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Axon Enterprise, Inc. (AXON)
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MANAGEMENT DISCUSSION SEGMENT

Erik Lapinski *Senior Director, Investor Relations, Axon Enterprise, Inc.*

Hello everyone, and thank you for joining Axons Executive Team today. I hope we've all had a chance to read our shareholder letter released after the market closed, which you can find @investor.axon.com. Our prepared remarks today are meant to build upon the information in that letter. During this call, we'll 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 predict predictions and expectations as of today, and are not guarantees of future performance. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially. We discuss these risks in our SEC filings. We will also discuss certain non-GAAP financial measures, a description of each non-GAAP measure and a reconciliation of each non-GAAP measure to the most directly comparable gap measure can be found in our shareholder letter, as well as on our investor relations website. Now turning to our quarterly update. First we'll start off with a quick video showing you an awesome example of one of our customers using products across our ecosystem. It'll be about five minutes, so you get a chance to take a minute.

>> Quarterly Earnings Video << <https://vimeo.com/1012893915?share=copy>

Patrick W. Smith *Chief Executive Officer & Founder, Axon Enterprise, Inc.*

Alright, thanks Erik, and I want to thank all of you. I thank all of our shareholders for joining us here today. So welcome to Axon's third quarter 2024 earnings call. It is truly humbling to come back to you with another fantastic update and to show you these videos that capture what we've been working on and the relationships we strive to build with our customers. These calls are a great opportunity for us to reflect on our recent momentum while thinking about what's next. As I've shared with you in the past, I spend the majority of my time with our customers and with our product teams, ensuring that we are inventing and focused on the right things and aligning our efforts where our customers need us and where they need us to be for their future. I've been able to lean in with hundreds of our customers over the past few months between the AUSA, which is the big Army show, IACP, the Chiefs of Police Conference, and several events at our offices and internationally.

Our customers are as excited as we are about what's ahead, and it's energizing to see them ready to move forward with us on this journey together. There's no place where this is more clear to me than the area of artificial intelligence. The interest is immense here, and we are already building a suite of products for our new AI era plan, providing access to an expanding set of solutions. Our strategy here is twofold. First, we understand and believe that AI innovation is moving at a breakneck pace. It would be almost impossible for us to continually update our go-to-market offerings at the speed that AI is moving. With this plan, we get to deliver an ever-changing and expanding offering that drives increased value for our customers over time. Second, we want to partner with our customers by offering them access to the solutions we have today and those we are building for the future.

We can work together on this adapting to deliver what they need. As technology improves and evolves, we know the best way to win is by putting our customers first. This is going to be how we help them

harness the power of AI as we launch many exciting products over the coming years. AI is one of the many areas that excite me about our business, but it's not the only one. Taser 10, combined with the power of expanding virtual reality or VR training portfolio continues to gain traction as a disruptive force to how we deescalate in difficult situations. Real-time capabilities enabled with Axon Body 4 and Fusus have advanced response and communication in ways that are finally modernizing public safety communication tools that have been a bit stagnant for decades. And our momentum in newer categories like drones and robotics, continues to accelerate with our recently closed acquisition of Dedrone, which helped enable Campbell PD, as you saw, to gain the first FAA approval waiver for 24/7 drone operations as first responder.

To summarize, I'm very excited about what we are seeing in the market today and the energy our customers have put behind what we are doing. We're on a multi-year journey to modernize the way public safety operates, and the opportunity in front of us is to drive real improvement in outcomes that matter to our communities and to our customers who work tirelessly every day to make the world safer. While we report our results to you on a quarterly basis, I believe our success is measured in years and lives saved. We remain focused on our moonshot goal and our mission to protect life, and we're thankful to have you on this journey with us. And with that, I'll turn it over to Josh Isner.

Joshua Isner *President, Axon Enterprise, Inc.*

Thanks a lot, Rick, and good afternoon, everybody. This week we are participating in a core element of our culture at Axon, putting our customers first together. It is the week of the customer internally where we invite customers into work to share their stories, recognize our internal support teams, and double down on employee in on employee training to ensure that the customer remains at the center of our universe. I'd like to share a quick anecdote to that end. In response to the devastating hurricanes that impacted the Southeastern US in September and October, we deployed our Axon Aid emergency response team to work alongside first responders around the clock for 16 days, our team got to witness the magnitude of customers efforts firsthand. At Axon, we know our customers are heroes, and being a small service to them in this mission was an honor and nothing short of inspirational.

We work every day to help our customers achieve better outcomes, and when we put their needs first, we get to share in their successes. Understanding. This is something I have spent a lot of time on, and it percolates into how we've built our team. When I look at what our team is working on with our customers and the results we are delivering because of our strong partnership with them, I continue to be excited and impressed. I'll briefly share a few updates that build my confidence. First, our record results. We just delivered our 11th consecutive quarter, growing above 25%, and our third quarter this year growing above 30%. That growth puts us at a level where we are accomplishing in quarters what took us years to do only a few years ago. Second, while we've been growing fast, we still have line of sight to a multi-year growth opportunity that continues to build.

We close Q3 with record bookings in excess of \$1 billion on both an absolute and normalized five-year basis. That's our strongest normalized booking quarter in history outside of Q4 last year. As we move to close out this Q4, which has historically been our strongest bookings quarter, we are already executing against the largest pipeline we've ever had, and we fully expect to post an exceptional and record result again. Third, what's really encouraging here is that we are seeing strength across the board. Our state and local business is firing on all cylinders led by Jessica Duncan. In the early interest we are seeing in our AI error plan signals to me that this new offering could be one of the more meaningful drivers for us

in the year to come beyond our state and local business. Our US federal bookings came in higher than what we did in a full year, just a few years ago, with four of our top 10 domestic deals in the quarter, coming from federal customers across several agencies, including DHS, IRS and Amtrak.

Looking ahead, we have a clear path to surpass the Q3 Federal bookings again in Q4 for our strongest year yet. International bookings came in at near record levels matching Q4 of last year, up 40% sequentially from Q2, and our year-to-date international bookings are up 40% from last year. Similar to Federal, we see a clear path to surpass Q3 bookings again in Q4. Finally, we saw strong bookings from Corrections customers, our Justice segment continued to grow, and we have several Fortune 500 companies conducting retail security trials with Axon products in the Enterprise segment. As is the case, every Q4, we must do two things. Well number one, close out the year with maximum intensity and flawless execution. And number two, ensure that we are well prepared to drive a record 2025. We have a lot of sharp, adaptable, and unstoppable teammates that are embracing this challenge. I know I say this a lot, but I truly believe Axon is in the strongest position we've ever been. We have an immense opportunity ahead to grow our business and continue to progress toward our moonshot goal, which we will pursue with vigor. Now, I'll pass it over to Brittany to go over everything in more detail. Brittany,

Brittany Bagley *Chief Operating Officer & Chief Financial Officer, Axon Enterprise, Inc*

Thank you, Josh. This quarter marks two years for me at Axon, and the business has certainly been incredible. I couldn't be more pleased to share the results of another great Q3. We grew revenue 32% year over year and delivered strong adjusted EBITDA with a 26.7% margin. We achieved this margin expansion while driving over 30% top line growth, and we continue to successfully prioritize balancing the bottom line with achieving that strong top line growth that we promise. As Rick and Josh both talked about, the focus on pro, the focus on product innovation and delivering for our customers remains our North star, and is what enables us to keep delivering these types of results. Thank you to everyone on our team who drives that focus. As we get into the details, I am particularly excited that the revenue growth is broad based in terms of products and customer verticals.

