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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2025

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to _________
Commission File Number: 001-16391

Axon Enterprise, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**86-0741227** (I.R.S. Employer Identification No.)
17800 North 85th Street **Scottsdale, Arizona** (Address of principal executive offices)	**85255** (Zip Code)

(480) 991-0797
(Registrant's telephone number, including area code)
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.00001 Par Value	AXON	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated Filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒
The number of shares of the registrant's common stock outstanding as of May 1, 2025 was 77,850,812.

AXON ENTERPRISE, INC.
INDEX TO QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2025

Special Note Regarding Forward-Looking Statements

Statements contained in this Quarterly Report on Form 10-Q that are not historical are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including statements regarding our expectations, beliefs, intentions and strategies regarding the future. We intend that such forward-looking statements be subject to the safe-harbor provided by the Private Securities Litigation Reform Act of 1995. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. Words such as "may," "will," "should," "could," "would," "predict," "potential," "continue," "expect," "anticipate," "future," "intend," "plan," "believe," "estimate," and similar expressions, as well as statements in future tense, identify forward-looking statements. However, not all forward-looking statements contain these identifying words.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and potentially inaccurate assumptions. Many events beyond our control may determine whether results we anticipate will be achieved. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind as you consider forward-looking statements. This Quarterly Report on Form 10-Q lists various important factors that could cause actual results to differ materially from historical and expected results, which are set forth more fully in Part II, Item 1A. These factors are intended as cautionary statements for investors within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Readers can find them under the heading "Risk Factors" in this Quarterly Report on Form 10-Q, and investors should refer to them. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

Except as required by law, we undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our Form 8-K, 10-Q and 10-K reports to the Securities and Exchange Commission ("SEC"). Our filings with the SEC may be accessed at the SEC's web site at www.sec.gov.

PART I - FINANCIAL INFORMATION

Item 1. ***Financial Statements***

AXON ENTERPRISE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	March 31, 2025		December 31, 2024	
	(Unaudited)			
ASSETS				
Current assets:				
Cash and cash equivalents	$	1,092,938	$	454,844
Short-term investments		1,099,230		333,235
Marketable securities		174,870		198,270
Accounts and notes receivable, net of allowance of $3,204 and $3,322 as of March 31, 2025 and December 31, 2024, respectively		600,371		547,572
Contract assets, net		373,707		367,929
Inventory		279,669		265,316
Prepaid expenses and other current assets		155,804		130,315
Total current assets		3,776,589		2,297,481
Property and equipment, net		259,869		247,324
Deferred tax assets, net		335,742		304,282
Intangible assets, net		168,834		175,157
Goodwill		755,882		756,838
Long-term notes receivable, net		3,318		3,460
Long-term contract assets, net		133,551		119,876
Strategic investments		413,693		332,550
Other long-term assets		235,681		237,620
Total assets	$	6,083,159	$	4,474,588
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$	97,670	$	71,955
Accrued liabilities		266,604		279,193
Current portion of deferred revenue		661,116		612,955
Current portion of notes payable, net		278,915		680,289
Customer deposits		21,645		20,626
Other current liabilities		10,672		12,857
Total current liabilities		1,336,622		1,677,875
Deferred revenue, net of current portion		348,614		360,685
Liability for unrecognized tax benefits		28,510		25,007
Long-term deferred compensation		18,691		15,877
Long-term lease liabilities		40,016		41,383
Long-term notes payable, net		1,727,797		—
Other long-term liabilities		27,056		26,096
Total liabilities		3,527,306		2,146,923
Commitments and contingencies (Note 14)				
Stockholders' equity:				
Preferred stock, $0.00001 par value; 25,000,000 shares authorized; no shares issued and outstanding as of March 31, 2025 and December 31, 2024, respectively		—		—
Common stock, $0.00001 par value; 200,000,000 shares authorized, 98,068,375 shares issued and 77,848,148 shares outstanding as of March 31, 2025, and 200,000,000 shares authorized, 96,839,558 shares issued and 76,619,331 shares outstanding as of December 31, 2024		1		1
Additional paid-in capital		1,829,755		1,689,781
Treasury stock at cost, 20,220,227 shares as of March 31, 2025 and December 31, 2024		(155,947)		(155,947)
Retained earnings		899,994		812,014
Accumulated other comprehensive loss		(17,950)		(18,184)
Total stockholders' equity		2,555,853		2,327,665
Total liabilities and stockholders' equity	$	6,083,159	$	4,474,588

The accompanying notes are an integral part of these consolidated financial statements.

AXON ENTERPRISE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME
(in thousands, except per share data)
(unaudited)

	Three Months Ended March 31,	
	2025	2024 As Restated
Net sales from products	$ 340,896	$ 270,424
Net sales from services	262,737	189,447
Net sales	603,633	459,871
Cost of product sales	170,181	152,160
Cost of service sales	67,713	49,083
Cost of sales	237,894	201,243
Gross margin	365,739	258,628
Operating expenses:		
Selling, general and administrative	223,509	151,075
Research and development	151,023	91,097
Total operating expenses	374,532	242,172
(Loss) income from operations	(8,793)	16,456
Interest income	10,604	12,130
Interest expense	(7,821)	(1,756)
Other income, net	114,401	139,066
Income before provision for income taxes	108,391	165,896
Provision for income taxes	20,411	32,544
Net income	$ 87,980	$ 133,352
Net income per common and common equivalent shares:		
Basic	$ 1.14	$ 1.77
Diluted	$ 1.08	$ 1.73
Weighted average number of common and common equivalent shares outstanding:		
Basic	76,890	75,355
Diluted	81,484	77,132
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME		
Net income	$ 87,980	$ 133,352
Foreign currency translation adjustments	358	(801)
Unrealized loss on available-for-sale investments	(124)	(106)
Comprehensive income	$ 88,214	$ 132,445

The accompanying notes are an integral part of these consolidated financial statements.

AXON ENTERPRISE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount		Shares	Amount			
Balance, December 31, 2024	76,619,331	$ 1	$ 1,689,781	20,220,227	$ (155,947)	$ 812,014	$ (18,184)	$ 2,327,665
Issuance of common stock under employee plans, net	190,558	—	(5,035)	—	—	—	—	(5,035)
Stock-based compensation	—	—	140,239	—	—	—	—	140,239
Induced conversion of convertible debt	1,038,259	—	20,819	—	—	—	—	20,819
Tax effect of partial repurchase of convertible debt	—	—	(16,049)	—	—	—	—	(16,049)
Net income	—	—	—	—	—	87,980	—	87,980
Other comprehensive income, net	—	—	—	—	—	—	234	234
Balance, March 31, 2025	77,848,148	$ 1	$ 1,829,755	20,220,227	$ (155,947)	$ 899,994	$ (17,950)	$ 2,555,853

	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount		Shares	Amount			
Balance, December 31, 2023	75,301,424	$ 1	$ 1,347,410	20,220,227	$ (155,947)	$ 434,980	$ (10,679)	$ 1,615,765
Issuance of common stock under employee plans, net	164,747	—	(2,710)	—	—	—	—	(2,710)
Stock-based compensation	—	—	75,115	—	—	—	—	75,115
Issuance of replacement awards in connection with acquisitions	—	—	1,265	—	—	—	—	1,265
Net income (As Restated)	—	—	—	—	—	133,352		133,352
Other comprehensive loss, net	—	—	—	—	—	—	(907)	(907)
Balance, March 31, 2024 (As Restated)	75,466,171	$ 1	$ 1,421,080	20,220,227	$ (155,947)	$ 568,332	$ (11,586)	$ 1,821,880

The accompanying notes are an integral part of these consolidated financial statements.

