



Axon Enterprise, Inc. (AXON)
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CORPORATE PARTICIPANTS

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

Joshua Isner *President, Axon Enterprise, Inc.*

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

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

Erik Lapinski *Vice President, Investor Relations, Axon Enterprise, Inc.*

OTHER PARTICIPANTS

Mike Ng *Analyst, Goldman Sachs*

Will Power *Analyst, Robert W. Baird & Co., Inc.*

Jonathan Ho *Analyst, William Blair*

Andrew Sherman *Analyst, TD Cowen*

Alex Latimore *Analyst, Northland Capital Markets*

David Paige *Analyst, RBC Capital Markets*

Jordan Lyonnais *Analyst, Bank of America*

Keith Housum *Analyst, Northcoast Securities*

Meta Marshall *Analyst, Morgan Stanley & Co. LLC*

Brenden Rogers *Analyst, Wolfe Research*

James Fish *Analyst, Piper Sandler*

Trevor Walsh *Analyst, Citizens Securities*

Joe Cardoso *Analyst, J.P. Morgan*

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

MANAGEMENT DISCUSSION SECTION

Erik Lapinski, Vice President, Investor Relations, Axon Enterprise, Inc.

Hello, everyone, and thank you for joining Axon's executive team today. Before we get started, I'll note that our remarks today are meant to build upon our most recent shareholder letter and investor materials, which you can find at investor.axon.com. During this call, we will discuss our business outlook and make forward-looking statements. These comments are based on our 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, as discussed in our SEC filings. We will also discuss certain non-GAAP financial measures. Descriptions and reconciliations to GAAP are included in our shareholder letter and available on our investor website. Now, as always, before we kick it over to Rick, we have a quick video to get us started. Let's pull it up.

>> Quarterly Earnings Video << <https://vimeo.com/1189196853/95b0a32eed>

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

Alright, thank you everyone for joining us for our first quarter 2026 earnings call. I'm really pleased with how the year has started, and I'm even more excited about where we're going. I always say Axon Week is one of my favorite events of the year, and every year, it somehow gets better. What we shared with customers this April felt fundamentally different. It's no longer just about our new products. After decades of partnership, it's about how we've earned our customers' trust at a moment when it matters most. I'm more convinced than ever that we're building something the world genuinely needs. I spend my time thinking about how we can make an impact. How we can do more. Faster. Today, I think we've passed the inflection point. We are entering what I believe will be a generational leap in both the pace of innovation we can achieve and the speed of customer adoption we will see. There are two things I'm looking at that drive my conviction. First, technology is no longer evolving linearly, or even exponentially. It's evolving across multiple dimensions at once. A hyper-exponential. The result is a compounding effect, where more data, more tools, and more connections multiply what's possible. Our ecosystem is built for exactly this moment. We've created secure, end-to-end operational workflows across products, customers, and verticals. We made the decision over a decade ago to invest in tightly integrated solutions across hardware and software, creating an ecosystem that allows customers to scale and grow as fast as technology is moving. Our software is better because of our hardware. And our hardware enables software features that wouldn't be possible without capable, connected sensors at the edge. No single tool, or even a collection of individual tools, can deliver the same value as this kind of unified system. And as technology advances, the

difference isn't incremental, it's transformative. The simplest way to think about it is this. Outcomes now depend on the fusion of sensors, available and connected in real time, with an increasingly intelligent AI backbone. Across AI, real-time operations, drones, and connected devices, we're moving beyond product adoption and towards system adoption, a system that operates faster, safer, and with more awareness. Axon Vision, Guardian, and Assistant are early examples of what this phase looks like. Always on? Always available, and more and more intelligent. Axon Vision enables teams to understand what's happening in time, so they can respond with the best and most informed resources. Axon Guardian, monitors alongside officers, and can call for help before they can. Axon Assistant has already surpassed 1 million uses, and will soon be available wherever officers work. And over time. Our Axon Gravity Initiative will bring in more data that can be harnessed to make even more possible. Our position? As the leading repository of data for our customers, we'll continue to broaden. To be the leading unleasher. Importantly, Every capability we add now makes every other capability more valuable. Data flowing through Axon 911 becomes more powerful when connected to first responder drones or body cameras. Insights from vision become more impactful when integrated into real-time operations centers. Draft One improves with every report and every sensor. The value of each will continue to get stronger. My second observation is just as important. Adoption is now accelerating akin to innovation and expanding in scope. In the past, new technologies were adopted gradually. Today, demand is immediate. Customers want these tools now, and they want more of them. They are ready. Just yesterday, I hosted a collection of Chiefs in San Francisco. Two years ago, when I queried the room who had used AI, it was almost zero. Today, it's 100% are using AI tools in their personal lives daily, but they know those tools can't be used on government data. And that's why we added the Axon Chatbot into a system, so that they have a CGIS, secure, accredited AI they can use at work. That's just one of many features we're bringing to them. This isn't limited to law enforcement. Fusus, DEDrone, Axon 911, license plate readers, Vehicle Intelligence are being deployed across entire cities and countries. And now, enterprises are seeing similar needs. The environments may differ. But the requirements and the needs are the same. Safety, efficiency, and trust in a fast-moving world. Everything we do is built on trust. Our customers move faster than anyone else to adopt AI, because they trust how we build it. Carefully, deliberately, with the hard conversations happening up front, not after the fact. That's what makes our technology more durable, more trusted, more widely adopted. And that trust is what earns us the privilege to keep pushing forward. Three decades of building. Millions of sensors. Millions of users. Trillions of data points flowing through one connected network. Every camera, every device, every line of code, it's all been leading here, to this moment. the AI breakout. And no one in public safety is positioned like we are. Positioned to change the world. Positioned to create extraordinary value For our shareholders, our customers, And society itself. I'm incredibly proud of what this team has built. And as I look at all this coming together. I'm just even more excited about what comes next. And with that... I'll turn it over to Josh.

Joshua Isner, President, Axon Enterprise, Inc.

Thanks a lot, Rick, and good afternoon, everybody. I'm proud to report that we're off to another incredible start here at Axon. As Rick mentioned, we welcome 3,000 people to Axon Week in April. We quickly learn what customers are excited about, what's gaining traction, and ultimately,