Josh spoke to the strength we're seeing across different customers. The strength is across our products as well. For example, our acquisition of Fusus has been very positive across a number of our verticals, and Taser 10 also continues to exceed our expectations on its adoption. TASER revenue was a standout in the quarter, growing 36% year over year. The strongest growth in our TASER segment in more than two years on the back of increased capacity and broad-based demand cloud and services was up 36% year over year with software revenue as the primary driver. ARR of 885 million is up 36% year over year. And our net revenue retention an indicator of growth with our existing and new customers increased to 123% sensors and other revenue was up 18% year over year with strong demand for Axon Body 4 partially offset by Fleet. Fleet continues to be a very strong product, but given RFP timing and customer deployment schedules, we expect it to have inconsistent hardware revenue quarter to quarter.

Overall, our future contracted revenue sits at approximately 7.7 billion exiting the quarter, which is up 33% year over year. As a reminder, this is a gap definition of our remaining performance obligations and will not tie exactly to commentary we share about bookings. Bookings are also seasonally strongest for us in Q3 and Q4, and as Josh shared, we're continuing to see that this year with a strong Q4 in front of us. Adjusted gross margin of 63.2% was stable sequentially and up approximately 50 basis points from last year. Overall, as we have ramped automation and efficiency in our TASER 10 manufacturing, we have stabilized our margins and expect to maintain these approximate levels. Subject to the usual

business mix dynamics, adjusted EBITDA margin of 26.7% was a three-year record driven by operating leverage as we delivered scale on strong revenue.

One note on our financials that you will see in our forthcoming 10 Q is that we have made a revision to our historical financials to reflect corrections of certain errors related to the categorization of some of our partner relationships as principle instead of as agent. We concluded that these were not material to any previously issued financial statements. Our current period reported financials and revised historical financials reflect revenue and expense recognition consistent with the corrections we made in the revision. Now turning to our guidance, we are pleased to raise guidance again on both revenue and adjusted EBITDA. Our Q4 revenue guidance is a range of five 60 to 570 million, representing more than 30% growth at the midpoint. This implies approximately 2.07 billion in full-year revenue, or greater than 32% annual growth up from our prior guidance of two to 2.05 billion or 29.5% growth. Our adjusted EBITDA guidance for the fourth quarter is a range of 130 to 135 million, or approximately 23.5% adjusted EBITDA margin.

This implies full year adjusted EBITDA dollars of approximately 510 million or 24.6% margin. Note that Q4 implies lower adjusted EBITDA margins than we were just able to achieve in Q3, which is a result of timing on some of our expenses and also reflects a full quarter of our now closed DEDrone acquisition and cost to integrate. We continue to have conviction in our margin target of 25% for 25, which continues to show nice leverage over full year 24. Overall, we are very pleased with our progress against the three year targets we set out for 2025. We are on pace to deliver our initial 2 billion revenue target for 2025, a full year early, and remain confident in our extended target of 20% or greater annual growth, all while increasing our adjusted EBITDA margins and achieving the 25% target next year. With that, I'd like to turn the call over to take any questions.

QUESTION AND ANSWER SEGMENT

Erik Lapinski *Senior Director, Investor Relations, Axon Enterprise, Inc.*

Thanks, Brittany. We can all get up into gallery view. We'll take our first question from George Notter at Jefferies. Hey, George.

Geoge Notter *Analyst, Jefferies*

Hi guys. Thanks very much. Congratulations on the strong results. I wanted to ask some questions about, Draft One. I'm curious if you can give us an update on your progress in the September quarter there in terms of, pipeline, was there any revenue recognition tied to Draft One? you know, any significant contributions to your ARR?

Joshua Isner *President, Axon Enterprise, Inc.*

So, thanks a lot for the question. I really appreciate it. In terms of Draft One, yes, we did receive some orders in Q3 from early customers so there was some impact on revenue from Draft One, but I would still say we're in like the top of the first inning on what that's going to look like moving forward,

especially as we go into next year with draft rule one being the anchor product of our AI era bundle. And so, certainly we're very, very bullish on Draft One and all of our AI products contributions to both revenue and profitability over time. But we're still not yet seeing a, a major impact on the quarter-to-quarter results, which is expected at due to the, you know, SaaS accounting

Geoge Notter *Analyst, Jefferies*

Last quarter, I think you guys mentioned a hundred, a hundred-million-dollar pipeline. I think in six or seven weeks of selling Draft One. Is there an update to that number?

Joshua Isner *President, Axon Enterprise, Inc.*

It continues to grow, especially after IACP, so we're again and we're converting some of that pipeline into the new kind of AI era bundle that we're coming out with next year as well. And again, Draft One is really the kind of central driver of interest in that bundle, along with a number of other AI features we're developing right now. So, certainly safe to say that the interest is the most we've seen out of any year one product.

Geoge Notter *Analyst, Jefferies*

Got it. One, one last follow up and I'll pass it on. Where are we going to land in terms of pricing on, on that? You know, I realize it's going to go into the bundle. I know you guys have been selling it a la carte to some degree to early customers. You know, we had heard price points of 30 and \$40 a month, but, is that kind of the right zip code in terms of where this is priced or where, you know, maybe the incremental bundle would step up to, in terms of pricing? Any, any sense there?

Joshua Isner *President, Axon Enterprise, Inc.*

Sure. so right now, Draft One alone is \$65 a month, and it requires transcription on top of that for another 20. So at 85 a month for just Draft One, we're looking at the AI error bundle price of 1 99 and, the sum of the parts of that bundle is expected to be somewhere around 250 to \$350 in terms of everything included in it. So good economics for buying, you know, as, as a group of features instead of individual standalone features. but that'll be the price going into next year.

Geoge Notter *Analyst, Jefferies*

Great. Thank you.

Patrick W. Smith *Chief Executive Officer & Founder, Axon Enterprise, Inc.*

Those are just the launch features. Of course, the features in the AI era plan are going to grow rapidly.

Geoge Notter *Analyst, Jefferies*

Makes sense. Thanks.