AXON ENTERPRISE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2025	2024
		As Restated
Cash flows from operating activities:		
Net income	$ 87,980	$ 133,352
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Stock-based compensation	140,239	75,115
Gain on strategic investments and marketable securities, net	(143,921)	(139,711)
Debt inducement expense	28,666	—
Depreciation and amortization	19,453	7,356
Provision for bad debts and inventory	3,800	1,580
Deferred income taxes	(48,768)	20,670
Other noncash items	9,515	2,584
Change in assets and liabilities:		
Receivables and contract assets	(73,565)	(56,737)
Inventory	(16,986)	(2,074)
Deferred revenue	33,505	19,121
Accounts payable, accrued and other liabilities	8,611	(85,840)
Prepaid expenses and other assets	(22,735)	8,646
Net cash provided by (used in) operating activities	25,794	(15,938)
Cash flows from investing activities:		
Purchases of investments	(1,079,169)	(250,585)
Business combinations, net of cash acquired	—	(237,771)
Proceeds from call, maturity, and sale of investments	401,811	330,472
Purchases of property and equipment	(24,862)	(16,194)
Other, net	3	34
Net cash used in investing activities	(702,217)	(174,044)
Cash flows from financing activities:		
Proceeds from issuance of notes	1,750,000	—
Principal payments for induced conversion of convertible debt	(407,453)	—
Payments to third-parties for debt issuance, amendment and repurchase activity	(24,210)	—
Income and payroll tax payments for net-settled stock awards	(5,035)	(2,710)
Other, net	(76)	—
Net cash provided by (used in) financing activities	1,313,226	(2,710)
Effect of exchange rate changes on cash and cash equivalents	1,192	(1,978)
Net increase (decrease) in cash and cash equivalents	637,995	(194,670)
Cash and cash equivalents and restricted cash, beginning of period	466,763	600,670
Cash and cash equivalents and restricted cash, end of period	$ 1,104,758	$ 406,000
Supplemental disclosures:		
Cash and cash equivalents	$ 1,092,938	$ 403,870
Restricted cash (Note 1)	11,820	2,130
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	$ 1,104,758	$ 406,000
Cash paid for interest	$ 498	$ —
Cash paid for income taxes, net of refunds	$ 54	$ 1,413
Non-cash transactions:		
Property and equipment purchases in accounts payable and accrued liabilities	$ 151	$ 1,406
Non-cash expense for induced conversion of convertible debt, debt offering and revolver modification	$ 34,248	$ —

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies

Axon Enterprise, Inc. (“Axon”, the “Company”, “we”, or “us”) is a provider of public safety technology solutions. Our mission is to protect life in service of promoting peace, justice and strong institutions.

The accompanying unaudited consolidated financial statements include the accounts of Axon Enterprise, Inc. and our subsidiaries. All intercompany accounts, transactions and profits have been eliminated.

Basis of Presentation and Use of Estimates

These unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information related to our organization, significant accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP” or “GAAP”) has been condensed or omitted. The accounting policies followed in the preparation of these unaudited consolidated financial statements are consistent with those followed in our annual consolidated financial statements for the year ended December 31, 2024, as filed on our amended 2024 Annual Report on Form 10-K/A. In the opinion of management, these unaudited consolidated financial statements contain all material adjustments, consisting only of normal recurring adjustments, necessary to fairly state our financial position, results of operations and cash flows for the periods presented and the presentations and disclosures herein are adequate when read in conjunction with the financial statements included in our amended 2024 Annual Report on Form 10-K/A for the year ended December 31, 2024. Certain amounts in prior periods’ consolidated financial statements have been reclassified to conform to current period presentation. Our results of operations for the three months ended March 31, 2025 are not necessarily indicative of the results to be expected for the full year (or any other period). Significant estimates and assumptions in these unaudited consolidated financial statements include:

- revenue recognition,
- stock-based compensation,
- business combinations,
- inventory valuation and related reserves,
- valuation of goodwill, intangible and long-lived assets,
- valuation of strategic investments,
- recognition, measurement and valuation of current and deferred income taxes, and
- recognition and measurement of contingencies and accrued litigation expense.

We believe that estimates used in the preparation of these unaudited consolidated financial statements are reasonable; however, actual results could differ materially from those estimates.

Restatement of Previously Issued Financial Statements

As discussed in the financial statements as of and for the year ended December 31, 2024 included in our amended 2024 Annual Report on Form 10-K/A, we identified an error in our previously issued financial statements related to the balance sheet presentation of the $690.0 million aggregate principal amount of 0.50% convertible senior notes due 2027 (the “2027 Notes” or “Notes”) issued pursuant to an indenture, dated December 9, 2022 (the “Indenture”), between current liabilities and long-term liabilities. The identified error impacted the financial statements previously issued in the Annual Report on Form 10-K for the year ended December 31, 2024, and in the Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2024 and September 30, 2024.

Additionally, as discussed in the financial statements as of and for the year ended December 31, 2024 included in our amended 2024 Annual Report on Form 10-K/A, in preparing the consolidated financial statements as of September 30, 2024, we identified errors in our previously issued financial statements related to our historical conclusions of principal vs. agent accounting of certain reseller arrangements under Accounting Standards Codification (“ASC”) Topic 606, Revenue from

Contracts with Customers ("ASC 606"). The identified errors impacted the financial statements as of and for the three months ended March 31, 2024, among other periods as previously disclosed.

We assessed the materiality of the errors on prior period consolidated financial statements in accordance with SEC Staff Accounting Bulletin No. 99, "Materiality," codified in ASC Topic 250, Accounting Changes and Error Corrections. Based on this assessment, we concluded that the errors, in the aggregate, are material to the March 31, 2024 financial statements and therefore, we are restating those financial statements herein. Furthermore, we made adjustments to correct for other previously identified immaterial errors. The Company has also restated impacted amounts within the accompanying footnotes to the Consolidated Financial Statements. See Note 18 for further information about the restatement.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of accounts and notes receivable, contract assets and cash. Historically, we have experienced an immaterial level of write-offs related to uncollectible accounts.

We hold the majority of our cash and cash equivalents accounts at three depository institutions. As of March 31, 2025, the aggregate balances in such accounts were $879.3 million. Our balances with these three institutions regularly exceed Federal Deposit Insurance Corporation insured limits for domestic deposits and various deposit insurance programs in countries such as Australia, Belgium, Canada, Finland, France, Germany, Greece, India, Italy, the Netherlands, Spain, the United Kingdom and Vietnam. To manage the related credit exposure, management continually monitors the creditworthiness of the financial institutions where we have deposits.