where our pipeline goes from here. The reception from agencies, enterprises, and international partners was unlike anything I've seen before. Frankly, it's reflective of the growth we are seeing every day. Our flywheel is spinning. We are delighting customers with market-leading products, pairing that with customer obsession. We are earning the right to do more, and we wear that as a badge of honor. And a badge of responsibility. And that expanding opportunity set is already showing up in our results. We entered 2026 with tremendous momentum coming off a massive Q4, and the team came out of the gates even faster than we did last year. Q1 was our strongest ever first quarter across revenue, bookings, and new products. And it was a record in markets. U.S. public safety, international, and Enterprise, each setting first quarter bookings records. The quarter is off to a great start with sustained taser growth rates, and the breadth of overall demand is compelling. It tells us that the growth we are seeing is not isolated to one product, one geography, or one customer segment. Across the business, we are tracking indicators like customer engagement, pipeline quality, adoption of new products, and continued strength in the core. And those indicators support another year of 30-plus percent revenue growth. A major driver of that momentum is the continued adoption of the AI era plan. AI bookings were up 140% versus Q1 last year, and we are seeing AI move from early interest to a standard part of how large agencies think about their future technology stack. In fact, nearly all large domestic law enforcement agencies are now including AI in their purchases. This is a powerful signal that customers are treating AI as a core capability for improving productivity, accelerating workflows, and giving officers time back. We expect the rapid adoption to continue as we deliver more AI-enabled capabilities into the platform, including Axon 911, Axon Vision, Axon Gravity, and an expanded Axon Assistant functionality. We are determined to become the AI company in public safety, and we are well on our way. But the AI era plan is not the only thing driving explosive growth. DEDRONE, our counter-drone business, is scaling beyond our most aggressive assumptions. Bookings are up 500% year over year, and we are continuing to see rising demand. DEDRONE is now on a similar trajectory as the AI era plan, and it's relevant to every market we sell into. Rick saw this opportunity years ago, and as it is coming into fruition, we are well-positioned to serve our growing and diversified customer base with this product line. For example, DEDRONE protected the 2026 Super Bowl, as well as last week's Kentucky Derby. We are proud to support the American World Cup sites, as well as several other large-scale events throughout the year. DEDRONE is also featured in some of our largest international opportunities of the year. This allows for expansion into other product categories, and we are seeing that play out in real time. We have laid the infrastructure to sell globally over the last several years, and now DEDRONE has established itself as a further accelerant to our growth. And finally, it is no secret that physical AI infrastructure is going to be a source of record spending in the years to come. Our enterprise team is in conversations with many of the largest infrastructure providers to protect their ever-growing portfolio of sites and data centers. And speaking of enterprise, we have exciting news to announce on this front as well. After a 50% year-over-year Q1, in April, our team closed a \$40 million opportunity with one of the largest telecom providers in the world. The deployment centers around FUSIS, which continues to garner interest and drive growth in this segment, along with Axon Body Mini and Axon Outpost. We will also be launching Axon Vision directly into Enterprise. By recognizing abnormalities as they occur, this product will add immediate value to any security operation. At the same time, Assistant and Draft One are becoming enterprise-ready. We're showing up as a true technology leader in this space. With the advantage of already

knowing how to deploy at a large scale securely. Something very special is happening at Axon right now. Our core investment in both products and markets are paying off. just as our acquisitions are hitting the steepest part of their respective curves. We acquired Fusus two years ago, and Dedrone approximately 18 months ago as of Q1. We have now booked over 1.5 times the combined purchase price of those two companies. We see a similarly disruptive opportunity in Axon 911 as we integrate Carbyne and Prepared. We are proving our momentum is sustained, and because we expect a lot more growth, I have sponsored a significant investment in core product inventory. We are fortunate that our Taser CW life cycles are 10 to 15 years, and our body cameras continue to sell for 5 plus years. Thus, we have minimal obsolescence risk as compared to most hardware. Given the expanding geopolitical risks, the competition for key components, and the growing demand of our products worldwide, we are investing in inventory with durability in mind. We never want inventory to be the reason we cannot maximize our growth and impact. After all, our customers do the most important jobs in the world. And they rely on more and more of Axon products. We will not let them down. Thanks, everyone, and over to you, Brittany.

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

Thanks, Josh. Well said on what an exciting opportunity we continue to see in front of us. Rick has consistently provided a compelling vision, and we are seeing the results of that come through in our numbers. Revenue of \$807 million was up 34% year-over-year, and marks our 9th consecutive quarter of growth above 30%. Software and services increased 35% year-over-year to \$355 million. While all of our software products continue to grow, AI was a standout, with AI product revenue growing more than 700% year over year. This is on a small revenue base, but is delivering on the strong bookings from last year, and will continue to scale. Our AI products are also continuously improving, including with the launch of new features at Axon Week, which we highlighted in the shareholder letter. The value proposition is clearly resonating and adds another leg to our consistent software growth. This growth supports strong net revenue retention, which was 125% in the quarter, and strong in ARR, which grew 35% year-over-year to \$1.5 billion. Connected devices revenue grew 33% to \$453 million. This was a particularly strong Q1 for connected devices. Taser 10 and Body 4 remained durable drivers of growth, and Platform Solutions, which includes our counter-drone hardware, grew 95% year-over-year. In total, across hardware and software, Dedrone revenue was up over 300% year-over-year. The need for counter-drone capabilities is becoming increasingly obvious and critical, and we're proud to have a leading solution in the space. As Josh mentioned, we expect this strength to continue, and counter-drone is another major leg supporting our growth. In addition to strength across our products, we are seeing strength across end markets. International revenue was up over 100% year over year as we delivered on the bookings momentum we highlighted last year, and it represented 20% of our revenue for the quarter. Future contracted bookings was up 44% year-over-year to \$14.3 billion, reflecting this broad-based momentum. Given these trends, our strong Q1 results, and the momentum we are seeing in our pipeline, we're well-positioned to deliver on our top-line expectations, and are raising our revenue guidance for the year to a range of 30-32% growth. We still expect to deliver 25.5% adjusted EBITDA margins for the year, consistent with our prior guidance. This improves upon the 25% adjusted EBITDA margin we delivered in Q1, with

operating leverage expected in the second half of the year, allowing us to hit that annual target. Incorporated in this guidance is continued tariffs, inflationary component costs, inclusive of memory, and product mix shift from continued platform solutions growth, as well as software and services. As we scale the business, we are also focusing on our free cash flow conversion from adjusted EBITDA. Josh talked about the continued investments we're making in inventory this year, which you can see in Q1. These investments will position us well to deliver on demand through the rest of this year. Even with these investments, we expect free cash flow conversion to improve meaningfully, and expect to deliver approximately \$450 million of free cash flow for the full year in 2026. On stock-based compensation, we expect full year of expense of approximately \$590 to \$620 million. As a reminder, a portion of our stock-based compensation expense is tied to our performance plans, and will only be realized if we hit the share price and operational milestones laid out as part of our XSP program. This program is long-term in nature and doesn't scale linearly with growth because of how we account for the probability of the tranches. The expected expense from this plan is down from last year. The other portion of stock-based compensation is run-rate RSU grants, which are important to hire and retain the best talent. Inclusive of both of these programs, we are committed to average annual dilution less than 2.5%. As the impact from our performance plans normalize, stock-based compensation dollars should remain roughly flat over the next few years, meaning it will decline as a percentage of revenue with our continued growth. We talk about hitting 55 on the rule of 40, and yet again, we delivered in excess of that goal this quarter. We're very happy with the results, especially in what is typically a seasonally softer quarter, pointing to the underlying momentum we continue to see in the business. We're focused on growing and scaling for many years to come, supported by our great customers, diversifying end markets, and broad product portfolio. We're excited to deliver another great quarter. And with that, I will turn it over for questions.

Erik Lapinski, Vice President, Investor Relations, Axon Enterprise, Inc.

Thanks, everyone. Alright, today up first we have Will Power at Baird

Will Power, Analyst, Robert W. Baird & Co., Inc.

Okay, great. Thanks, everybody. Yeah, congratulations on another, you know, really strong, you know, start to the year. I, you know, probably for, you know, Rick, Josh, Jeff, really whoever wants to take it, just coming out of Axon Week, a lot of focus on some of the new AI capabilities, Axon Vision, Guardian. you know, Form One, etc. It'd be great just to get a sense for, you know, where you saw the highest levels of, you know, customer engagement and interest, and And how that might kind of fold into the pipeline built for the year as you think about the broader AI portfolio. Then I have a question for Brittany, too.