Brittany Bagley *Chief Operating Officer & Chief Financial Officer, Axon Enterprise, Inc.*

And I would probably just note that, you'll hear us talking more and more about the AI bundle plan and less and less about Draft One as sort of an individual product or an individual data point. It's really going to, as Josh said, be the anchor product in the new AI bundle. We'll continue to add features there, but that's what you'll hear us talking about quarter to quarter.

Jeff Kunins *Chief Product Officer & Chief Technology Officer, Axon Enterprise, Inc.*

That's right. And of course, you know, pretty much everything in that plan are pure SaaS software additions on top of our overall software, ARR Of course, they, you know, build upon people who have our hardware, like cameras and TASERS and the like, but the era plan itself is all good old SaaS.

Erik Lapinski *Senior Director, Investor Relations, Axon Enterprise, Inc.*

Thanks, George. Up next we've got Jonathan Ho at William Blair.

Jonathan Ho *Analyst, William Blair*

Hey, good afternoon. just wanted to get a sense from you as you start to think about sort of the broader opportunity around drones as a first responder. How should we think about, you know, maybe the ability to monetize this the ability to see broader adoption and what sort of has to happen for that to take place. Thank you.

Jeff Kunins *Chief Product Officer & Chief Technology Officer, Axon Enterprise, Inc.*

Rick, do you want to start? And I'll pile on.

Patrick W. Smith *Chief Executive Officer & Founder, Axon Enterprise, Inc.*

Sorry, I had myself on mute. First Jonathan, are you cheating on us with the headphones listening to another earnings call at the same time? <laugh>,</p></div>
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Patrick W. Smith *Chief Executive Officer & Founder, Axon Enterprise, Inc.*

Awesome. Hey, so yeah, we see drones as a huge opportunity. The DEDrone acquisition, we think, is a real key part of that. Because before you can start flying drones without extra humans standing around watching them, you've got to be able to see your airspace. And an array of sensors can see the airspace far better than a human on a rooftop. So part of our assessment in making the DEDrone acquisition was a dual bet. Number one, that it would be a key enabler for DFR to be able to fly your own drones. You've got to be able to see the airspace well. And then the second is that we're going to see increased interest in counter drone capabilities. I just learned this past week that apparently somebody in Pennsylvania put a pipe bomb on a drone and is going to fly it into critical infrastructure or something.

We'd be glad to see there has not been that much of that kind of activity here in the us but it's certainly growing all over the world. and what we certainly hope it doesn't come here, I think, it, it, it is something that's likely to get more nefarious use. And right now, counter drone is really limited to federal agencies, meaning, you know, state and local cannot interdict the drones themselves. So drone is helpful in that case. Because it'll tell you where the pilot is and you can go deal with the pilot directly. However, there was a bill in Congress, I believe this year. I don't think it's going to make it through, but there have been some efforts to give state and local law enforcement the ability to interdict drones. not to get into politics, but my assessment of the shift of, you know, of the election we're coming out of is that that is likely to speed up, law enforcement enabling legislation, potentially including the local, ability for law enforcement to ECT drones.

So DEDrone is a tech enabler. I think Skydio is a partner. You know, we sort of made a shift with the shifting relationship. DJI, you know, as a Chinese drone manufacturer. we think there's legislation afoot that passed the House of Representatives unanimously that's going to be blocking DJI long term and frankly all Chinese, drones, and so we shifted our focus really to Skydio, who turns out is the world leader in autonomy already, you know, for drones that can fly themselves effectively. So we think between the partnership, the acquisition of DEDrone, and then some pending legislative changes that I would expect within 24 months, we'll see a shifting landscape to where our state and local folks can begin using more aggressive counter drone capabilities. And by the way, last thing I'll say is we did a full scan of the of the world's sort of counter drone providers a few years ago before we selected DEDrone. and we liked DEDrone strategy. They were very focused on detection, and not getting too aggressive on mitigation, knowing that that, you know, basically owning the detection space and being at a lower cost point than some of the competitors that have been out there focused on more military style interdiction efforts has given them a good footprint to scale from. And then the strategy's been able to plug in other hardware over time as the legal landscape changes.

Jeff Kunins *Chief Product Officer & Chief Technology Officer, Axon Enterprise, Inc.*

And, and then Jonathan, just add two things to Rick's great summary. One thing that we're super pumped about is how the market's evolving to think about the real time crime center space and the DFR space together, which we think is both right and good for agencies and communities and plays right into our strengths and our differentiation as a solution. So the combination of FUSUS, in the real time crime center, deeply connected with all of our other devices, and then into the DFR partnership stuff that Rick was just talking about, agencies are thinking about buying those together, and that's both great for them as they think about how they use this technology to keep communities safe. And it plays right into all of Exxon's strengths. and the second, which is another example of that same thing, we just had a

major agency, who's in the middle of rolling out their DFR stuff the other day, talk unprompted about the notion of they would love to have an officer be able to press that watch me button that, you know, we have on our AB four cameras and have that under the right conditions automatically trigger, the dispatch of A DFR drone to bring help and extra Overwatch to that situation even faster than what any other human in the loop could be.

And that's exactly the kind of solution that's powered by the combination of all the things we bring to bear for agencies.

Jonathan Ho *Analyst, William Blair*

Excellent. And then just as a follow up, I mean, TASER again, had very strong quarter. You know, we, we regularly receive the question whether, you know, the TASER business can sustain this level of growth, and you just want to get a sense from, you know, what gives you the confidence that we can continue to see, you know, TASER be one of the major drivers of the business. Or, or maybe do you see, you know, a shift in leadership where, you know, things like Draft One will start to take over that growth over time. Thank you.

Patrick W. Smith *Chief Executive Officer & Founder, Axon Enterprise, Inc.*

They do compete for the top slot and it does make me proud that the old war warhorse that's TASER can still, can still run. so we, you know, I think we've got so many things that have the opportunity to continue, you know, to be disruptive and to grow. The big one for TASER, just to come back on, that to me is really international. I think we are on the cusp, and actually I'm getting text updates from my engineers that are in the lab today actually working on some pretty cool stuff related to TASER that, we think we have the opportunity in the next couple of years to become the primary weapon internationally. Now in the US the gun is going to remain primary for quite a while culturally, because police are dealing with so many guns out in the public. But in much of the world, a gun is just if you had a viable high reliability alternative and for within that 45 foot range, and I'll just tell you the last thing we're working on is clothing penetration. Once we get that dialed in, we've got a shot at becoming the primary self-defense weapon in international markets where there's not a high propensity of, you know, handguns out in the public. And I think that could be a real game changer for TASER.