Major Customers / Suppliers

For the three months ended March 31, 2025 and 2024, no customer represented more than 10% of total net sales. At March 31, 2025 and December 31, 2024, no customer represented more than 10% of the aggregate balance of accounts and notes receivable and contract assets. For additional details, refer to Note 2.

We currently purchase both off-the-shelf and custom components, including finished circuit boards, injection-molded plastic components, small machined parts, custom cartridge components, electronic components and sub-assemblies from suppliers located in the United States, Taiwan, Mexico, China, Germany and the Republic of Korea, among others. Although we currently obtain components from single source suppliers, we own substantially all injection-molded component tooling, designs and test fixtures used in production for all custom components. As a result, we believe we could obtain alternative suppliers in most cases. We acquire most of our components on a purchase order basis and do not currently have significant long-term purchase contracts with most component suppliers.

Segment Information

In the three months ended March 31, 2025, we approved a plan to realign our business to better reflect our continued growth and expansion of our product offerings and our software and services offerings (the "Segment Realignment"). Previously reported within two reportable segments, TASER and Software and Sensors, we prospectively realigned our business in a manner that provides increased transparency and distinction between our hardware and software and services components. As a result of the Segment Realignment and effective as of the three months ended March 31, 2025, our financial results are reported in two reportable segments, Connected Devices and Software & Services. "Connected Devices" includes the development, manufacture and sale of fully integrated hardware solutions such as conducted energy devices ("CEDs"), body cameras, drones, accessories, extended warranties and other hardware products. "Software & Services" includes the development and sale of fully integrated cloud-based software solutions such as Axon Evidence, Records Management System, Draft One and other software and services that enable law enforcement to securely store, manage, share and analyze video and manage operations. As a result of the Segment Realignment, we have recast our segment and other relevant disclosures for the three months ended March 31, 2024 to conform to the new presentation.

Reportable segments are determined based on discrete financial information provided to our Chief Executive Officer who is our chief operating decision maker ("CODM"). In deciding how to allocate resources and assess performance, the CODM reviews adjusted gross margin by segment to evaluate segment profitability, identify cost trends and make operational decisions to support our segments. Accordingly, the segment measure of profit and loss used by the CODM is adjusted gross margin, defined as gross margin before stock-based compensation expense, amortization of acquired intangible assets and inventory step-up amortization related to acquisitions. For additional details, refer to Note 16.

In addition, the CODM reviews consolidated financials and revenue by major geography and product and service lines. Consolidated financials provide a holistic view of our overall financial health to guide capital allocation and entity-wide decisions. Disaggregated views of revenue by major geography and product line support the evaluation of specific market and product performance to understand customer trends. There are no operating segments that are aggregated, and there are no inter-segment sales. Assets and other expense items, such as research and development and selling, general, and administrative expenses, are not provided to the CODM by segment, as our CODM does not evaluate our operating segments using this discrete information. As such, these items are not relevant to adjusted gross margin leveraged by the CODM to assess segment performance. As a result, they are not disclosed by segment. We perform an analysis of our reportable segments at least annually.

Geographic Information

The majority of our sales to international customers are transacted in foreign currencies and are attributed to each country based on the shipping address of the distributor or customer. For the three months ended March 31, 2025 and 2024, no individual country outside the United States represented more than 10% of total net sales. Substantially all of our assets are located in the United States. For additional details, refer to Note 2.

The majority of our long-lived assets, including property, plant and equipment and right-of-use lease assets are located within the United States. International long-lived assets are immaterial. Additionally, the majority of our revenues are generated within the United States.

Restricted Cash

Restricted cash balances were $11.8 million and $11.9 million as of March 31, 2025 and December 31, 2024, respectively. This balance is primarily attributable to a $9.7 million payment held in escrow related to the potential construction of our headquarters building in Scottsdale, Arizona. Restricted cash also includes funds held in international bank accounts for various operating and financing activities. As of March 31, 2025, approximately $11.7 million was included in prepaid expenses and other current assets on our consolidated balance sheet, with the remainder in other long-term assets.

Warranty Reserves

We warranty our CEDs, Axon cameras and certain related accessories from manufacturing defects on a limited basis for a period of one year after purchase and, thereafter, will replace any defective unit for a fee. Changes in our estimated product warranty liabilities were as follows (in thousands):

	Three Months Ended March 31,	
	2025	2024
Balance, beginning of period	$ 8,284	$ 7,374
Utilization of reserve	(1,701)	(2,207)
Warranty expense	3,779	1,119
Balance, end of period	$ 10,362	$ 6,286

Debt Arrangements

Our debt arrangements principally include the Senior Notes (as defined below) and the 2027 Notes as discussed in further detail in Note 10, as well as our revolving credit facility as discussed in further detail in Note 13. The Senior Notes and 2027 Notes are recorded at par value less debt issuance costs, which are recorded as a direct deduction from the carrying amount of the outstanding debt. Debt issuance costs related to the Senior Notes and the 2027 Notes are amortized to interest expense, using the effective interest method. Debt arrangements containing provisions that provide the holders with a right to demand cash payment of the outstanding principal within 1 year of the balance sheet date are classified as current liabilities unless the Company has both the intent and ability to refinance such short-term obligations on a long-term basis.

In the event debt is modified and the new debt terms are substantially different from the original debt terms, the original debt is accounted for as being extinguished and a new debt instrument is recognized. If the new debt terms are not substantially different from the original debt terms, the transaction is accounted for as a modification of the original debt terms. In the event of an induced conversion, we recognize an inducement expense, calculated as of the date the inducement offer is accepted, representing the excess of the equity consideration transferred in the transaction over the fair value of securities and other consideration issuable pursuant to the original conversion terms defined in the indenture governing the relevant convertible notes. When third-party transaction costs are incurred as part of such induced conversion transactions, they are expensed as a cost of inducement and presented as part of other income, net in our consolidated statement of operations. Any unamortized debt issuance costs directly related to convertible notes repurchased as part of such induced conversion transactions are recorded as a reduction to additional paid-in-capital on our consolidated balance sheet, as part of the derecognition of the associated net carrying amount of the portion of the convertible notes repurchased. Refer to Note 10 for additional details.

Borrowings under our revolving credit facility, if any, are recognized at principal balance plus accrued interest based upon stated interest rates. Debt issuance costs associated with our revolving credit facility are presented as part of other current assets, for the portion of total deferred costs to be amortized over the 12 months following the balance sheet date, and as part of other long-term assets, for the remaining portion of total deferred costs, in our consolidated balance sheets. Debt issuance costs related to our revolving credit facility are amortized to interest expense over the term of the revolving credit facility under the straight-line method. Refer to Note 13 for additional details.