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

Yeah, so, let me start with that one. I would say, look, you know, the keynote ran a bit long, because we had so many things, to talk about, and then, frankly, across so many different

personas in the audience, we had Leaders from healthcare, we had leaders from enterprise, we had prosecutors, police chiefs, taser instructors, and... part of what, I really wanted to do was to just share the breadth of everything becoming possible in every role with AI, that can impact anybody who's touching this information, and then wrap it up at the end, like, hey, this is, like, more than you can really wrap your head around, and we simplify it all with this AI era plan. And the feedback I got pretty overwhelmingly from customers was that that really hit home. There's a sense of, like, my God, the world is moving fast. It's, like, almost disorienting, but we know we have to keep up. And the general sense was, look, you guys have always, you know, you brought us tasers when we didn't think we needed it, you brought us body cameras when we, you know, nobody wanted to wear them, and, like. You know, thanks for making this something where we have a partner that we feel like you guys can help us make sense of all this, because it's head-spinning. And so really, it's just, each of those features are targeting different personas. Like, you know, Brief One is really focused much more on an investigator, or a command staff or a prosecutor, compared to, you know, Form One, the new feature that enables them to use their digital evidence to fill out any form, not just ours, but any web-based form. And so, for me, it was pretty evenly distributed. I've been... this was the first year I felt that the entire vibe... nobody was saying, like, I don't know if this AI thing is for real. Like, everybody was like, wow, it's like, it's everywhere, and, you know, help us figure this out. So I don't know if, Josh or Jeff, if you want to add anything.

Joshua Isner, President, Axon Enterprise, Inc.

Yeah, I'll just add one quick, thought, which is, I think, you know, in times of uncertainty, this is where the 17, 18, 20 years in the cloud and software space and wearable space really pays off. It's like, customers Trust us to bring market-leading products to market in responsible ways, and I'm really proud of Jeff and our team as to how fast we've been able to release new features into our AI era plan. I think that's incumbent upon us to continue to delight customers, and look, we're like, you know, Kentucky Derby was last week, the Belmont's in a few weeks, we look at ourselves like Secretariat at the Belmont. We want to be accelerating ahead of everybody in AI, and the sheer volume of new, useful tools we are sending out to our customers. Like, our customers had... we do this shock tank idea, where they come up with new ideas, and we're building one, and our goal is to release that to every customer who came to Axon Week in the next couple months, just to show we can go from idea to execution to output in a very condensed period of time now, and we think that's going to be a massive tailwind for our customers, our investors, and our company.

Will Power, Analyst, Robert W. Baird & Co., Inc.

Okay, and then, and then if I can, I appreciate that, great perspective. I, you know, Brittany, you know, I guess some of the questions I've gotten, I guess, earlier have been on the free cash flow side. I know you addressed it on the inventory, piece and inventory commentary. Is there any way to kind of share, as you think about, you know, the higher, or the inventory investment, how much of that relates to higher memory cost and inflationary pressure versus just trying to meet you know, customer demand, and then anything you can share on the CapExchange, which I think

came down a little bit, and just putting all that together, how you get comfortable with, kind of, the free cash flow conversion targets, given the moving pieces here.

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

Yeah, no, thank you for asking. So as we look at inventory, of course, memory is included in that overall number, but this is really about inventory investments to make sure we have supply across all of our products and have the ability to scale to meet demand as we look forward into the next year. So I would view it as, including memory, and making sure that we're in a good place on memory, but not at all, you know, solely driven by memory. We would be doing this with or without memory, just to make sure that we are in a good supply chain position. If you look at Q1, Q1 is our, you know, generally our seasonally softest quarter from a free cash flow standpoint. We have bonus payments, we have commission payments, we have one of our two semi-annual interest payments in Q1. And even with all of that, without the inventory investments, we would have been positive from a free cash flow standpoint in Q1. So as we look at the next three quarters of the year, we're very comfortable that with the inventory investments we have in mind. With everything we can do around working capital, and the fact that we won't have some of those, Q1 events reoccurring, that we can get to that target for the year. From a capex standpoint, you know, as we go into the year, we tend to have a lot of... a lot of projects, a lot of things on our plate, and then as we get into the year and we see what we're actually executing on, we can refine that CapEx forecast, and so that's really all you're seeing there, is we're just refining and cap... you know, tightening up that capex forecast for the year.

Will Power, Analyst, Robert W. Baird & Co., Inc.

Okay, thank you.

Joshua Isner, President, Axon Enterprise, Inc.

Thanks, Will.

Erik Lapinski, Vice President, Investor Relations, Axon Enterprise, Inc.

Thanks, Will. Up next, we have, Andrew Sherman at TD Cowen.

Andrew Sherman, Analyst, TD Cowen

Oh, great, thanks. Good to see everybody. Congrats on the quarter. The... Josh, the AI error plan bookings up 140%, revenue up, I think, 700%. That was a lot higher than I thought, and interesting comment on all large agencies, including that now, maybe just expand on that. Are we hitting a tipping point now where the bundle's been out for a while, so you're seeing more... Viral type of adoption, are you seeing that in the pipeline?

Joshua Isner, President, Axon Enterprise, Inc.

Thanks, Andrew. Glad we could beat your expectations on how many of these things we're going to sell in Q1 here, and it's been a great start to the year, and I... I think, you know, like, these deals take a long time to come into fruition, right? Like, we're talking, you know. \$50 to \$200 million deals with some of these large major cities, and as a result, you know, sometimes, like, it takes 8 to 12 months to get these things across the goal line, so we announced the AI error plan at the very, very end of 2024, so last year was a great start. We had said we had booked \$750 million on it, but we certainly expect that number to keep rising. Like, there's more and more belief in what we're doing, there's more and more engagement, there's more and more engagement across the features and the bundle itself, which are driving, you know, a better view of the ROI that we're offering. And so, just today, a major city in the Mid-Atlantic region went in front of their city council and had an \$150 million deal, approved that included the AI era plan. And so, we're seeing this all over, we're very excited about it. We know that responsibility comes with it. Like I said, we have to keep iterating and making sure that we're delighting our customers with this feature set, but I certainly have a lot of confidence in our team to be able to do that.

Andrew Sherman, Analyst, TD Cowen

Excellent. Thanks. One more for you, Josh. The Enterprise Telco deal in April, very impressive. That's your second big deal in enterprise, focused on Fusus, so what... talk about the use case in this example, what problems does Fusus solve for them? Are there more of these in the pipeline? Thanks.

Joshua Isner, President, Axon Enterprise, Inc.

Sure thing. So, I think about our Enterprise business in really three buckets. Fusus, DEDrone, and then the ABW, or the Axon Body Mini. And so, with Fusus, you know, all of these businesses have dozens, dozens of thousands, hundreds of thousands, and in some cases, millions of video streams around the world. And as they've brought those online, a lot of times they've you know, siloed across different systems, and they don't have a real unified user experience. So we're able to come in with Fusus and bring everything in together in one place and be able to connect it with public safety, you know, at the customer's option, in terms of the protocols there. And so, that's been very valuable. It's certainly as camera infrastructure has grown across all cities and businesses. that's been a certain tailwind for Fusus adoption. But we're seeing similar interest in DEDrone right now, as I said, protecting data centers, high-value warehouses, headquarters, other physical infrastructure. And then, of course, the Axon Body Mini starts shipping, production units start shipping in July, and so as we get through beta there, we're seeing a lot of momentum, a couple major, major customers growing their deployments already of ABW, or I keep ABW as Axon Body Workforce, which is the first version of that product. And so, we're seeing, we're seeing it really start to happen in enterprise. It's exciting, but it's also really exciting to see it

continue to happen in public safety, and to see international grow, explosively as well, so... A lot, a lot to be looking forward to this year.