Joshua Isner *President, Axon Enterprise, Inc.*

And I might just add one or two more thoughts there about the question of, you know, is this sustainable for the TASER business to keep growing in? In my opinion, the answer is absolutely yes. Like, we're year two of five in an upgrade cycle right now. we continue to see exceptionally strong demand, literally double what it was. you know, as we've said on previous calls, you know, with T seven and so, certainly a lot of runway ahead to continue to grow the TASER business and look like, as Rick said, the TASER business is going to solve one of the most critical issues in policing over the long term, which is, that these encounters can end in death either from a civilian or, you know, a police officer. And if we can solve that problem, I still think we're scratching the surface of what the TASER business is capable of.

Brittany Bagley *Chief Operating Officer & Chief Financial Officer, Axon Enterprise, Inc.*

Just, just from a detailed sort of modeling perspective, I don't know that I would expect every quarter to be as strong as this quarter was. This was a particularly strong quarter for TASER. And that is partly because we got more capacity online for the TASER business, which helps us go fulfill all of that demand. So just from a growth standpoint, I would say this quarter really stood out. and it continues to be across both T10 and, you know, our, our T7 and, and legacy handles. So, that was a little bit unique, but everything Rick and Josh said about the long-term trajectory, you know, the power of T10, the ability to sell it into different markets holds over, over the long term.

Jonathan Ho

Analyst, William Blair Excellent. Thank you again and congrats on the strong quarter.

Erik Lapinski *Senior Director, Investor Relations, Axon Enterprise, Inc.*

Thanks, Jonathan. Up next we have Mike Ng at Goldman Sachs.

Mike Ng *Analyst, Goldman Sachs*

Good afternoon. Thank you very much for the question. I wanted to follow up on a comment made about four Q '24. I think you said it would be likely a record bookings quarter. Is that right? And was the year ago four Q bookings in that like 1.7, \$1.8 billion range, just to make sure we're thinking about that the right way. And if you could talk about some of the visibility and the, the confidence that you have in those things that you mentioned, you know, federal bookings increasing sequentially international bookings. Is it AI era? Is it, you know, the pipeline growth that you've seen coming out of IACP? would just love some color around the, the bookings outlook that you gave for four Q. Thank you.

Joshua Isner *President, Axon Enterprise, Inc.*

Sure. yeah, certainly reiterating that I'm very confident and encouraged here in terms of what we're going to do in Q4 bookings. probably won't give you a specific number other than we expect it to, you know, exceed last quarter. And I think on the last call I said the sum of Q3 and Q4 this year, will be, you know, comparable to what we did in the full year last year in terms of booking. So we're very, bullish on bookings. part of what's informing that confidence is just tremendous execution across all four segments of the business, state and local, enterprise, federal and international. We have meaningfully meaningful deals in all four of those segments in Q4 and a lot of them, such that there's not a huge percentage of the bookings would be concentrated on one deal. We feel really, really good about the foundation and we're excited to, to talk in more detail about our Q4 bookings in February.

Brittany Bagley *Chief Operating Officer & Chief Financial Officer, Axon Enterprise, Inc.*

There, there's been a couple questions now about like what's, what's going to do better or what's going to drive the growth going forward. I think one of the things that I like so much that this quarter demonstrates is the growth is across the board. So, you might get a little more from one segment, one quarter and a little more from another segment, another quarter, but really across the business, you know, the, the devices on the strength of AB four TASER on the strength of, TASER 10. And then our software, you know, on the strength of both our existing software businesses continuing to perform well. And then the very bright future that we think the AI plan has will continue to drive software. And so, you know, you'll see a slightly different mix every quarter, but as you look long term, you really should expect all three of those pieces to continue driving our growth.

Mike Ng *Analyst, Goldman Sachs*

Excellent. Thanks. And if, if I could follow up on the earlier TASER question. I counted, this was the sixth consecutive quarter where TASER has hit revenue record. You talked a little bit about faster than expected adoption. I think if we look back to TASER 7, it probably took you, I think, five years to get to 80 to 85% adoption. How much shorter can that be? And could you just remind us like what's the typical price mix or ASP uplift versus TASER 7? Thank you.

Joshua Isner *President, Axon Enterprise, Inc.*

So, Mike, the question was how fast can we get to 85% adoption on T 0 versus T7?

Mike Ng *Analyst, Goldman Sachs*

Yes, that's right.

Joshua Isner *President, Axon Enterprise, Inc.*

Okay, I think, that would be setting our sights short. I would say our goal is to transition every T7 and legacy model TASER into a T10. And we think we have an opportunity to do that. You know, I, I think, this, this TASER 10 while, while each TASER is an incremental improvement over the last one, TASER 10 is just a fundamental massive leap forward in the technology, in the de-escalation capabilities, in the officer safety features. We really believe that, you know, every cop will be best served with a TASER set with a TASER 10, I'm sorry. And certainly, as we go into the next few years of the Taser 10 lifecycle, the primary goal is upgrade and replacement of the current Fleet. And, and again, we're very confident in our ability to do that.

Mike Ng *Analyst, Goldman Sachs*

Great. Excellent. Thank you, Josh.

Joshua Isner *President, Axon Enterprise, Inc.*

Thank you.

Erik Lapinski *Senior Director, Investor Relations, Axon Enterprise, Inc.*

Thanks Mike. Up next we have Joe Cardoso at JP Morgan.

Joe Cardoso *Analyst, J.P. Morgan*

Hi. Thanks for the questioning guys. I guess maybe just a quick clarification on the bookings. And Josh, can you just like quickly clarify if your comments today, are you guys on track to meet the bogey that you laid out last quarter in achieving bookings in line with full year 23 in the back half of this year? Or is it more like unknown? I'm just curious if you could just flesh that out a little bit more. Because it does seem like perhaps you're a little bit off pace and I just want to make sure that I'm not thinking about that incorrectly.

Joshua Isner *President, Axon Enterprise, Inc.*

I'd say you're thinking about that incorrectly.

Joe Cardoso *Analyst, J.P. Morgan*

Okay. And then, so when you, when you're going into the back half of this year, like where are you actually seeing the growth in driving these bookings across the portfolio? Is it really all broad base in terms of the, the entire portfolio? Are you guys embedding any of the new AI suite in that in terms of the releases there? Just curious in terms of like how you're thinking about the drivers in the rank ordering, and then I have a quick follow up.

Joshua Isner *President, Axon Enterprise, Inc.*

Yeah, sure. Look, I certainly appreciate the question, Joe, and these deals that are going to be closed in Q4 are deals that, you know, generally a six-to-12-month sales cycle at, at a minimum, right? These things take the full year to come together. We talk in Q1 when bookings are seasonally light, you know, traditionally that part of that is the team is getting their arms around the new products and the new pricing, getting their arms around their new book of business as the territories can change and so forth. And so that's really where the groundwork goes into like building the pipeline for the rest of the year. And naturally most of that closes in Q3 and Q4, especially when you see some of the biggest budgets in the country, the federal government, Florida, Texas all ending on September 30th.