Valuation of Goodwill

The carrying value of goodwill is tested for impairment at least annually or sooner whenever events or changes in circumstances indicate that the assets may be impaired. Goodwill is tested for impairment at a reporting unit level, which is the same as our operating segments. The Segment Realignment resulted in changes to the composition of our reporting units and as a result, goodwill was allocated to each reporting unit using a relative fair value approach. We determined the fair value of our reporting units using a discounted cash flow analysis and a market approach with comparable company information such as revenue multiples. Determining the fair value of a reporting unit involves judgment and the use of significant estimates and assumptions, which include projected sales, discount rates, and a variety of other factors. Changes in reporting unit earnings, expected future cash flows, and comparable company information, as well as underlying market and overall economic conditions, among others, make these estimates subject to uncertainty.

Our most recent annual impairment assessment in the fourth quarter of 2024 determined that our goodwill was not impaired as the estimated fair values exceeded the carrying values for each of our reporting units. Furthermore, considering the Segment Realignment in the first quarter of 2025, there is likewise no goodwill impairment through March 31, 2025. Refer to Note 6 for additional details regarding the reallocation of goodwill due to the Segment Realignment.

Income per Common Share

Basic income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the periods presented. Diluted income per share reflects the potential dilution from outstanding stock-based awards, our 2027 Notes and the early repurchase of a portion of the 2027 Notes, and warrants to acquire shares of our common stock (the “Warrants” or “2027 Warrants”). The effects of outstanding stock-based awards, our 2027 Notes, and our 2027 Warrants are excluded from the computation of diluted net income per share in periods in which the effect would be antidilutive. For additional information regarding our 2027 Notes and 2027 Warrants, refer to Note 10.

The calculation of the weighted average number of shares outstanding and earnings per share is as follows (in thousands except per share data):

	Three Months Ended March 31,	
	2025	2024
Numerator for basic and diluted earnings per share:		
Net income	$ 87,980	$ 133,352
Denominator:		
Weighted average shares outstanding	76,890	75,355
Dilutive effect of stock-based awards	1,714	1,243
Dilutive effect of 2027 Notes (1)	1,610	534
Dilutive effect of 2027 Warrants	1,270	—
Diluted weighted average shares outstanding	81,484	77,132
Net income per common share:		
Basic	$ 1.14	$ 1.77
Diluted	$ 1.08	$ 1.73

(1) The impact of the early repurchase of a portion of the 2027 Notes is weighted based upon the number of days in each corresponding period of time for (a) the period between January 1, 2025 and the closing date of the repurchase, which includes the total amount of shares issuable upon a conversion of all of the 2027 Notes; and (b) subsequent to the closing date of the repurchase through March 31, 2025, which includes the amount of shares issuable upon a conversion of the 2027 Notes that remain outstanding after the early repurchase. Refer to Note 10 for additional details.

Potentially dilutive securities that are not included in the calculation of diluted net income per share because doing so would be antidilutive are as follows (in thousands):

	Three Months Ended March 31,	
	2025	2024
Stock-based awards	3,913	308
2027 Notes	511	2,483
2027 Warrants	1,746	3,017
Total potentially dilutive securities	6,170	5,808

Recently Issued Accounting Guidance and Disclosure Rules

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU")2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. ASU 2023-09 is intended to enhance the transparency and decision usefulness of income tax. The provisions of ASU 2023-09 are effective for our Annual Report on Form 10-K for the year ending December 31, 2025, with early adoption permitted. We are currently evaluating the impact of this ASU on our consolidated financial statements and expect to adopt for the year ending December 31, 2025.

In November 2024, the FASB issued ASU 2024-03, Income Statement (Topic 220): Reporting Comprehensive Income - Expense Disaggregation Disclosures. ASU 2024-03 is intended to enhance the level of detail disclosed related to expense categories and provide additional disclosure of expenses by nature. The provisions of ASU 2024-03 are effective for our Annual Report on Form 10-K for the year ending December 31, 2027, with early adoption permitted. We are currently evaluating the impact of this update on our consolidated financial statements.

In November 2024, the FASB issued ASU 2024-04, Debt (Topic 470): Debt with Conversion and Other Options. ASU 2024-04 clarifies the assessment of whether certain transactions should be accounted for as an induced conversion or debt extinguishment. The provisions of ASU 2024-04 are effective for our Annual Report on Form 10-K for the year ending

December 31, 2026, with early adoption permitted. We elected to early adopt ASU 2024-04 in March 2025 and applied the amendment when assessing the accounting treatment for our convertible debt repurchase. For additional details, refer to Note 10.

Note 2 - Revenues

Nature of Products and Services

The following tables present our revenues by primary product and service offering and reportable segment (in thousands). All periods presented reflect the impact of the Segment Realignment discussed in Note 1.

	Three Months Ended March 31, 2025			Three Months Ended March 31, 2024		
	Connected Devices	Software and Services	Total	Connected Devices	Software and Services	Total
TASER [(1)]	$ 195,495	$ —	$ 195,495	$ 164,599	$ —	$ 164,599
Personal Sensors [(2)]	88,405	—	88,405	68,000	—	68,000
Platform Solutions [(3)]	56,996	—	56,996	37,825	—	37,825
Software and Services	—	262,737	262,737	—	189,447	189,447
Total	$ 340,896	$ 262,737	$ 603,633	$ 270,424	$ 189,447	$ 459,871

(1) 'TASER' includes TASER handles, cartridges and related extended warranties.
(2) 'Personal Sensors' primarily includes body cameras and accessories, signal sidearm, and related extended warranties.
(3) 'Platform Solutions' primarily includes interview room, fleet in-car video, fixed cameras, drones and counter-drone equipment, virtual reality training hardware, and related extended warranties.

The following table presents our revenues disaggregated by geography (dollars in thousands):

	Three Months Ended March 31,			
	2025		2024	
United States	$ 529,383	88 %	$ 391,541	85 %
Other countries	74,250	12	68,330	15
Total	$ 603,633	100 %	$ 459,871	100 %

Contract Balances

The following table presents our contract assets and contract liabilities as of and for the three months ended March 31, 2025 and year ended December 31, 2024 (in thousands):

	March 31, 2025	December 31, 2024
Contract assets, net	$ 507,258	$ 487,805
Contract liabilities (deferred revenue)	1,009,730	973,640

During the three months ended March 31, 2025 and 2024, revenue recognized from the respective beginning contract liabilities was $272.2 million and $182.5 million, respectively.

Remaining Performance Obligations

As of March 31, 2025, we had approximately $7.7 billion of remaining performance obligations, which included both recognized contract liabilities as well as amounts that will be invoiced and recognized in future periods. The remaining performance obligations are limited only to arrangements that meet the definition of a contract under ASC 606 as of March 31, 2025. We currently expect to recognize between approximately 20% - 25% of this balance over the next 12 months, and expect the remainder to be recognized over the following ten years, subject to risks related to delayed deployments, budget appropriation or other contract cancellation clauses.