Andrew Sherman, Analyst, TD Cowen

Awesome, thanks, Josh.

Joshua Isner, President, Axon Enterprise, Inc.

Sure thing, Andrew. Thank you.

Erik Lapinski, Vice President, Investor Relations, Axon Enterprise, Inc.

Thanks, Andrew. Up next, we have, Jim Fish at Piper Sandler.

James Fish, Analyst, Piper Sandler

Hey guys, nice quarter. Look, multiple large events are coming up here, you even just highlighted a few this past weekend, hopefully your horse won. But, just, how is this impacting bookings and pipeline? And really, how much of the drone kind of uptick and outsized performance is being tied to these events, and really the crux of it all, guys, is just trying to understand, like, is this event-driven, or is it sustainable kind of demand?

Joshua Isner, President, Axon Enterprise, Inc.

I would think of this as infrastructure. Like, certainly event... events are nice moments in time where we can show off the product. They're not super large deployments, and they're kind of, like, ephemeral in nature. But what it does do is it gives... the host city and federal law enforcement a view into what's happening. Like, federal law enforcement was very complimentary to us about our installation at the Super Bowl, and that drove interest in that segment. And so, think of these are great, like, opportunities to show what we can do, but it's really about translating that into you know, permanent infrastructure in these cities and businesses is, you know, and that's where the real long-term value lies, or lies, and that's happening. Like, DEDrone is, you know, we're... we're very bullish about, you know, the acquisition, and what it would mean for our business, and what it would mean for our ability to protect lives, and all of those expectations have been shattered. I mean, this... the demand for this product is, in terms of hardware, about as fast as I've ever seen, you know, adoption of a hardware product that we've made. So, very, very exciting, and a lot of A lot of work to do to continue to build out the ecosystem there, but certainly, you know, a lot to get us very optimistic about, you know, being a leading counter-drone provider.

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

I would just add, even if you look at some of the legislation, like the Safer Skies initiative that's coming through, it is really enabling counter-drone technology to be sustainable, and that is a multi-year program. So, to Josh's point, the events are great, but I would not view DEDRONE as being successful only because of those events. This is a real trend and a real change in the trajectory and the need for adoption of counter-drone. And we are seeing that. I would say right now, we're more limited by our actual ability to scale and get the product out the door than we are by opportunities out there.

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

It's really, these things are all a catalyst for a shift in mindset to viewing counter-drone as an essential infrastructure capability for cities, for enterprises, for all of these things, and it triggers the notion of them viewing it as a sacrosanct thing they have to add to their portfolio.

James Fish, Analyst, Piper Sandler

I appreciate all the details there, guys, and Brittany, not just to belabor the point, but... What's your purchase commitments at this point? As if I look at your inventory today, and I understand the investment you're making, it's about half of your product cost for the year, so what's giving you enough confidence here that we have the inventory availability to meet the demand for the year?

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

Yeah, look, I think part of the thesis behind this investment is you can see how quickly we're growing and how quickly we're ramping all of our hardware, and so we want to make sure that we have the ability to hit that demand, and that is part of the investment behind it. We work really closely with all of our suppliers. We have mission-critical hardware. This hardware is, it is not a nice-to-have, it is a must-have for our customers. And so as we look at our investments and we look at the year, we're really making sure that we work with our suppliers to get in what we need to get in, to give them those long-term forecasts. Because we have products that last for a long time, we have a lot of stability in our demand and our need. So I would just say it's really, really close collaboration with our partners and our supply chain.

Joshua Isner, President, Axon Enterprise, Inc.

And can I just add to that, just so there's no confusion? You know, we have been investing in inventory for quite a while, and we entered the year, you know, one of the reasons that, you know, we haven't had much impact from the memory costs, in terms of our guidance is because of our inventory philosophy. We had a lot of inventory for this year coming into the year, and thus, you know, we were able to be a little more patient, and are still able to be a little more patient, to... to ride this wave out on the... on the memory costs. And really, we're looking toward next year at this point, and how we can position ourselves well across our core products so that

international, like, large, large international orders are not taking away from our ability to ship to U.S. customers and not putting a ceiling on our revenue growth. Certainly geopolitical risk going into next year. We've got our eye on that, and we certainly don't want anything you know, that happens in the world to have an impact on our ability to support our customers. And so, we're looking at this as a sustained inventory investment to get up to certain levels where we think we can support the growth and hedge some of the risk. But, like Brittany said in her remarks, it's, that is already contemplated in our free cash flow guidance for the year.

James Fish, Analyst, Piper Sandler

Makes sense. Thanks, guys.

Joshua Isner, President, Axon Enterprise, Inc.

Thank you.

Erik Lapinski, Vice President, Investor Relations, Axon Enterprise, Inc.

Thanks, Jim. Up next, we have Jonathan Ho at William Blair.

Jonathan Ho, Analyst, William Blair

Hi, congratulations on the excellent quarter. Can you maybe talk a little bit about your AI cross-sell cadence? You know, particularly for customers that are maybe in the middle of, like, the existing long-term contracts? You know, are most waiting until their contracts expire? You know, is there a way for you to sort of restructure these mid-flow, particularly for those contracts that are in place? You know, any color would be helpful there.

Joshua Isner, President, Axon Enterprise, Inc.

Sure thing, Jonathan. A lot of that is, That happens very naturally, even before the AI era plan, that was happening relatively naturally, because, you know, we do release new products every single year, we release some at Axon Week, we'll have more exciting things to talk about at IACP, and those are often catalysts to rewrite contracts. You know, customer sees something they like and says, okay, you know, if I'm going to buy this, we might as well put everything together and create a new contract that contemplates all of this, and between camera upgrades, new products, urgency around AI, these are all catalysts for those conversations, and so, you know, we do rewrite these contracts as we go according to, you know, new product availability, and it has been a great driver of bookings growth.

Jonathan Ho, Analyst, William Blair

Got it. And then, just as a follow-up, you've referenced multiple times the strength in international growth, and I just wanted to, you know, better understand, sort of, the drivers here. It seems like you've initially landed with many of the national police forces. Are you seeing this strength come from filter down, or is this, you know, new national police forces? You know, any color would definitely be helpful.

Joshua Isner, President, Axon Enterprise, Inc.

Sure thing. It's, it's a good question. I guess it's not one individual thing, but I think it's a combination of having a far better team and go-to-market operation, and that's not only our own internal team, but that's partners. technology partners and system integrators and distributors. We've really figured out the right way to go to market in some of these, you know, different nations around the world, and that's been certainly some wind at our back. And then we, you know, parlay that into better product market fit. There's demand for Fusus, there's demand for records, there's certainly a lot of demand for Dedrone, and that's driving a lot of conversations into other product categories, and so that's certainly a big part of it as well. And ultimately, I just think we're showing up as more of a global company at this point. You know, it's not, you know, kind of one person in a very large country showing up trying to sell tasers for the first time. We're showing up like a technology vendor that can help across a number of different product lines, and that land and expand strategy is starting to really work like it did in the U.S, and the consistency of our results now is showing that, where last year was our first year over a billion dollars in bookings. This year, we have a very, very strong pipeline, and certainly hope to grow well beyond that, and we're certainly, you know, confident as we've ever been in the international business, and I think that's a tribute to Cameron, our Chief Revenue Officer, he's done a really nice job rebuilding a lot of that function, as well as a lot of folks on the ground doing really good work, every single day.

