporated, Research Division

Okay. That's great. And if I could sneak in this one. Really nice to see some of the early Fleet 3 indicators. I'm wondering if you could just provide any more color as what's kind of helping set you apart in the market. Any issues potentially on the supply side in terms of meeting that demand? Just any more background there would be great.

Patrick W. Smith

Co-Founder, CEO & Director

I'm sorry, what was it? I couldn't hear what product you are referring to then.

Jeffrey C. Kunins

Chief Product Officer & Executive VP of Software

Fleet.

Luke S. Larson

President

Why don't I take that first stab and then pass it to Jeff. So one thing that I talked about that we're really excited about is just the attach rate to the ALPR. And this is one where I think the customers are saying, "Hey, I can go with one solution with Axon and get these two critical benefits." It also is a great story around how we're able to provide not only the hardware but also the software and advanced software that the customers are willing to pay for.

Jeffrey C. Kunins

Chief Product Officer & Executive VP of Software

Go ahead. Oh, go ahead, go ahead.

Luke S. Larson

President

Go ahead, Jeff.

Jeffrey C. Kunins

Chief Product Officer & Executive VP of Software

Yes. Just continuing on that. First and foremost, on the camera system itself, we're really proud and looking forward to shipping it for customers that is overwhelmingly our best camera system ever for the car. And we've just -- on those merits alone, that drives a lot of the demand that we're seeing. And then as Luke alluded to, one of the things that is Axon's greatest strengths is how we combine these devices with the power of intelligent cloud services.

And so both, with our Respond live streaming connected in as well as our new disruptively affordable and ethically designed from the ground up approach to ALPR, really creates, for the first time, the ability for an agency to afford for the same budgets they're used to spending to put ALPR capability in every single vehicle. And so you put all that together at an attractive overall price, and again, we still have -- we look forward to shipping it later this year and seeing how customers love it.

Patrick W. Smith

Co-Founder, CEO & Director

Yes. You know what? I've got to add one more thing. And maybe we're too transparent sometimes, but with Fleet 1 and 2, we're scrappy and we had to get to market fast. The hardware was not our strength in those products, and we still got to, I think, the top end of the suppliers in the market.

Fleet 3, now we're bringing our A game. This is the first camera where the hardware has been designed from the ground up for this use case. Previously, we did take our body cameras and then re-factor them to the car, and we learned a ton by doing that. But I'm really pumped to see what's going to happen because what we're bringing out now has been purpose-built over a multiyear period by some really talented and awesome folks. So I'm excited to see how it performs in the market.

Andrea James

Senior Vice President of Investor Relations & Corporate Strategy

All right. Thanks. Well, we love the families here at Axon. We'll take our next question from Jonathan Ho at William Blair.

Jonathan Frank Ho

William Blair & Company L.L.C., Research Division

I wanted to just start out with the two-year guidance. Just given the lumpiness that you're seeing in some of these international deals and the longer sales cycles, I guess, can you talk a little bit about how you're

building that long run above forecast? And what maybe gives you the confidence to be able to offer a two-year view this early?

Jawad A. Ahsan

Chief Financial Officer

Yes. I'd like to start with that, and would love to hear Josh's input as well. So there are a couple of factors, Jonathan. The first one is, look, quite frankly, the business is rocking and rolling. We've got -- you've heard us allude to it. We've collected a pretty fantastic collection of talent in all of our functions, and they are executing crisply and reliably, and I have a tremendous amount of confidence in them. The pipeline that we've built, I feel like we've got a very high likelihood that we're going to execute on that to such a degree that I feel confident going out two years on our guidance.

The second factor is -- and we've also alluded to this, is that these international deals, it makes it difficult for us to give quarter-to-quarter guidance. It's better for us to think in terms of years. Because they're larger, they're more complex. There's so many more factors involved, financial, operational, regulatory, political. And really, we think about the business in terms of years. And what we're working towards is to build a business that will sustainably grow at a 20%-plus CAGR year-over-year.

Joshua M. Isner

Chief Revenue Officer

And then lastly, I would just add, one of the benefits of really focusing on bookings as a forward-looking indicator of our results. Our bookings continue to grow year in and year out. And we saw that last year, we're seeing it this year as well, and we're very excited about what that means for the future. So we certainly do between bringing on more and more enterprise sales talent that gets better and better at forecasting, combining that with having growing bookings year-over-year, it gives us a lot of confidence that we're going to keep growing.