Note 3 - Cash, Cash Equivalents and Investments

The following tables summarize our cash, cash equivalents, marketable securities and available-for-sale debt investments at March 31, 2025 and December 31, 2024 (in thousands):

	As of March 31, 2025						
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities	Short-Term Investments
Cash	$ 95,886	$ —	$ —	$ 95,886	$ 95,886	$ —	$ —
Level 1:							
Money market funds	558,249	—	—	558,249	558,249	—	—
U.S. Treasury bills	205,498	23	(9)	205,512	82,350	—	123,162
Marketable securities	90,000	84,870	—	174,870	—	174,870	—
Agency bonds	86,477	—	(21)	86,456	69,401	—	17,055
U.S. Government bonds	18,434	1	(3)	18,432	—	—	18,432
Subtotal	958,658	84,894	(33)	1,043,519	710,000	174,870	158,649
Level 2:							
Term deposits	742,415	—	—	742,415	157,415	—	585,000
Corporate bonds	346,150	32	(173)	346,009	88,066	—	257,943
Commercial paper	139,209	—	—	139,209	41,571	—	97,638
Subtotal	1,227,774	32	(173)	1,227,633	287,052	—	940,581
Total	$ 2,282,318	$ 84,926	$ (206)	$ 2,367,038	$ 1,092,938	$ 174,870	$ 1,099,230

As of March 31, 2025, we had $515.4 million of available-for-sale debt investments with unrealized losses, of which none have been in a continuous unrealized loss position for 12 months or longer. We do not intend to sell the investments and it is not more likely than not that we will be required to sell the investments before recovery of their amortized cost bases.

Acquired common stock is recorded as marketable securities in the consolidated balance sheets and its fair value is adjusted every reporting period. Changes in fair value are recorded in the consolidated statements of operations as unrealized gain (or loss) on marketable securities, which is included in other income, net. During the three months ended March 31, 2025, we recorded an unrealized loss on marketable securities of $23.4 million. We recorded an unrealized gain on marketable securities of $21.8 million for the same period in the prior year.

	As of December 31, 2024						
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities	Short-Term Investments
Cash	$ 94,919	$ —	$ —	$ 94,919	$ 94,919	$ —	$ —
Level 1:							
Money market funds	322,874	—	—	322,874	322,874	—	—
Marketable securities	90,000	108,270	—	198,270	—	198,270	—
U.S. Government bonds	75,994	7	(5)	75,996	—	—	75,996
U.S. Treasury bills	14,431	25	—	14,456	—	—	14,456
Agency bonds	996	—	—	996	—	—	996
Subtotal	504,295	108,302	(5)	612,592	322,874	198,270	91,448
Level 2:							
Term deposits	136,480	—	—	136,480	11,480	—	125,000
Corporate bonds	122,018	10	(63)	121,965	24,075	—	97,890
Commercial paper	20,393	—	—	20,393	1,496	—	18,897
Subtotal	278,891	10	(63)	278,838	37,051	—	241,787
Total	$ 878,105	$ 108,312	$ (68)	$ 986,349	$ 454,844	$ 198,270	$ 333,235

As of December 31, 2024, we had $136.7 million of available-for-sale investments with unrealized losses, of which none have been in a continuous unrealized loss position for 12 months or longer. We do not intend to sell the investments and it is not more likely than not that we will be required to sell the investments before recovery of their amortized cost bases.

Note 4 - Expected Credit Losses

Accounts and notes receivable and contract assets are presented net of a reserve for expected credit losses. The following table provides a roll-forward of the allowance for expected credit losses. The expected credit losses for receivables are deducted from the amortized cost basis of accounts receivable, contract assets and notes receivable to present the net amount expected to be collected (in thousands):

	Three Months Ended March 31, 2025			Three Months Ended March 31, 2024		
	United States	Other countries	Total	United States	Other countries	Total
Balance, beginning of period	$ 4,785	$ 824	$ 5,609	$ 3,369	$ 597	$ 3,966
Provision for expected credit losses	2,786	169	2,955	195	22	217
Amounts written off charged against the allowance	(299)	(188)	(487)	(302)	(51)	(353)
Other, including foreign currency translation	—		—	—	14	14
Balance, end of period	$ 7,272	$ 805	$ 8,077	$ 3,262	$ 582	$ 3,844

As of March 31, 2025 and December 31, 2024, the allowance for expected credit losses for each type of customer receivable were as follows (in thousands):

	March 31, 2025	December 31, 2024
Accounts receivable and notes receivable, current	$ 3,204	$ 3,322
Contract assets, net	4,825	2,239
Long-term notes receivable, net of current portion	48	48
Total allowance for expected credit losses on customer receivables	$ 8,077	$ 5,609

Note 5 - Inventory

Inventory consisted of the following at March 31, 2025 and December 31, 2024 (in thousands):

	March 31, 2025	December 31, 2024
Raw materials	$ 108,087	$ 86,840
Work-in-process	8,387	6,230
Finished goods	163,195	172,246
Total inventory	$ 279,669	$ 265,316

Note 6 – Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the three months ended March 31, 2025 were as follows (in thousands):

	Connected Devices	Software and Services	Total
Balance, beginning of period [1]	$ 46,674	$ 710,164	$ 756,838
Purchase accounting adjustments	(160)	(2,535)	(2,695)
Foreign currency translation adjustments	119	1,620	1,739
Balance, end of period	$ 46,633	$ 709,249	$ 755,882

(1) Due to the Segment Realignment, the beginning goodwill balances have been recast to conform to the new segment presentation. Refer to Note 1 for additional details.

Intangible assets (other than goodwill) consisted of the following at March 31, 2025 and December 31, 2024 (in thousands):

		March 31, 2025			December 31, 2024		
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable (definite-lived) intangible assets:							
Developed technology	3 - 8 years	$ 133,572	$ (26,299)	$ 107,273	$ 118,322	$ (21,337)	$ 96,985
Customer relationships	5 - 10 years	33,482	(5,728)	27,754	33,223	(4,716)	28,507
Issued trademarks	3 - 23 years	6,706	(2,265)	4,441	6,706	(1,784)	4,922
Issued patents	8 - 26 years	2,963	(1,478)	1,485	2,931	(1,470)	1,461
Domain names	5 - 10 years	3,043	(2,510)	533	3,043	(2,433)	610
Total amortizable		179,766	(38,280)	141,486	164,225	(31,740)	132,485
Non-amortizable (indefinite-lived) intangible assets:							
In-process research and development[1]		25,750	—	25,750	41,000	—	41,000
Trademarks		1,068	—	1,068	1,068	—	1,068
Patents and trademarks pending		530	—	530	604	—	604
Total non-amortizable		27,348	—	27,348	42,672	—	42,672
Total intangible assets		$ 207,114	$ (38,280)	$ 168,834	$ 206,897	$ (31,740)	$ 175,157

(1) Consists of in-process research and development costs pertaining to the acquisition of Dedrone. During the three months ended March 31, 2025, approximately $15.3 million has been placed into service.

Amortization expense of intangible assets for the three months ended March 31, 2025 and March 31, 2024 was $6.6 million and $3.0 million, respectively. Estimated amortization for intangible assets with definite lives for the remaining nine months of 2025, the next five years ended December 31, and thereafter, is as follows (in thousands):

2025 remaining	$ 20,116
2026	26,744
2027	25,512
2028	24,526
2029	22,291
2030	13,302
Thereafter	8,995
Total	$ 141,486

Note 7 - Strategic Investments

Strategic investments include equity and debt investments in a number of non-public technology driven companies. We generally account for strategic equity investments under the ASC 321 measurement alternative for equity securities without readily determinable fair values, as there are no quoted market prices for the equity investments. The equity investments are measured at cost less impairment, adjusted for observable price changes and are assessed for impairment whenever events or changes in circumstances indicate that the fair value may be less than its carrying value.