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

Yeah, I would add in, I just got back from a two-week, two and a half week, you know, overseas trip. we are seeing some of the smaller countries looking at going all-in on a national basis, which is kind of a new dynamic, and I think that's really quite helpful, especially, you know, within some of these different blocks where maybe there's historically not been as much comfort with the cloud. You know, seeing some of these smaller countries go all-in gives us proof points. I had one of my, you know, first, like, 90-minute sessions with a prime minister, where this is rising up to, like, that level, where they're looking at this going, wow, we could sort of leapfrog and become one of the most advanced police agencies on Earth. Because we could just deploy everything with Axon, which is a... it's been a pretty solid dynamic to feel that shift happening, and I think as these smaller countries do it, it'll give us the ability to, you know, earn our way up into the larger... as with everything, you know, the really mega forces move much more slowly, and that's true of, like, these big national forces compared to maybe some of the smaller ones. We're finding a bit more nimble, and it's, again, it's plowing the ground By having, like, for example, in the EU, having some... Some people leading the way, really going all in on cloud.

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

The last thing I'll say there really fast, similar to the enterprise discussion that Josh said before, you know, in a lot of these other countries, they've spent a tremendous amount on massive networks of CCTV cameras, and so that's another place where Fusus is a catalyzing part of the equation, right? It's not just our body cameras and just stems. Like, Fusus is a socket to let them get more value out of the investment they've already made in these other cameras, and that just makes the overall ecosystem story from Axon kind of... Easier to reach the tipping point of their interest, so it's a great catalyst.

Erik Lapinski, Vice President, Investor Relations, Axon Enterprise, Inc.

Thank you. Up next, we have Keith Housum at Northcoast.

Keith Housum, Analyst, Northcoast Securities

Great, thanks guys, good morning. You know, obviously, a very solid quarter for you guys. Brittany, if there's anything to pick on from an investor standpoint, it might be in the software and services standpoint. You know, software and services tends to be very lumpy. I think what we saw here is sequentially probably a little bit lower than what perhaps some people were expecting. Perhaps walk us through some of the puts and takes about software and services for the quarter, and how we should be thinking about that.

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

Sure, happy to. I would say this is pretty typical for our seasonality in Q1, and so you saw a similar dynamic in Q1 of 2025. So, we just tend to have a slightly smaller software step in Q1. If you want to look at our ARR, though, that's usually where it shows up first, and we had absolutely phenomenal ARR growth this quarter. And so, really, I'd look at 25 and say it comes through first in the ARR growth, and then you could expect you'll start to see that in the software step for next quarter. So I would dive a little deeper on the picking and look at it as pretty typical seasonality. with very nice strength continuing in our software business, and you just see that picking up an ARR first.

Keith Housum, Analyst, Northcoast Securities

Okay, appreciate it. And then, Josh, if I could ask you a follow-up to the Enterprise question before. Maybe I missed this. Was this a telecom retailer? Because I understand Fusus, Exxon Body Mini, and not only is it a retailer, but also, is this an auction process? Was this you guys going to them? Press some of the background behind the adoption by this customer.

Joshua Isner, President, Axon Enterprise, Inc.

Sure thing, Keith, I've said on the call a couple times, historically, I'm generally a little more uncomfortable about sharing names of enterprise partners, because sometimes they're competitive with our other customers, and sometimes, you know, there are other dynamics where it doesn't necessarily serve us to be front and center with other brands versus just supporting them behind the scenes and talking about, you know, the customer in more general terms, and so This is, you know, when you think of telecom providers, this is one of the first three or four that's going to enter your brain, I would say that. And then, the use cases across retail locations, other, company physical assets, certainly any video stream, essentially, that's in their ecosystem of one of their cameras, that's now being managed and integrated into Fusus. So, this is really about having complete situational awareness across all of their physical assets.

Keith Housum, Analyst, Northcoast Securities

Great, thank you.

Joshua Isner, President, Axon Enterprise, Inc.

Thank you, Keith.

Erik Lapinski, Vice President, Investor Relations, Axon Enterprise, Inc.

Thanks, Keith. Up next, we have Brenden Rogers at Wolf.

Brenden Rogers, Analyst, Wolfe Research

Hi guys, thanks for taking my question. Wanted to ask a quick one on AI, like, coming out of Axon, there was, like, a ton of innovation, ton of new products. How do you guys think about, like, pricing to value as you kind of... furiously add these new products into the bundle, like, over the course of the year. I think traditionally, like, a pricing cycle would happen, and you guys would revise the pricing in, like, you know, Q4, Q1, but just given, like, even in the shareholder letter you guys were talking about, Axon Vision being GA in Q4, like, we just heard about that in Axon week, you guys probably won't have a chance to update pricing, like, how does... how do you guys think about that?

Joshua Isner, President, Axon Enterprise, Inc.

Sure, great question. Look, I think, as always, you know, we want our price to be commensurate with the value we're creating, and in our bundles, you know, you could certainly compare the sum of the parts of all the individual features versus the bundle price, and generally we want those things to tie out. So, the more features we add. you know, you should expect that to be reflected in the price as we revise it each year. And there is an annual kind of, you know, escalator

in the contracts, you know, to account for the fact that each year will represent more value and functionality in the plan. And so, generally speaking, you know, it serves customers well to get in early. And, you know, the longer you wait, the more the sum of the parts adds up, but, no matter what, we're going to make sure that the customer feels like there is a, like, hit-your-forehead simple ROI on what we're providing, you know, relative to the cost.

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

And this is where the ARA plan is just really... Loved by customers. You know, this idea that, hey, this is moving so fast, like, we can't even predict with certainty what we're going to be building next year, and to avoid having to constantly be going back to procurement cycles that would just be exhausting. So they really love this idea that, you know what, Axon Vision's new, you didn't know about it when you signed your contract, frankly, maybe we didn't either, but you're going to get it if you're on that plan.

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

I would say we're really careful on pricing to make sure that we are delivering more value to our customers before we take prices up. That's a pretty strongly held belief of ours, is that it's tied to value, and so I think what you're seeing is we are putting more value into the AI era plan. Which is great, because then it means our customers will see that value, and when we do get to our annual pricing discussions, we will look at the value we're delivering relative to the price.

Brenden Rogers, Analyst, Wolfe Research

Got it, thank you. And then just one more, sort of on that memory side, any chance that you guys can quantify the impact? In terms of margins, I'm assuming it's probably not big enough to reprice, or maybe that's the wrong assumption.

Joshua Isner, President, Axon Enterprise, Inc.

That's the right assumption. That's the right assumption.

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

It's not big enough for us to break it out for all of you guys. If you think about it, the products that we have memory going into the most are our camera products, so they're clearly important for us. But they are only a part of our overall portfolio, so you can imagine that the basis point impact to gross margin is not meaningful enough to break it out. Now, it's certainly something we're looking at, it's certainly one of the many puts and takes going into our gross margin for the year, and it is all contemplated as we think about our guidance. But I wouldn't over-index on it.

Brenden Rogers, Analyst, Wolfe Research

Got it, thank you.

Erik Lapinski, Vice President, Investor Relations, Axon Enterprise, Inc.

Thanks, Brenden. Up next, we have Meta Marshall at Morgan Stanley.

Meta Marshall, Analyst, Morgan Stanley & Co. LLC

Great, thanks so much, guys. Maybe a couple of questions for me. You know, noted still very early days of Carbyne and Prepared, but just what you're seeing in terms of, kind of, how you're looking at that market opportunity. And then maybe just second on Federal, obviously, some kind of, you know, shutdowns at various points this year. No, it's not a major business for you, but just how you're seeing, kind of, the deal environment on the federal side. Thanks.