You know, you get a lot of, you know, September action and then you get a lot of new budget dollars being spent in Q4. And so I don't know that the AI bundle is going to have a major impact on Q4 since we launched it in the same quarter. We're still building the pipe for the long term for some of our newer features and products. So the big driver of a lot of these deals is officer safety plan, execution in the

state and local market and some large deals and International, Federal and Enterprise that have been coming together over the course of several quarters. So certainly expect Q4, to really trump Q3 in terms of just the absolute dollars and the normalized bookings, but it's also the result of a lot of pipeline building that happened throughout the year.

Joe Cardoso *Analyst, J.P. Morgan*

No, got it. Very clear, Josh. Thanks. I appreciate the explanation there. And then maybe a question for Brittany, just margins subtract nicely through the year and expanded each quarter and even outperforming kind of your expectations, if I'm remembering the guides correctly. So as we look here into the fourth quarter, the guide here for a sequential decline, can you maybe just walk us through what has been the driver of outperformance and margins over the past couple of quarters, and then relative to your expectations going into this quarter, like what's different that's driving your expectation for the sequential decline to occur in the fourth quarter itself? Thanks for the questions.

Brittany Bagley *Chief Operating Officer & Chief Financial Officer, Axon Enterprise, Inc.*

We've actually done a pretty good job hitting our expense targets and our Opex targets, and then our revenue has outperformed. And so what you're really seeing is some nice flow through on that higher top line revenue coming through to the bottom line. It's been really nice to see how the team has been able to scale and get some leverage out of the Opex and especially on the SG&A side. When we look at Q4 though, we also expect that some of the benefit has been timing, right? Like we've been talking about timing, not everything hits exactly in the quarter. So we've been a little bit behind on some of our expense spend as we've gone through the first three quarters. We expect to catch up on some of that in Q4. And then the other thing is we expect to have a full quarter of Dedrone and some of the integration costs associated with Dedrone in Q4, now that we have closed that deal.

Joshua Isner *President, Axon Enterprise, Inc.*

And I might just add one more thought on, on adjusted EBITDA, just high level, which is, the thing I'm most excited about is the fact that, we are not sacrificing R&D to achieve these results, right? Like, that's, that, you know, it, it would be very easy to drive up a adjusted EBITDA by mortgaging the future. And I don't think anyone feels that way right now. We're still in the place of just loading up on new opportunities and investing relentlessly in them. we're just seeing like Brittany said, over delivery and a lot more discipline in SG&A as well.

Joe Cardoso *Analyst, J.P. Morgan*

Thanks Brittany. Thanks Josh. Appreciate the color.

Erik Lapinski *Senior Director, Investor Relations, Axon Enterprise, Inc.*

Thanks, Joe. Up next we have Jamie Reynolds at Morgan Stanley.

Jamie Reynolds *Analyst, Morgan Stanley*

Hey, good afternoon, everyone, and congrats again on the quarter. Rick, I know you just mentioned there's probably some stuff to keep an eye on for the international market going forward, but just given the strength and bookings that you've kind of seen through the year, I guess, could you give us a sense as to what's driving maybe the improved traction kind of near term and kind of as we go into next year?

Patrick W. Smith *Chief Executive Officer & Founder, Axon Enterprise, Inc.*

It really is broad based. I think, Jeff was it six, seven months ago, I had just come back from a tech conference and told Jeff, we need to pull the emergency break and take a look at all of our product development plans and look at where AI would enable new features that weren't even on our visibility list a year ago. Not, not the emergency break turn the wheel <laugh> <laugh>. Well, no, this is the one where you're in reverse and you pull the brake. It's like the Duke's of Hazard and you anyways drifting. It was, it was, a, a pretty big shift. and for example, one that came out of that, we also, I did these AI round tables, well, they're, they're customer round tables, but we did one really focused on AI.

And one thing that became very clear was being able to do real time translation on a body camera would be just insanely valuable. it, it rated at the top of the charts. And so we pivoted, you know, Jeff basically, as you can imagine, like how disruptive this is to his days, managing like 1,015 hundred engineers. And it's like, Hey, hold on, we, I know we've got everything planned and everybody's working, but let's like disrupt everything. I think that enabled us to talk about six or seven major new AI features by IACP already. and I'm really proud, you know, companies at our scale, it's hard to move like that, but I think that, so our customers are seeing, again, things that just feel almost magical that are possible with AI and our investment in things like our EEAC, our, ethics advisory Council to help us do safety testing on things like Draft One, just simply running tests to see if you change the race of the subject, does that pick up any historical bias from the global data set that these models are trained on?

And, and we did pick up some things like word choice, you know, if it says the, the man fled the scene versus the man left the scene, you know, can really change the emotional perception of that statement. And so, you know, we did things like tuning down the word choice severity so that our AI writes the most boring police report it can write because it's a human's job to add emotion and tone to it. Anyway, I think that focus is really rejuvenated interest in the real-time connectivity of body cameras. You all may remember a few years ago we had this whole debate about when we were developing AB3, should we put a wireless chip, a cellular LTE chip in the camera. Our customers were telling us they actually, not only were they not interested in it, they were skeptical of it.

We were hearing things like, ah, I don't want my boss watching me real time and micromanaging me from the field. And we still said, you know, just, it may not be, maybe they don't want a real stream real time video, but there's going to be something they're going to want to do. And so, not only did we decide to put the LTE chip in the camera, we decided to put it in every camera. We made a decision not to sell a camera without it, because we knew our customers, if we had a cheaper camera without the thing they didn't know they needed yet, that's the one they would buy. And there was some short-term pain because our cost of goods crept up. And as maybe you know, our customers are on these upgrade plans where they get the next camera and we don't get to charge them any more for it.

So eating, you know, an \$80 bomb increase, on the hopes and dreams that we would find, you know, a, a value for that, was a bit of a risky bet. Well, now that's really coming home to roost because things like Draft One are only possible because of that realtime connectivity, realtime translation only possible because of that realtime, connectivity. So I think we're now reaping the gains of some of those bets we made historically. and it's across the portfolio. I don't think there's any one thing that's what makes this just so exciting. I mean, it makes Jeff's job so difficult, and Brittany's, because I'm throwing a thousand features at Jeff, and he is like, hold on, slow, slow it down. We've got to like rationalize the sequencing and when we're going to build things and what are the things that are going to be, delightful to use out of the gate now that aren't going to customer expectations. And of course Brittany is making sure that we're holding the line on how much we're spending on all this stuff. So anyways...

Jeff Kunins *Chief Product Officer & Chief Technology Officer, Axon Enterprise, Inc.*

So one just thought I think again, is one, so many of the things that are a Goldilocks and magical, I think about Axon's flywheel, for lack of a better phrase, connecting like the questions about what's happening with bookings or demand, like right now. And then everything Rick's talking about the future is it's, you know, all of our new innovations are really leading indicators of this time next year's growth, not about this quarter's growth because of the sales cycle stuff, because of building stuff, but they feed into customer's excitement about their bet on Axon for the long term. But the bookings that are this quarter, next quarter are about the pipe, as Josh talked about that got, that got laid nine months ago, and it all connects in that ongoing sequence beating upon itself in a really virtuous way that we're super excited about.