For the debt security strategic investment, we have elected to account for this investment and the associated embedded derivatives utilizing the fair value option. Unrealized changes in fair value for the entire hybrid instrument are recorded within other income, net in the consolidated statements of operations.

In conjunction with certain of our strategic investments, we may have the ability to commit additional capital over time through warrants and call options; for some investments, the exercisability and exercise prices are conditional on the achievement of certain performance metrics. Depending on their contractual terms, our warrants and call options may be accounted for under either the ASC 321 measurement alternative or as derivative instruments under ASC 815.

During the quarter ended March 31, 2025, we closed a series of transactions to acquire additional equity interests in an existing strategic investee for an aggregate amount of $203.4 million.

During the quarter ended March 31, 2025, we also recognized a gain of $167.4 million related to an observable price change of a separate existing strategic investee. We also entered into a series of transactions to sell certain interests for cash consideration of $340.7 million in the same strategic investee. A majority of the sales closed during the quarter ended March 31, 2025, resulting in the Company receiving $290.9 million in cash consideration and realizing previously unrealized gains of $273.5 million, net of $1.3 million of transaction costs. The remaining sale closed in April 2025 for cash consideration of $49.8 million.

The following table presents the carrying value of our strategic investments (in thousands) as of:

	March 31, 2025			
	Strategic investments	**Warrants**	**Call options**	**Total**
Equity securities:				
Non-marketable equity securities	$ 388,390	$ 4,368	$ 11,600	$ 404,358
Debt securities:				
Non-marketable debt securities	9,335	—	—	9,335
Total strategic investments	$ 397,725	$ 4,368	$ 11,600	$ 413,693

	December 31, 2024			
	Strategic investments	**Warrants**	**Call options**	**Total**
Equity securities:				
Non-marketable equity securities	$ 319,598	$ 4,368	$ —	$ 323,966
Debt securities:				
Non-marketable debt securities	8,584	— —	—	8,584
Total strategic investments	$ 328,182	$ 4,368	$ —	$ 332,550

The life to date cumulative upward and downward adjustments to the carrying value of our strategic equity investments accounted for under the ASC 321 measurement alternative and still held as of March 31, 2025 were $68.3 million and $25.0 million, respectively.

The following tables summarizes the gains and losses associated with our strategic investments during the period (in thousands):

	Three Months Ended March 31, 2025			
	Strategic Investments	**Warrants**	**Call options**	**Total**
Realized gains (losses) recognized on strategic investments during the period, net	$ 273,478	$ —	$ —	$ 273,478
Reversal of cumulative unrealized gains, net, for securities sold during the period	(136,982)	—	—	(136,982)
Unrealized gains on strategic investments still held at the reporting date[(1)]	30,825	—	—	30,825
Unrealized losses, including impairments, on strategic investments still held at the reporting date	—	—	—	—
Gains (losses) on strategic investments, net	$ 167,321	$ —	$ —	$ 167,321

[(1)] Includes unrealized gain of $0.8 million for the entire hybrid debt security strategic investment instrument

	Three Months Ended March 31, 2024			
	Strategic Investments	Warrants	Call options	Total
Realized gains (losses) recognized on strategic investments during the period, net	$ 45,162	$ —	$ (2,870)	$ 42,292
Unrealized gains on strategic investments still held at the reporting date	74,784	855	—	75,639
Unrealized losses, including impairments, on strategic investments still held at the reporting date	—	—	—	—
Gains (losses) on strategic investments, net	$ 119,946	$ 855	$ (2,870)	$ 117,931

Note 8 - Variable Interest Entities

We evaluate our investments and other significant relationships to determine whether any investee is a variable interest entity ("VIE"). If we conclude that an investee is a VIE, we evaluate our power to direct the activities of the investee, our obligation to absorb the expected losses of the investee and our right to receive the expected residual returns of the investee to determine whether we are the primary beneficiary of the investee. If we are the primary beneficiary of a VIE, we will consolidate such entity and reflect the non-controlling interest of other beneficiaries of that entity.

We determine whether we are the primary beneficiary of a VIE by performing an analysis that principally considers:

- The VIE's purpose, design, and risks the VIE was designed to create and pass through to its variable interest holders;
- The VIE's capital structure;
- The terms between the VIE and its variable interest holders and other parties involved with the VIE; and
- Related party affiliations.

As of March 31, 2025 and December 31, 2024, the unconsolidated non-public VIEs in which we hold variable interests were as follows (in thousands):

	March 31, 2025	December 31, 2024
Carrying value of variable interest - assets [(1)]	$ 25,922	$ 25,171

(1) Balance reflects the maximum exposure to loss, which is limited to the carrying value of the interest.

The primary purpose of our U.S.-based, unconsolidated VIE investments is to create strategic partnerships with market-leading providers of public safety technology solutions. We present all variable interests in unconsolidated VIEs as strategic investments within the long-term assets section of the consolidated balance sheets.

We have provided financial support to the unconsolidated VIEs in exchange for investments in debt and preferred equity securities as well as warrants and call options that give us the ability to commit additional capital over time. Financial support provided to the unconsolidated VIEs is used to continue to finance their operations.

Note 9 - Accrued Liabilities

Accrued liabilities consisted of the following at March 31, 2025 and December 31, 2024 (in thousands):

	March 31, 2025	December 31, 2024
Accrued income tax payable	$ 82,602	$ 17,091
Accrued salaries and benefits	24,044	25,233
Accrued commissions	23,226	88,237
Accrued cloud hosting fees	18,425	10,673
Accrued bonus	16,889	59,780
Accrued inventory in transit	14,241	13,101
Accrued warranty expense	10,362	8,284
Accrued other taxes	9,356	10,772
Accrued consulting and IT fees	7,898	7,846
Accrued interest	6,423	134
Other accrued expenses	53,138	38,042
Total accrued liabilities	$ 266,604	$ 279,193

Note 10 – Notes Payable, Net

Notes payable, net, consisted of the following (in thousands):

	March 31, 2025	December 31, 2024
2030 Senior Notes	$ 1,000,000	$ —
2033 Senior Notes	750,000	—
2027 Notes	282,547	690,000
Total principal	2,032,547	690,000
Unamortized debt issuance costs	(25,835)	(9,711)
Total carrying amount of notes payable, net	2,006,712	680,289
Less: current portion [1]	(278,915)	(680,289)
Long-term notes payable, net	$ 1,727,797	$ —

(1) Pursuant to the terms of the 2027 Notes, as of March 31, 2025 and December 31, 2024, the last reported sale price per share of our common stock exceeded 130% of the conversion price for each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter. Therefore, the 2027 Notes, net of unamortized debt issuance costs were classified as current liabilities within the consolidated balance sheet as of March 31, 2025 and December 31, 2024.