Joshua Isner, President, Axon Enterprise, Inc.

Sure. On 911, I think, I would say I have a lot of confidence that we will be contending for market leadership in this space in the next few years. I believe we have the most talented team in the market. I believe we have the most talented leadership, all the way down to the folks building the products and selling the products. I think the value proposition is very, very strong there. It reminds me when we first got into cloud 15 years ago, when the options were all on-premise, and it's like, hey, this is... kind of the next generation, and there's a lot of benefit to doing it this way, and our customers are now seeing that after being entrenched in very, very outdated technology. And so, you know, ultimately, there's a lot that goes into it, but I really am pleased with the early progress here. As a reminder, we really think Prepared is out there, you know, capturing logos with their over-the-top feature sets, and then Carbyne is the capable, fast follow for call handling when the time is right for the customer. And one of the things I think we're seeing that we're particularly excited about is Carbyne has got a large international, you know, brand and a lot of momentum there as well, so certainly not limited to the U.S. and Carbyne's case. And so, yeah, we're feeling good about it, still early innings, and we've got a lot of work to do to keep building, but, you know, we've already signed some of the largest jurisdictions in the country on Prepared in the last, you know, 3 or 6 months here, and we expect that to continue. So, feeling really good about what 911's going to look like for the year to come.

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

Yeah, I would tell you my natural inclination, I'm highly biased towards building things ourselves, but when we met both Amir and his team at Carbyne, and Michael Chime and his team at Prepared. we were like, wow, these are great teams. It would take us, you know, it takes time to go build great teams, and they've built great products. Customer feedback has been just phenomenal. I was just with, just with them recently at some customer events, and, I can tell

you, it's, we're getting glowing customer feedback. And it's also kind of fun for me as an entrepreneur who's, you know, getting a little further in my career, the energy these, these younger entrepreneurs are bringing into the organization is great. It's, like, just a fresh wave of energy into a, you know, into the whole company. It's been great.

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

And it's just one more... oh, so go ahead.

Joshua Isner, President, Axon Enterprise, Inc.

Go ahead, Jeff, I was just going to answer the federal question after.

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

Yeah, I was just going to say really, really quick, it's yet another example of how the whole is greater than the sum of the parts, right? The enthusiasm that we're seeing customers have for how quickly we brought the data from prepared and 911 alerts directly into FUSIS, and then also bringing that directly into Skydio as part of DFR. Those things together make shorter response times happen, and that is a perfect example of the flywheel that Rick was referring to before.

Joshua Isner, President, Axon Enterprise, Inc.

and then meet on, on federal, Renewed momentum there. Last year, we rebuilt a large portion of the team, including our leadership. Claudia Davidson has come in from Palantir and is a fantastic fit at the company, and is someone that I think is going to be a long ball hitter here for a long time. And she's done a nice job kind of rebuilding the momentum. We're seeing renewed interest in body cameras and tasers in federal law enforcement. We're seeing a lot of interest in DEDrone. And then, of course, on the DOW side, we're also seeing some DEDrone applicability there. So, really, the federal business is trending very much in the right direction, and with a few things going our way, it could be a banner year in Fed, but again, that's, we have got to do the work still.

Meta Marshall, Analyst, Morgan Stanley & Co. LLC

Great, thanks so much.

Erik Lapinski, Vice President, Investor Relations, Axon Enterprise, Inc.

Thanks, Meta. Up next, we have Joe Cardoso at JP Morgan.

Joe Cardoso, Analyst, J.P. Morgan

Hey, good evening guys, thanks for the questions here. So maybe you can just touch on... I wanted to circle back on the Fusus conversation, and maybe more specifically the level of attacks that you guys are seeing with some of the opportunities here. Particularly as it relates to Outpost, you know, you mentioned it with the telecom win, but curious how much more pervasive that dynamic is playing out, and what's exactly driving customers to adopt the hardware side of things? You know, I guess, like, the crux of the question really comes down to, are you actually seeing folks rip and replace hardware to essentially install Outpost, and what's kind of the driving force behind that, and then I have a follow-up. Thank you.

Joshua Isner, President, Axon Enterprise, Inc.

Sure thing. We absolutely are, and there's two or three driving forces behind it. Number one is the product is performing exceptionally well in the field, and relative to incumbents in the space, our product is outperforming them in terms of lane coverage. plate reads, performance in bad weather, all the things that our customers would expect from an Axon product, this product is doing. It's cheaper, that's certainly helping, you know, in the context of competing against incumbents. And then, I'd say, you know, the third one is the idea that again, it's a new sensor in this broader ecosystem. You can run AI on it at the edge, you have immediate utility from the plate reads, and it fits in this broader play with Axon Vision and so forth. You know, reminder on Outpost is it's got two cameras in it. One is for plate reads, and the other one is just for CCTV streaming. And so, we think this is, again, physical infrastructure that's going to lead to more and more utility, safer outcomes, more AI adoption, and ultimately, it's one of those where, again, like, the trust in Axon, the belief from our customers that we do things the right way, from data privacy, from making sure the community had a voice in product development, all these things combine into what looks like another transformative hardware program here.

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

Yeah, if I could add in, if you go search, the mayor of Denver did a great, you know, video tweet. Where he was talking about, you know, they moved from a competing system to Axon, largely because of the data privacy, data ownership, you know, we really structured this in a way, where we've it's not just talk, right? When we think about building products rigorously, in a way we're going to be proud of, we do... We do that both so our insides match our outsides, you know, employees want to be authentic and know that we're doing things, you know, in a way that they're going to be proud of, but it stands up to scrutiny. And ultimately, you know, that pays off when customers are like, oh, wow, we didn't realize our license plate reads were being shared with a federal agency that's frankly, not popular with our constituents in this area, and we, you know, don't want that happening, certainly without our knowledge, and when we come in, we say, look, here's how this system works, it's your data, we don't have any right, title, or interest to it. We certainly enable you to share with anybody you want to share to, but in ways that are very explicit and well understood, and it's you making the decision, so you're never getting surprised. You know, those sort of things. pay off pretty big when... when controversies hit, and one of the things, you know, we're hearing from customers, or that we're actually positioned

with them, is like, we can help you get your job done and stay out of the headlines, and that's important to them.

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

I'm just going to ... I can add that one of the fun things about talking about Prepared and Carbyne and, you know, Outpost is that these are all things that are not called out in our revenue commentary, because they're still immaterial to our revenue in this quarter, so we did 34% growth without any of these, and these are amazing drivers to support our long-term growth and our future.

Joe Cardoso, Analyst, J.P. Morgan

No, appreciate the color, guys. And then, maybe just as my follow-up here, and on the drone opportunity, and maybe this one's more geared towards you, Brittany, obviously nice growth this quarter, appears to be a building pipeline here, a strong pipeline building. you know, but just given its infancy, I'm sure it's weighing on the device margins here, so maybe, can you help us frame where this business sits today within the margin structure versus, you know, maybe what's your ambitions at scale, and what level of scale would you need to achieve that? Thank you.

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

Yeah, no, it's a great question, and you're absolutely right. We've called out before that our platform solutions business is the lowest of our three hardware businesses inside of connected devices, and certainly the DEDRONE hardware is a portion of that. I do think there's room for us to continue to improve that margin as we scale. I don't have an exact level for you, but that is something where it is small today, and as we scale, and as we get repeatability, and as we get, you know, larger numbers that we can go leverage, we would, of course, expect it to improve over time. I would also, you know, make a reminder that there's also a nice software component to our DEDRONE business, and so that spreads out more years, we get more of the hardware up front, but there is a great software component to DEDRONE that shows up inside of our software business, and our software-only gross margins, if you include the services piece, continue to be above 80%. So we're still really happy with the contribution of DEDRONE. But certainly with the type of growth we're seeing, we will take a little bit of movement, you know, quarter to quarter in our connected devices gross margin in return for that.