Joshua Isner *President, Axon Enterprise, Inc.*

And Jamie, was your question specific to international?

Jamie Reynolds *Analyst, Morgan Stanley*

Yeah, yeah, it was just kind of what's driving that improved uptake internationally?

Joshua Isner *President, Axon Enterprise, Inc.*

Yeah, for sure. You're going to actually answer the question he asked. <laugh> <laugh>, everything's optional, but we might as well answer that one as well. <laugh>. so on, on international, look, you know, as, as you know, we, in searching for a new CRO, our, our big priority was upping our game internationally. And Cameron Brooks has come in really, you know, early on this year, hit the ground running and has, has really just helped up our game in terms of the, the quality of the team, the quality of the execution, how we're executing now, but also building for the future. And I think just across the board, we've got some new players on the team that are really good kind of free agent signings. We've got a lot of customer momentum from the work that's been done in the last couple years.

Joshua Isner *President, Axon Enterprise, Inc*

And we're starting to frankly just see things come together at a more polished level. You know, there's still a long way to go. There's still a huge TAM out there, everything's going to take time internationally just due to the fact you're dealing with federal governments in all of these countries, not, you know, state and local police forces that are able to operate semi autonomously. So it's still going to be a grind, but we really, really believe we're on the right track. And it's a tribute to the team we're building here led by Cameron.

Jamie Reynolds *Analyst, Morgan Stanley*

Great. Thank you so much. Congrats again.

Joshua Isner *President, Axon Enterprise, Inc*

You got it, Jamie. Thanks.

Erik Lapinski *Senior Director, Investor Relations, Axon Enterprise, Inc.*

Thanks Jamie. Up next we have Jordan at Bank of America.

Jordan Lyonnais *Analyst, Bank of America*

Hey, thank you guys for taking the question. On the administration change, how are you guys looking at the opportunities versus the risks involved, just with what plans have been said, if they come true or not, the increased emphasis on border security versus tariffs?

Joshua Isner *President, Axon Enterprise, Inc*

Yeah. I appreciate the question, Jordan. I'd say the first thing that I want to make really clear is like we have a very apolitical culture at Axon. We know we've got to be successful in a democratic administration as well as a Republican administration. And, you know, we've seen that over the last 10 years with, with both parties being in power and the business continuing to grow. of course there are going to be some interesting opportunities for us, in the new administration that's focused primarily on border security. We're excited about how we can help there and, you know, new capabilities that we can bring to the table to offer support on that. But at the high level, certainly we believe saving lives, driving transparency and delivering disruptive technologies to governments and public safety agencies around the world. Those are things that are really not specific to which party is in power and we're really focused on just delivering the best products we can.

Jordan Lyonnais *Analyst, Bank of America*

Thanks. And then on just, if tariffs are imposed, how are you looking at what levers you can pull to offset any supply chain component changes?

Brittany Bagley *Chief Operating Officer & Chief Financial Officer, Axon Enterprise, Inc*

Yeah, so, we've certainly lived in an environment of tariffs before. I think our philosophy is generally to be pretty flexible. We've got multiple sources from a supplier standpoint. We manufacture our TASERS in the U.S. so then it'll really be on component parts as those come in. We'll just work through it and, and we'll be flexible and be nimble as those come through and as we see what they are.

Jordan Lyonnais *Analyst, Bank of America*

Thank you guys.

Erik Lapinski *Senior Director, Investor Relations, Axon Enterprise, Inc.*

Thanks, Jordan. Up next we have Josh Reilly at Needham.

Josh Reilly *Analyst, Needham & Co., LLC*

Alright, thanks for taking my questions. Maybe just starting off, can you discuss how the, FedRAMP status and your position as the, I believe the only cloud, body cam vendor with the highest level FedRAMP status, has been helping you win some of these U.S. federal opportunities. And how, just along with that, how has the growth in U.S. Federal been, I guess, relative to the broader business this year? Is it significantly above the consolidated growth rate? I know you don't break it out, but any color there would be helpful.

Joshua Isner *President, Axon Enterprise, Inc*

Yeah, thanks a lot. Josh, on the first question regarding FedRAMP, look like we, we've invested a lot and we've put a lot of effort into being a FedRAMP high product, in the federal government, no question about that. And, and that's certainly a differentiator for us, but I would be so bold as to say, even if everybody was on FedRAMP, we're still winning the majority of deals in state and local where we're competing against the same companies with without FedRAMP. And so I think it's more of a tribute to the team's quality product delivery and the federal team's phenomenal execution on the sales, and more importantly, the support front for our, for our federal law enforcement customers. And so, the team's done a nice job this year. There's as I said, in my remarks, there's a lot to still close in Q4. We could have a better Q4 than Q3, you know, in the federal space, which is generally uncommon because of the end of the budget year at the end of Q3. And so, we'll have to see where the dust settles. But, you know, certainly exciting double-digit growth from federal and, and a lot of conviction that we're on the right path there.

Josh Reilly *Analyst, Needham & Co., LLC*

Got it. That's helpful. And then, just going back to the TASER revenues, you know, I think we all generally know that the capacity has been increasing sequentially, but maybe just over the next three or four quarters, should we assume that, you know, I, I know you said that maybe the sequential increases in revenue may not be the same, but is it safe to assume there's still more capacity increases that will be coming in the next kind of three to five quarters as well? Thank you.

Brittany Bagley *Chief Operating Officer & Chief Financial Officer, Axon Enterprise, Inc.*

Yeah, for sure. As we talk about capacity, we have both cart capacity and handle capacity. And as you can imagine, we're working to bring both of those up to meet the demand. We see, there are lead times, we do have automation equipment, so it's not, we can't always turn on as much supply immediately as we would like to. So you can see the results of us getting more supply on this quarter. And then again, the growth was particularly impressive this quarter. I want to temper everyone's expectations, you know, on that looking the same every quarter. But yes, we'll keep bringing capacity on as we continue to see demand increase.

Josh Reilly *Analyst, Needham & Co., LLC*

Awesome. Thanks guys.

Brittany Bagley *Chief Operating Officer & Chief Financial Officer, Axon Enterprise, Inc.*

Thank you.

Erik Lapinski *Senior Director, Investor Relations, Axon Enterprise, Inc.*

Thanks Josh. Up next, we'll go to Trevor Walsh at JMP.