Jonathan Frank Ho

William Blair & Company L.L.C., Research Division

Got it. Got it. Can you also maybe give us a little bit more color in terms of the traction that you're seeing relative to the RMS and CAD solutions, specifically your software suite? And maybe how that's sort of contributing to net retention and some of the expansionary metrics there as well?

Joshua M. Isner

Chief Revenue Officer

Certainly. We're really excited. We're seeing customers that have had a lot of confidence in us historically, willing to partner with us more on our newer offerings. When we go into police departments, one of the questions we always ask is, what's the best piece of functioning software you deploy today? And often times we hear it's Evidence.com. And that inspires a lot of confidence from our customers that the next piece of enterprise software we deliver is going to be equally good or better.

And so right now, we have to be very careful in terms of making sure that we set the right expectations. We bring on the right customers for us early on, and we make those customers really successful, and that's what we're focused on right now. And we believe, just like we have in every category that we've entered, we turn those early evangelists into a growing market over the years to come, and we have a lot of confidence we're going to do that in Records and Dispatch as well.

Andrea James

Senior Vice President of Investor Relations & Corporate Strategy

Thanks, Jonathan. We'll take our next question from Jeremy Hamblin at Craig-Hallum. Go ahead Jeremy.

Jeremy Scott Hamblin

Craig-Hallum Capital Group LLC, Research Division

Thanks and congratulations on the strong results and also pass along my thoughts on your family. I wanted to actually ask about Cellebrite. And thinking about the investments that you've made in that business, what is the likelihood that with the rapid growth that they're seeing that you're going to have additional investments made in that business down the road? How much more integrated can you potentially see these businesses becoming?

Jawad A. Ahsan

Chief Financial Officer

Yes. I'll start. So Cellebrite is a company that we've been admiring from afar for some time now. We had a chance to build a relationship with them prior to the SPAC deal coming on our radar. It's someone we really admired. And as we talk about, they're a leader in digital intelligence. We think it's a very natural extension of our lead in digital evidence management. And this is a long-term play. We really view our partnership with them as strategically important to Axon, and we'll evaluate the opportunity to invest more or something beyond that going forward. But at this point, we feel really good about where we're at.

Jeffrey C. Kunins

Chief Product Officer & Executive VP of Software

I would just add to that, just as Jawad talked about earlier, you can see that pattern in all of these very judicious investments we've made so far. So between Flock Safety and then RapidSOS and then now would Cellebrite, all of them are -- yes, they're a financial investment, but they're very purposefully chosen to be a match for places where customers win as we do interesting things together commercially as well. And the investment is an accelerant to what we would otherwise want to naturally do as great partners.

Jeremy Scott Hamblin

Craig-Hallum Capital Group LLC, Research Division

Great. And then I also wanted to just ask about your annual recurring revenue. You've had very steady pace on this, it's roughly \$20 million a quarter that you're adding on. As the company gets bigger and bigger, what would potentially drive deviation to the upside from that \$20 million a quarter? Is it just gaining significant traction in RMS? Is that going to be the big driver? But how do we potentially step-up from that level from here?

Jawad A. Ahsan

Chief Financial Officer

Yes. So one of the things that Josh alluded to is, for us, the leading indicator is really bookings. And we're, right now -- just like we've made investments in new international markets, we're also making investments in these new product categories like Records and Dispatch. And we're in the very early innings. We're building a product that we're very proud of and we think is going to be a market leader. And so the leading indicator for us is going to be bookings. As those bookings come in, we think that will just continue to add that will end up translating into ARR.

Andrea James

Senior Vice President of Investor Relations & Corporate Strategy

I just want to piggyback just real quick just to make sure your numbers on that one. We're very proud of the rate that we're adding ARR, but it's been -- the average over the last year has been closer to \$15 million a quarter. And that's what Jawad, the number he referenced in his script as well.

Okay. Thanks, guys. Okay. We'll take our next question from John Godin at Needham.

John David Godin

Needham & Company, LLC, Research Division

Hey guys. Appreciate you taking my questions. Congrats on the nice quarter. I have a question around the VR products. Obviously, given a lot of the social unrest, how have you seen demand trends early on for that? And thinking from a high level, given looking

out two or three years, how do you see that product kind of growing and coming to market? And then maybe also where you think that you fit in competitively?