Joe Cardoso, Analyst, J.P. Morgan

No, fair. Thank you. Appreciate the response.

Erik Lapinski, Vice President, Investor Relations, Axon Enterprise, Inc.

Thanks, Joe. Up next, we have Trevor Walsh at Citizens.

Trevor Walsh, Analyst, Citizens Securities at Citizens

Great, thanks, Erik. Josh and or Jeff, maybe for you guys, I also wanted to ask about DEDrone, but maybe in a different way. So, the commentary you had around the strength and the momentum there seems very event-driven, protecting of infrastructure, counter-drone, but we've thought of DEDrone as well as more the airspace management and how it can relate to DFR opportunities, so is it really being driven by that counter-drone piece, or is that DFR element still present, and how is that going? I guess I'm trying to just, like, can you think of it as two separate buckets, or do they really need to be together, I guess, is maybe the question.

Joshua Isner, President, Axon Enterprise, Inc.

No, I think it's... I think it's two, you know, two advantages to deploying DEDrone. I actually think right now it's far more predicated on the counter drone than it is on DFR. And that's more of a, I guess, a reflection on who's buying it now. U.S. state and local is buying it, but international, enterprise, and federal, I'd say, are buying it as much or more, and in those three markets, it's far more for counter drone. And so, as DFR becomes more you know, as continues to proliferate, certainly there'll be a lot of utility with DEDrone, and there's opportunity to make it much more tightly ingrained with FUSUS, so you see everything on one map, and it's just a very clean user experience in that way. But, the counter-drone functionality is what is driving the DEDrone interest up front.

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

Just to connect those dots, the technology piece is shared, so that thesis is still 100% right, and as, but what you're just seeing is, as DFR is also explosively growing super-duper fast. there's just a mixture of, like, where they're relying on the onboard autonomy versus where they're relying on the DEDrone tech to do it, and it's just a mix and situational, so you have all of these things growing super fast, and the... so right now, at this moment, I totally agree with Josh, right? The majority of the DEDrone growth is on the counter side, but the tech thesis is the same, and it goes... fits hand-in-glove with the overall DFR hypergrowth as well.

Trevor Walsh, Analyst, Citizens Securities at Citizens

Maybe just based on your answers, a quick follow-up for Brittany. Just given what, your colleagues just said, are you currently, or in the future, going to be able to maybe differentiate between what revenue is more DFR-related for G-Drone versus counter... do you have that level of visibility, and could we maybe expect something to kind of give us some... Just breadcrumbs as to how that's all flowing in which direction, if you will, for that line of the business.

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

And I think you might expect us to give, you know, breadcrumbs and continue to give color on the call. I think we're a pretty long way from, like, further breaking out platform solutions as a segment, but as we always do on some of these segments, we will, of course try and give you color as we see developments going... going places.

Trevor Walsh, Analyst, Citizens Securities at Citizens

Cool. Great. Thanks, All. Appreciate it.

Joshua Isner, President, Axon Enterprise, Inc.

Thanks, Trevor.

Erik Lapinski Vice President, Investor Relations, Axon Enterprise, Inc.

Up next, we have Jeremy Hamblin at Craig-Hallum.

Jeremy Hamblin, Analyst, Craig-Hallum Capital Group

Thanks, and congrats on, on the strong results. I want to start with, your annual recurring revenue. So... an uptick in the year-over-year growth rate on that, from a sequential and total dollar amount, you know, the fastest growth that you've ever had. Just in terms of kind of quantifying how or what's driving that. Is the portion of growth, is that more being driven by user growth, or is that being driven by more adoption of AI-era Plan and really getting, you know, higher, kind of monthly user Pricing, as a result of, of, adoption of more premium plans.

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

I mean, it's really both, honestly. We continue to see nice growth in our user counts and our user adoption, and you're seeing AI come in. So there's really no sort of one driver. I would say you're seeing the business hit on all cylinders, and you're seeing the AI plan really kick in on top. So, you know, you're seeing the benefit in ARR of our big bookings quarter in Q4. You're starting to see that show up. And then we're continuing to have NRR of 125%. So, that's been very consistent, but you're seeing those existing customers come back in and trade up and buy more. So. I mean, as I said earlier, it's sort of strength across the board, but you're seeing it in ARR first.

Jeremy Hamblin, Analyst, Craig-Hallum Capital Group

And then just a follow-up here on the commentary around, drone and your international business. So you saw, you know, huge growth, internationally, the best in quite some time, and 20% of your total business here. how... what portion of that is being driven by, DEDRONE? And is

that something that, You know, the international portion because of that, and because of what's going on geopolitically, is that something where we should be expecting international is going to be just a bigger portion of the total? Here, for the foreseeable future.

Joshua Isner, President, Axon Enterprise, Inc.

It's a great question, Jeremy. I think the challenge we always have in predicting that one is just a question of how fast U.S. is going to keep growing. And every time international grows fast, we also have a great quarter from U.S, and so the mix doesn't... all that doesn't change all that much. But I would say, you know, if we isolated international, it's a little bit of both. We have some markets last year where we opened up on cloud, and then the conversations have really quickly advanced to following fast with Dedrone in large ways. And then there's the inverse of that, where we've had some large Dedrone deals, and now we're... we've built some equity with those customers, and we're talking about how else we can help. And so, on a revenue basis, you know, Dedrone does factor in a little more, because there's a lot of hardware, versus, you know, some of our services that are more bookings-oriented, that hit revenue over time. So you might see, you know, international revenue, you know, still be lumpy from quarter to quarter, but as we zoom out on the year, I'm sure Dedrone will be a driver of increased international revenue. I'd say that's a pretty safe bet.

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

It is... it's going to move around. As Josh said, it's lumpy, it's quarter to quarter, but we are seeing fundamentally more strength in international. And so, I would expect you'll continue to see it be a big topic for us, and some of the momentum, and we've had sort of two quarters in a row now up at that 20% level, so, it is really contributing nicely to the business.

Jeremy Hamblin, Analyst, Craig-Hallum Capital Group

Thanks so much, best wishes.

Joshua Isner, President, Axon Enterprise, Inc.

Thanks, Jeremy.

Erik Lapinski, Vice President, Investor Relations, Axon Enterprise, Inc.

Thanks, Jeremy, and we would love to try to get everyone in here, knowing that we're coming up above the hour here. Maybe if everyone could pick their favorite question for the next few, we'll start with Mike Ng at Goldman Sachs.

Mike Ng, Analyst, Goldman Sachs

Great. Good afternoon, thank you for the question. I think implied bookings in the quarter were up roughly 75% year-over-year. You know, I certainly appreciate it's the smallest seasonally bookings quarter... or, you know, seasonally the smallest booking quarter of the year, but I was just wondering, you know, what that tells you about the momentum. For full year bookings growth, could we expect, you know, full-year bookings growth kind of growing in line with, revenue growth? Thank you.

Joshua Isner, President, Axon Enterprise, Inc.