2030 and 2033 Senior Notes

In March 2025, we issued $1.0 billion aggregate principal amount of Senior Notes due 2030 (the "2030 Notes") and $750.0 million aggregate principal amount of Senior Notes due 2033 (the "2033 Notes" and, together with the 2030 Notes, the "Senior Notes") in a private offering. The 2030 Notes will mature on March 15, 2030 unless earlier redeemed or repurchased. Interest on the 2030 Notes will accrue from March 11, 2025 and is payable semiannually in arrears on March 15 and September 15 of each year, commencing on September 15, 2025, at a rate of 6.125% per year. The 2033 Notes will mature on March 15, 2033 unless earlier redeemed or repurchased. Interest on the 2033 Notes will accrue from March 11, 2025 and is payable semiannually in arrears on March 15 and September 15 of each year, commencing on September 15, 2025, at a rate of 6.250% per year. The total combined gross proceeds from the issuance of the Senior Notes, were $1.75 billion, and after deducting initial purchasers' discounts and commissions and other debt issuance costs of approximately $22.4 million, the total combined net proceeds were approximately $1.73 billion. The effective interest rate for the 2030 Notes and 2033 Notes was 6.42% and 6.45%, respectively, including interest payable and amortization of debt issuance costs.

Each of the series of Senior Notes were issued pursuant to an indenture. Such indentures contain certain restrictions on liens, mergers, consolidations and transfers of all or substantially all of the Company's assets. Additionally, upon the occurrence of specified change of control triggering events, we will be required to offer to repurchase the Senior Notes at 101% of the principal amount, plus accrued and unpaid interest to the purchase date. The indentures set forth certain events of default after which the Senior Notes may be declared immediately due and payable, as well as certain types of bankruptcy or insolvency events of default after which the Senior Notes become automatically due and payable.

Prior to March 15, 2027, we may redeem the 2030 Notes at our option, in whole or in part at any time, at a redemption price equal to 100% of the principal amount of the 2030 Notes redeemed, plus a "make whole" premium and accrued and unpaid interest, if any. In addition, we may redeem up to 40% of the aggregate principal amount of the 2030 Notes at any time before March 15, 2027, with the net cash proceeds from certain equity offerings at a redemption price equal to 106.125% of the principal amount of the 2030 Notes, plus accrued and unpaid interest, if any. On or after March 15, 2027, we may redeem the 2030 Notes at our option, in whole or in part at any time, at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any:

Year	Percentage
2027	103.063 %
2028	101.531 %
2029 and thereafter	100.000 %

Prior to March 15, 2028, we may redeem the 2033 Notes at our option, in whole or in part at any time, at a redemption price equal to 100% of the principal amount of the 2033 Notes redeemed, plus a "make whole" premium and accrued and unpaid interest, if any. In addition, we may redeem up to 40% of the aggregate principal amount of the 2033 Notes at any time before March 15, 2028, with the net cash proceeds from certain equity offerings at a redemption price equal to 106.250% of the principal amount of the 2033 Notes, plus accrued and unpaid interest, if any. On or after March 15, 2028, we may redeem the 2033 Notes at our option, in whole or in part at any time, at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any:

Year	Percentage
2028	103.125 %
2029	101.563 %
2030 and thereafter	100.000 %

Interest expense related to the Senior Notes was as follows (in thousands):

	Three Months Ended March 31, 2025
Contractual interest expense	$ 6,007
Amortization of debt issuance costs	171
Total interest expense	$ 6,178

2027 Notes

In December 2022, we issued $690.0 million aggregate principal amount of our 2027 Notes in a private offering, of which the aggregate principal amount included the exercise in full of the initial purchasers' option to purchase up to an additional $90.0 million principal amount. The 2027 Notes mature on December 15, 2027 and bear interest at a fixed rate of 0.50% per annum, payable semiannually in arrears on June 15 and December 15 of each year, beginning on June 15, 2023. The total combined gross proceeds from the issuance of the 2027 Notes were $690.0 million, and after deducting initial purchasers' discounts and commissions and other debt issuance costs of $16.2 million, the total combined net proceeds were approximately

$673.8 million. The effective interest rate for the 2027 Notes was 0.99% and included interest payable and amortization of debt issuance costs.

	Maturity Date	Initial Conversion Price per Share	Initial Conversion Rate per $1,000 Par Value	Initial Number of Shares (Prior to Repurchase)
2027 Notes	December 15, 2027	$228.73	4.3720 shares	3,016,680

The terms of the 2027 Notes require conversion into cash up to the principal amount, with conversion into common stock, cash, or a combination of cash and common stock, at our option, for any amount in excess of the principal. The 2027 Notes are convertible, in multiples of $1,000 principal amount, at the option of the holders prior to the close of business on the business day immediately preceding September 15, 2027 only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2023 (and only during such fiscal quarter), if the last reported sale price per common stock exceeds 130% of the conversion price for each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter;
- any time preceding September 15, 2027, when during the five consecutive business days immediately after any 10 consecutive trading day period (the "Measurement Period"), if the trading price per $1,000 principal amount of 2027 Notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price per share of common stock on such trading day and the conversion rate on such trading day;
- upon the occurrence of certain corporate events or distributions on our ordinary shares, as provided in the indenture governing the 2027 Notes;
- if we call the 2027 Notes for redemption; or any time from, and including, September 15, 2027 until the close of business on the second scheduled trading day immediately before the maturity date

If we undergo a fundamental change (as defined in the indenture governing the 2027 Notes), holders may require us to repurchase for cash all or any portion of their 2027 Notes at a fundamental change repurchase price equal to 100% of the principal amount of the 2027 Notes to be repurchased, plus accrued and unpaid interest, if any, up to but excluding the fundamental change repurchase date. In addition, following certain corporate events or if we issue a notice of redemption, it will increase the conversion rate for holders who elect to convert their 2027 Notes in connection with such corporate event or during the relevant redemption period.

On or after December 22, 2025, we may redeem for cash all or any portion of the 2027 Notes in accordance with the optional redemption terms of the convertible debt agreement.

In March 2025, we entered into and closed separate, privately negotiated agreements with certain holders (the "Holders") of the 2027 Notes to exchange approximately $407.5 million aggregate principal amount of the 2027 Notes for consideration consisting of cash and shares of our common stock that were determined over an averaging period commencing on March 7, 2025 and ending on March 10, 2025 (the "Exchange Transactions"). The consideration transferred to the Holders aggregated to $408.0 million in cash (inclusive of accrued interest and cash paid for fractional shares) and an aggregate of 1,038,259 shares of our common stock.The Exchange Transactions were accounted for as induced conversions, and we recognized an expense of $26.2 million, calculated as of the date the inducement offers were accepted, representing the excess of the equity consideration transferred in the Exchange Transactions over the fair value of securities and other consideration issuable pursuant to the original conversion terms defined in the indenture governing the 2027 Notes. We also recognized approximately $2.5 million of third-party transaction costs which were expensed as a cost of inducement. As a result, we recorded an aggregate of $28.7 million of induced conversion expense within other income, net in the consolidated statement of operations. As a result of the Exchange Transactions, we recorded $26.1 million in additional paid-in capital and we reclassified $5.3 million of unamortized debt issuance costs into equity as part of the derecognition of the associated net carrying amount of the portion of the 2027 Notes which were exchanged, resulting in a net impact of $20.8 million to equity related to the Exchange Transactions. Following the closing of the Exchange Transactions, we have approximately $282.5 million aggregate principal amount of 2027 Notes outstanding. The effective interest rate for the outstanding 2027 Notes after the Exchange Transactions is 0.98% and includes interest payable and amortization of debt issuance costs. The Exchange Transactions did not impact the Note Hedge or Warrants, which remain outstanding and are discussed in further detail below.