Luke S. Larson

President

Yes. Why don't I start with that and then have Josh follow-up? So the demand that we've seen for VR, I would say, is nearly unprecedented, where customers are coming to us, we're explaining what our existing offering is with community engagement scenarios, some of the future ideas that we're developing, and we've seen a really, really healthy pipeline from all sized agencies, a lot of geographical distribution. So we feel like this is one where there's a lot of demand.

Joshua M. Isner

Chief Revenue Officer

Yes, I think that's right. I just want to be clear though. I'm very cautious to attribute that to really anything except we're addressing a need that has existed for the last 20 years, it will exist in the next 20 years. And there aren't -- we can't control kind of year-to-year what the narrative is in the public or what's going on externally.

So for us, it's about building products that we think better and make our customers more effective and safer at their jobs, make communities safer. And we think VR is of that category. And we're super excited about this one. We see a lot of demand in the market. We see a lot of alignment with our mission-long term. And this is one that -- it's a new category that we're really proud to be participating in, and we've got a team that's very focused and excited about scaling it over the next several years.

Andrea James

Senior Vice President of Investor Relations & Corporate Strategy

We'll take our next question from Erik Lapinski at Morgan Stanley.

Erik Taylor Lapinski

Morgan Stanley, Research Division

Maybe going back to the Baltimore rollout of Records. And just wondering as you're working through that, like what's the level of customization that a larger place department would be pushing forward with that? Like is the product modular enough that you can kind of work around what they might want? I guess just wondering like how that process goes and if it has altered the development path in any way from making it more customizable.

Jeffrey C. Kunins

Chief Product Officer & Executive VP of Software

Sure. No, great question. Inherently, not only for us but for everyone playing in any of these large complex enterprise software plays inside and outside of public safety, there is that dance. And I think for us, what is clear as we continue to go forward, that we are really excited about, that we're building the right pieces in the right order as we keep building up the product and winning and working to delight our early customers.

And as Josh said earlier today, and as you've heard me say on the last couple of calls, this is a multi-year journey for us, and we are determined in our path to ultimately become #1 in these categories, but we also have no illusions, it takes time. And it's one piece of our overall path of our sensors and software, contributing more and more of the full portfolio of scenarios that our customers need to be successful every day. So we feel great about that rollout and about what it's -- what Baltimore's needs, and each of our early customers needs' are -- apply to all of the additional customers as we keep going.

Andrea James

Senior Vice President of Investor Relations & Corporate Strategy

And we just got some feedback from the outside that Erik's question and John's were maybe not that well heard. So John Godin had asked about virtual reality training. And Erik had asked about the level of customization required for Baltimore PD.

Erik Taylor Lapinski

Morgan Stanley, Research Division

If I can ask one more, too. Just on international traction, bookings there. Is that primarily TASER right now? Or are you also seeing it picking up with the body cam side? I think the last time we've asked on that, it was kind of TASER was really leading some of the international expansion. But wondering if body cam has followed.

Andrea James

Senior Vice President of Investor Relations & Corporate Strategy

And the question is about what products -- just real quick, Josh. The question is about what products are driving our international bookings. Thanks, Josh. Go ahead.

Joshua M. Isner

Chief Revenue Officer

Yes. Sorry about that. Absolutely. I think it's a great question. The good news is we're seeing both. And it depends on the market. Some markets, we lead with TASER and then we grow those into body cam customers, in other markets and customers were leading with body cams and even DEMS, without body cameras, which is a growing segment for us in international, where large customers, and we expect to see a couple of these in the next couple of quarters by software-only packages from us in high volumes.

So we're particularly excited about that new trend that we're seeing. And so we feel like we're really, really well positioned, just like in the United States, where we started with one product and have diversified and grown customers into adopting several of our products. We're seeing that same thing starting to happen in international.

Andrea James

Senior Vice President of Investor Relations & Corporate Strategy

Thanks, Erik. Do any of our analysts have any follow-up questions? No. Okay. Well, thanks, guys, so much for joining us. We're going to have Rick close us out.

Patrick W. Smith

Co-Founder, CEO & Director

Thanks, Andrea. Hey, before you leave, if you have time to stick around, we're going to play our quarterly earnings video. So thanks for joining. We look forward to updating you throughout the year. We'll drop off after this video, and the webcast will be posted to investor.axon.com. Roll video.

[Presentation]

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