Trevor Walsh *Analyst, JMP*

Great. Thanks, team for taking the questions. Maybe Rick or Josh, kind of high level one for you, circling back to the DEDrone or, or just general DFR opportunity. Does that seem to be, in your minds, kind of a state and local U.S. domestic kind of initial push? Or is there international, opportunities along the, the lines there? I guess I ask from the standpoint of, seems like the landing with TASER 10, TASER of any kind, whether it's TASER 10 or previous models, is sort of the the tip of the spear for the, the U.S. business. and it seems to be following a similar type of path and kind of the international front, but just curious if there's, you know, ways for DFR type of use cases to be more, again, of that tip of the spear, kind of on the international front with respect to DEDrone and the other things you guys are doing.

Patrick W. Smith *Chief Executive Officer & Founder, Axon Enterprise, Inc.*

Sure. If I could start, first just Dedrone by itself without DFR, ton of interest internationally, I mean, every country in the world is now thinking about how they're going to deal with drone threats in the past 24 months. And in many cases, AD brought just a great capabilities, the CEO of Dedrone, and he is brought us new customers too, whether it was the World Cup in Qatar, you know, the NFL stadiums, critical infrastructure. And then we've seen the same thing with Fusus. I mean, both of these acquisitions, these were two big bites for us to take, you know, this closely together. It's been really just impressive, how much customer interest there has been in those, you know, with Fusus, that's really supercharged our enterprise customers, you know, enterprises want to be able to work collaboratively with public safety and Fusus becomes the backbone of doing that in real time.

Dedrone, we think there's, there's more. You know, it's a new angle into military customers for us. militaries around the world are very interested in how you deal with these small first person or Mavic style drones, critical infrastructure and then enterprise there as well. So I'd say Dedrone even on its own is I think not only interesting to our existing customers, but frankly probably even more interesting to the new customer sets they're bringing to us. The DFR is what's making counter drone especially relevant. When I survey our customers in state and local, the responses are, yeah, we're kind of interested in counter drone, but that's not really our mission set today to be dealing with hostile drones coming in. Now that for us is more of a future bet, that's going to come on your plate as those threats grow. But the DFR thing is here and now that's where our customers really light up.

Oh, if I can use Dedrone to enable DFR, I want to be able to fly my own drones, and that's something I can do today, but I've got to do it in this awkward way where I've got to have people standing on rooftops and it's kind of this manual klugy thing and we make it much safer and less klugy by putting a Dedrone sensor up there. I also am getting interest, where was it? We had a, another DFR use case, in one of our other markets that's not drone as a first responder, but, for competitive reasons, I don't want to name which sector it is, but this is a non-law enforcement sector, and they don't need to be flying drones as first responder, but boy, they sure would like to be able to fly drones on automated patrol around their facilities. And so our partnership with Skydio and the acquisition of Dedrone and all that really come together naturally for us to be able to service a lot more than just drone as a first responder for police, if you want to fly a drone without having to have manual human overseers on site, like we can take that. And by the way, Skydio is a partner as well, brings us into potentially new customers and critical infrastructure and elsewhere where we haven't been historically.

Erik Lapinski *Senior Director, Investor Relations, Axon Enterprise, Inc.*

Thanks Rick. Thanks Trevor. Up next we have, Keith Housum at Northcoast.

Keith Housum *Analyst, Northcoast Research Partners, LLC*

Good morning guys. I know we're going to run long here, so I'll try and make my questions quick. Just real quick, Brittany, you talk about, probably like a bit of pull forward or can I pull forward but catching up with a T 10 with your capacity, how much of growth in the quarter would you say was more catching up with capacity as opposed to normalized demand?

Brittany Bagley *Chief Operating Officer & Chief Financial Officer, Axon Enterprise, Inc.*

I would break it out necessarily, Keith. What I would say is we've had incredible demand, like our demand has been outpacing our capacity. So as that demand grows every quarter, we need to bring more capacity on. And so what you saw this quarter was the combination of the two. I wouldn't say, it's not like we chewed through backlog or something like that to deliver. You're just seeing the ability for us to ship more into that demand.

Keith Housum *Analyst, Northcoast Research Partners, LLC*

Gotcha. Appreciate it. And then services, I know services can be lumpy, but if we look at a sequential growth and services of about \$6 million, probably the lowest has grown sequentially for several years. If I look correct at it correctly, Amy happened in the quarter, or how should we think about services going forward?

Brittany Bagley *Chief Operating Officer & Chief Financial Officer, Axon Enterprise, Inc.*

Forward? Yeah, great. Great question. I think there's two pieces in that. One, there's a little bit of a lag in that step as you go through each quarter. So what we really booked in Q3 will show up in Q4, so a little bit of what you're seeing in the step in the quarter is sort of what was going on in Q2 from a booking standpoint. And that's because many of the bookings come in pretty late in the quarter, so the revenue from that doesn't necessarily get captured in our actual number. Then the other piece that's going on in there is that's both our software step and our services business, and so with some of the deployments of our Fleet hardware being down in the quarter, which you can see in the Fleet number, we actually had less professional services associated with Fleet. And so that's actually offsetting some of the software piece. So if you were just looking at software, you would see a larger step than what's coming through in the number you're actually seeing. because we actually had a step down in PSO, which is atypical. Normally PSO is growing and software is growing, but because Fleet came down this quarter, you're seeing that dynamic.

Keith Housum *Analyst, Northcoast Research Partners, LLC*

Gotcha. Okay. I'll reach, I'll turn back over. Thank you.

Erik Lapinski *Senior Director, Investor Relations, Axon Enterprise, Inc.*

Thanks Keith. We'll try to get everyone in here. We have Will Power at Baird.

William Verity Power *Analyst, Robert W. Baird & Co., Inc.*

Okay, awesome. Thank you all. Congratulations on a strong quarter on execution. Question probably for Brittany, the software and ARR growth continues to be very good. There was some deceleration from the trend line you've been on there. I wonder if there's any other color or impacts to kind of be aware of

there and how to think about modeling that going forward. Is mid-thirties kind of the right growth rate and what are the puts and takes there?

Brittany Bagley *Chief Operating Officer & Chief Financial Officer, Axon Enterprise, Inc.*

Yeah, I mean, I, we really look at that sort of on an average basis. I think because of the dynamics I just talked about of timing of when bookings come in in a quarter, looking at any one quarter is not as good as sort of averaging out over the year. And you do have things like seasonality playing into that. So I would say nothing underlying it that would change our sort of four to six quarter average on anything. The step on ARR growth, on any of that you're just seeing a little bit of timing and a quarterly lag is what's showing up in Q3 is really Q2. What'll show up in Q4 is really what we're talking about with strength in Q3. And then what'll show up in Q1, it'll be whatever we deliver in Q4.

William Verity Power *Analyst, Robert W. Baird & Co., Inc.*

Okay. yeah, just for time. I'll leave it there. Thank you all.

Erik Lapinski *Senior Director, Investor Relations, Axon Enterprise, Inc.*

We have one left with Jeremy Hamblin at Craig-Hallum.