I would say so, yeah. Yeah, Michael. You know, in that... directionally, I think that's how we look at it as well. You know, the back of the napkin is, if bookings grow at the same rate of revenue, then we can assume the revenue growth rate continues way out into the future. And so, you know, there's a lot of opportunity out there. We see, you know, a relatively similar pipeline ratio to what we saw last year versus the goals, which gives us confidence that bookings are continuing to grow. As you know, quarter to quarter, they can change a little. You know, back half is very weighted, especially Q4 with the growing size of these deals. But yeah, we're bullish on bookings like we always are, and feeling really good about where we started the year.

Erik Lapinski, Vice President, Investor Relations, Axon Enterprise, Inc.

Thanks, Mike. Thank you. Up next, we'll go to Andrew Spinola at UBS. If you're still with us. Maybe we lost Andrew. Okay, David Page at RBC.

David Paige, Analyst, RBC Capital Markets

Hi, thank you for taking my question. Maybe just a quick one again on the drone. It looks like you have a quote here in the deck that says, over 400 unauthorized drone detections by Dedrone. So I'm curious, when you actually go to market and sell the drone offering, like, what are people looking to protect against? Or, like, what's their main use case? Thank you.

Joshua Isner, President, Axon Enterprise, Inc.

Sure thing. I think it starts with just situational awareness. I'd say my guess is a lot of those 400 were, you know, people who just didn't know what they were doing, or, and, you know, irresponsibly flying a drone, but not necessarily, like, nefarious predatory drones. So I think the first step is just having a basic understanding of what's going on in your airspace day-to-day. And as, some of these U.S. state and local laws start to change that allow for mitigation. I think you'll see customers follow with jamming capabilities, nets. Interceptors, probably a little bit of a toss-up, just, you know, that feels like making things explode in the sky will be a lot more highly regulated, but at least those first couple, I think, are more likely to start to happen faster, and so it's a case of one thing building to the next, and, you know, customers are seeing a lot of value in

that, and they're able to locate the pilots as a result of understanding what drone it is, and where the pilot is, you know, out in the wild, so they can go send the drone home and meet the pilot there. So, yeah, we're... You know, again, it's... this is a new and growing segment, and technology is changing fast, and our job is to stay ahead of that curve, and Jeff is doing a fantastic job with this team doing that, and plenty of problems to still go out and solve and counter drones, so that'll be a continued place of focus and momentum for us.

David Paige, Analyst, RBC Capital Markets

Thank you.

Erik Lapinski, Vice President, Investor Relations, Axon Enterprise, Inc.

Thanks, David. Up next, Jordan Lyonnais at Bank of America.

Jordan Lyonnais, Analyst, Bank of America

Hey, thanks for taking the question. On Dedrone, how you guys are going to market for it, how is it different than your other products? Is it customers coming to you, selling through distributors? And then for the defense and international side, how much more do you think we could see this accelerate if Fusus gets FedRAMP status?

Joshua Isner, President, Axon Enterprise, Inc.

Thanks, Jordan. On the counter drone go-to-market, I think it varies a little by market. U.S, state, and local, we very much sell direct, and so it's in our packaging there, and you can buy it as a standalone as well, but I think the real, like, takeaway on Dedrone, outside of its just pure momentum and revenue growth and bookings growth and all that, is the idea that this product is truly opening up opportunity across all four of our customer segments. And even more so than Taser, more so than body cameras, like, this product solves a need in all four customer segments that's urgent. And so, our job is to not only win those deals and delight customers out of the gate, but that land and expand play that is the hallmark of our execution as a go-to-market apparatus, like. we've got to do that well in Dedrone across all four markets, and you'll see the tailwinds of that in our other product sales. So, you know, really, really excited about not only the growth, but the doors that are opening as a result of the interest in that one product. And then FUSIS FedRAMP certainly opens up opportunity, you know, in the federal government, and I'm not sure that if I were stack ranking the products, I'd still say, you know, there's interest, you know, across the board, and certainly in our core business and core products, as well as, you know, Dedrone and DFR and others, but Fusus is in that bucket, and it'll certainly help, especially across some of these ecosystem deployments where, you know, you're adding to an Evidence.com environment with this Fusus, you know. Fusus streams.

Jordan Lyonnais, Analyst, Bank of America

Thank you.

Erik Lapinski, Vice President, Investor Relations, Axon Enterprise, Inc.

Thanks, Jordan, and we'll take our final question today from Alex Latimore at Northland.

Alex Latimore, Analyst, Northland Capital Markets

Hey guys, thanks for taking my question here. I was curious what your acquisition interests looked like for the year. I saw that you had a \$10 million investment in Buntar Aerospace. Maybe it's, the acquisition as a drone manufacturer. Anything there would be... would be great.

Joshua Isner, President, Axon Enterprise, Inc.

We're heads down, working on integrating and maximizing the potential of all the acquisitions we've made over the last couple years, and there's been a bunch of them. So, I think, Alex, this is a year where, of course, we'll be opportunistic, of course we'll continue to invest in other companies that we think could be great partners or future acquisition targets. But really, for this year, it's about going into execution mode, integrating the acquisitions we've made very, very well, and putting up more results like we're seeing out of DEDrone, FUSUS, and our 911 business right now.

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

Alex, I would just note that was an investment, though, and I would expect, like, we have been historically, and we will continue to make investments in places that we think are interesting in the ecosystem. I differentiate that pretty dramatically from us making acquisitions, where we have to, you know, bring the companies and the teams on and integrate them and all of that. So, we'll continue to make investments sort of consistently as we go.

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

That one in particular, Buntar, you know, they are in Ukraine, they're one of the leading reconnaissance drone makers, they're one of several companies we invested in to help build our, sort of, footprint and our relationship across the Ukrainian drone and counter-drone space, because, you know, that's where the fastest level of innovation is happening, and you know, our DEDrone is one of the key systems there. So, I would look at that one more as a key market partnership, than, like, any sort of a near-term acquisition. Lord knows what could happen way down the road, but I would say in Ukraine right now, you know, their hands are pretty busy. They're not looking to get acquired, but we do think it's important for us to put some investments in the market to build those relationships, and for us to be able to learn together with them, and

have people that can help us grow our footprint in Ukraine. And then long-term, we could also be a great sales channel for some of the technology coming out of Ukraine. When the war's over, we think there's going to be a lot of go-to-market opportunities where we might be able to bring that tech, you know, into other markets.

Alex Latimore, Analyst, Northland Capital Markets

Thank you.

Erik Lapinski, Vice President, Investor Relations, Axon Enterprise, Inc.

Thanks, Alex, and Rick, we'll let you close this out.

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

Awesome, well, it's been a wild year, geopolitically. You know, the optimist in me hopes that the universe is clearing its throat, and we're going to get back after... you know, the pandemic and the wars that have happened to maybe a little bit more stability in the world. And you know, I'm proud of the role that we're playing in helping to mitigate, you know, some of those threats to help to reduce Certainly effects of violence in society that at times is feeling more polarized and unstable than... than ever. At least maybe it feels that way. And you know, I'm really proud of our team's ability to continue to execute, and to, to continue to build out the team with great people and great technology, and it's just, continues to be a real privilege for me to get to work with awesome people on problems that really matter, doing things that are fundamentally moving the ball down the field. You know, we never look to be second or third in a category. We like to create new categories, new capabilities that have never existed, and stay tuned, over the next year, you're going to see, in addition to, you know, the great stuff we've been doing, we have whole new categories coming, and that's what keeps us really invigorating and exciting. So... Great seeing you all, and we'll see you on next quarter's call.

Erik Lapinski Vice President, Investor Relations, Axon Enterprise, Inc.

Thank you!

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