Jeremy Hamblin *Analyst, Craig-Hallum Capital Group, LLC*

Thanks, and congrats on another fantastic quarter. I want to come back to TASER, just for a second. I think 50% year over year growth, really impressive and it sounds like getting great traction on the international front. I wanted to see if we could, you know, unpack the driver there and it sounds like it's really picking up on the international piece of the business. We know that there's a lot of opportunity domestically still, but internationally, is this more about the capability and I think, you know, just seeing what the device does versus the prior version. it is a, a huge step forward from a technology perspective. Does this make you think that the longer term potential is quite a bit bigger internationally than maybe what you'd seen before? That's part one of my question. The second part, it actually has to do with cartridge. Cartridge revenue relative to the growth in TASER was really not, you know, that that was, it was up I think maybe about 10% year over year. And I was just curious if there was something, in particular there, why that didn't grow a little bit stronger.

Brittany Bagley *Chief Operating Officer & Chief Financial Officer, Axon Enterprise, Inc.*

Yeah, I can maybe start with cartridge 'cause that's easy and then if Josh wants to talk more about TASER, he can. Most of our TASER customers are on sort of a cartridge deployment plan, which smooths out how you see cartridge revenue come in. But we do have international customers who are not on a plan. And so, what you'll see is every now and then our cartridge revenue is particularly lumpy quarter to quarter. And so last quarter we had some big international customers come in and place cartridge orders and then those didn't repeat this quarter. So again, I'd look at a longer trend line of cartridge

growth, versus last quarter to this quarter. And then I think the only other thing I would add, maybe to give a little more color on TASER before I let it go over to Josh is last quarter in his script, Josh talked a bit about how much demand we're seeing for TASER 10 relative to TASER 7. I think he said demand is sort of two x the pace, but we are still seeing really good performance from TASER 7. And so part of what you're seeing in this quarter is not only are you getting all of those benefits from Taser 10 that we've been talking about, but we do still have customers ordering Taser 7 and some of our other legacy TASER handles and products. And so, you know, that that sort of combining to give a particularly nice result.

Joshua Isner *President, Axon Enterprise, Inc.*

Yeah, and I'd just add, Jeremy, I'd say it's in part due to international, certainly it's a big TAM, we're getting better there. We're building relationships kind of with the right customers. We're doing a better job explaining and demonstrating the value that TASERs bring to police, both in terms of lives saved, but also in terms of officer safety increasing and workers' comp decreasing and just some of the issues, that come along with the absence of TASER deployments. But I think the bigger thing is just very simple. We have phenomenal product market fit with this product and that's really a credit to Rick. Like our customers are for the first time really seeing that man this thing is on track to outperforming a firearm in the field.

And, and we had been talking about it for a long time, but for 30 years with only up to two shots, that was still kind of a pipe dream and now we're seeing it with 10 shots and customers are saying, man, you know, the increased distance of 45 feet combined with the number of shots combined with the better penetration, those are all things that I think are inspiring more confidence in the device from our customers, whether they be in state and local or federal or international. And so I think that's really it. It's like good sales execution with a product that has phenomenal product market fit.

Jeremy Hamblin *Analyst, Craig-Hallum Capital Group, LLC*

Great. Thanks for all the color, best wishes.

Joshua Isner *President, Axon Enterprise, Inc.*

Thanks Jeremy. It was nice to see many of you at IACP. Thanks for making the trip out there and always great to see you at the booth.

Erik Lapinski *Senior Director, Investor Relations, Axon Enterprise, Inc.*

Thanks Jeremy, and thanks everyone. That's it for us. We'll give it to Rick to close this out.

Patrick W. Smith *Chief Executive Officer & Founder, Axon Enterprise, Inc.*

All right, so I have two things I want to conclude on. One, I want to be careful that my previous statement when I talked about the election results, I'm not talking about which party won where I'm

talking about the overall political environment. For example, in California, voters approved Proposition 36 that basically raised the penalties for shoplifting and certain drug crimes. We're seeing a general shift that manifested in this election, swinging the pendulum more supportive of public safety in general. And I would say at our company, we are violently nonpartisan. We have passionate gun control advocates and passionate Second Amendment gun owners who come to meetings together and are productive. and you could say that across all the divisive issues in politics. And I think Josh in particular is going to great job from setting the tone from leadership perspective that we want to be an intellectually diverse place that where everyone is welcome and we keep the divisive stuff like out of the office because we've got a job to do. And, we do best when the best, brightest, smartest, most passionate people, no matter their political views, feel like this is a place where they can come and do their best work. And then the other thing I wanted to say was, Brittany, man, two years, it's flown by. What you're seeing right now, I mean, we see a lot of Brittany's fingerprints on the P&L. She really does a great job of just driving both operating and financial rigor. I come back from customers with all sorts of ideas. Some people might say they're crazy and some of them are, and between Brittany and Jeff, they've got to figure out, okay, how do we sort through what we're actually going to execute on? What's actually going to go into a product?

You see Jeff give you the thumbs up, he said it's great, Rick, this is really fuzzy idea, that his idea is to take it from fuzzy to concrete, and for Brittany to work with the team, make sure we can make this stuff and execute and make money on it. And then, you know, Josh, the other key member of the team here, he's our Jimmy Johnson as a lifelong Cowboys fan, as I'm sure he'll appreciate that reference. He is our head coach and really focuses on just building the team and the people, and that is the magic that we're seeing now is we've got these awesome productive dynamic tensions between our team as we each have different strengths and weaknesses. and that through the whole organization, you're just seeing a phenomenal execution. And I would also say, hey, you're the ownership is part of this team as well. So we appreciate our shareholders and the analysts who take the time to get to know us over the years and are supportive of us using our shareholders' capital to go solve these problems that we're excited and interested to go do that fundamentally we believe make the world a better place when we're done. And that motivates everybody to come to work excited.

Joshua Isner *President, Axon Enterprise, Inc.*

Rick, I would've appreciated a Belichick comparison over Jimmy Johnson, but we'll, we'll let that one slide.

Patrick W. Smith *Chief Executive Officer & Founder, Axon Enterprise, Inc.*

Well, I should have made a bet whether I could get that by without comment. <laugh>. Alright, so thanks everybody, thanks to our team, those people listening on the phone, what a phenomenal quarter, and we're really excited to talk to you after the first year. Everybody have a fantastic holiday season. Hug your kids and your family. Hopefully the world's going to get a little less crazy over the next couple years. And it's been over the last few with what's been happening in the Middle East in Ukraine, and it's been just so much violence in the world. I self-admittedly was maybe too optimistic in my 2017 or 18 book, the End of Killing that thought we were at the end of war. We have proven sort of the thesis was wrong in terms of timing, but I do think humanity can do better and we can find ways to deal with threats, while minimizing the loss of life. And, and we're going to stay true to that mission. So thanks everybody. Enjoy the holidays. We'll see you next year.

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