Interest expense related to the 2027 Notes was as follows (in thousands):

	Three Months Ended March 31,	
	2025	2024
Contractual interest expense	$ 780	$ 863
Amortization of debt issuance costs	747	782
Total interest expense	$ 1,527	$ 1,645

We consider the fair value of each of our outstanding notes payable to be a Level 2 measurement. The estimated fair value at March 31, 2025 and December 31, 2024 is based on the closing trading price of the respective notes payable as of the last day of trading for each period (in millions):

	March 31, 2025	December 31, 2024
2027 Notes	$ 663.3	$ 1,798.5
2030 Notes	1,011.5	—
2033 Notes	759.4	—

Convertible Note Hedge

To reduce the impact of potential economic dilution upon conversion of the 2027 Notes, we entered into a convertible note hedge transaction (the "Note Hedge" or "2027 Note Hedge") with certain investment banks, with respect to our common stock, concurrently with the issuance of the 2027 Notes.

	Purchase Price (in thousands)	Shares Purchased
2027 Note Hedge	$ 194,994	3,016,680

The Note Hedge covers shares of our common stock at a strike price per share that corresponds to the initial conversion price of the respective 2027 Notes, subject to adjustment, and is exercisable upon conversion of the 2027 Notes. If exercised, we may elect to receive cash, shares of our common stock, or a combination of cash and shares. We have accounted for the aggregate amount of purchase price for the Note Hedge as a reduction to additional paid-in capital. The Note Hedge will expire upon the maturity of the 2027 Notes. The Note Hedge is intended to reduce the potential economic dilution upon conversion of the 2027 Notes in the event that the market value per share of our common stock at the time of exercise is greater than the conversion price of the 2027 Notes. The Note Hedge is a separate transaction and is not part of the terms of the 2027 Notes. Holders of the 2027 Notes do not have any rights with respect to the Note Hedge. The Note Hedge does not impact earnings per share, as it was entered into to offset any dilution from the 2027 Notes. As of March 31, 2025, 3,016,680 shares remain subject to the Note Hedge.

Convertible Note Warrants

	Proceeds (in thousands)	Shares	Strike Price	First Expiration
2027 Warrants	$ 124,269	3,016,680	$ 338.86	March 15, 2028

Separately, we entered into warrant transactions with certain investment banks, whereby we sold Warrants to acquire, subject to adjustment, the number of shares of our common stock shown in the table above. If the average market value per share of our common stock exceeds the strike price of the Warrants, such Warrants would have a dilutive effect on our earnings per share to the extent we report net income. According to the terms of the Warrants, the Warrants will be automatically exercised over a 60-trading day period beginning on the first expiration date as set forth above.

Future Maturities of Notes Payable

Maturities of principal amounts of notes payable are as follows for each respective year (in thousands). These maturities do not reflect the impact of any put or conversion provisions associated with certain debt instruments:

Remainder of 2025	$	—
2026		—
2027 (1)		282,547
2028		—
2029		—
2030		1,000,000
After 2030		750,000
Total principal	$	2,032,547

(1) The Notes are contractually due in fiscal year 2027. However, as of December 31, 2024 and March 31, 2025, the Notes were convertible at the option of the holders into cash up to the principal amount, with conversion into common stock, cash, or a combination of cash and common stock, at our option, for any amount in excess of the principal. Therefore, the Notes were classified as current liabilities within our consolidated balance sheet as of December 31, 2024 and March 31, 2025.

Note 11 - Income Taxes

Effective Tax Rate

Our overall effective tax rate for the three months ended March 31, 2025 was 18.8%. This rate differs from the federal statutory rate due to the favorable impact of R&D tax credits and windfall benefit on stock-based compensation partially offset by executive compensation limitation under Internal Revenue Code ("IRC") Section 162(m), increases in uncertain tax positions and state taxes net of federal benefit. The effective tax rate was favorably impacted by a net $12.1 million discrete tax benefit associated with net windfall related to stock-based compensation for stock awards that vested during the three months ended March 31, 2025.

By comparison, our overall effective tax rate for the three months ended March 31, 2024 was 19.6%. This rate differed from the federal statutory rate due to the favorable impact of R&D tax credits, windfall benefit on stock-based compensation, and net gain related to an investment transaction not recognized for tax purposes, partially offset by the executive compensation limitation under IRC Section 162(m) and state taxes net of federal benefit. The effective tax rate was favorably impacted by a $4.1 million discrete tax benefit primarily associated with net windfalls related to stock-based compensation for stock awards that vested during the three months ended March 31, 2024.

Deferred Tax Assets

The change in deferred tax balances from $301.9 million as of December 31, 2024 to $333.3 million as of March 31, 2025, was primarily driven by an increase in deferred tax assets related to stock-based compensation expense not yet deductible for tax purposes and the capitalization of research and development costs under IRC Section 174. The overall increase was further impacted by a decrease in deferred tax liabilities related to previously unrealized investment gains now realized for tax. These increases were partially offset by the reversal of certain deferred tax assets through additional paid-in capital, associated with the partial repurchase of our 2027 Notes.

Note 12 - Stockholders' Equity

Common Stock and Preferred Stock

We have authorized the issuance of two classes of stock designated as "common stock" and "preferred stock," each having a par value of $0.00001 per share. We are authorized to issue 200 million shares of common stock and 25 million shares of preferred stock.

2024 Employee XSP and 2024 CEO Performance Award

On May 10, 2024, our shareholders approved the Axon Enterprise, Inc. 2024 eXponential Stock Plan (the "2024 Employee XSP"). The 2024 Employee XSP includes an approved pool of 4.5 million shares of common stock reserved for grants of eXponential Stock Units ("XSUs") to employees. A total of approximately 4.1 million XSUs have been granted to employees under this program as of March 31, 2025. There were no XSUs granted to employees during the three months ended March 31, 2025. The program includes seven substantially equal tranches that will vest upon certification by the Compensation Committee of the Board of Directors upon achievement of three independent vesting conditions: (1) stock price goals; (2) operational goals; and (3) minimum service conditions.

Additionally, on May 10, 2024 shareholders approved a grant of 679,102 XSUs to our CEO, Patrick W. Smith, (the "2024 CEO Performance Award"). The stock price goals and operational goals applicable to the 2024 CEO Performance Award are identical to those under the 2024 Employee XSP, but Mr. Smith is subject to a longer minimum required service period.

The three independent vesting conditions are described in the following table:

	Operational Goals[1] *(in millions)*						Minimum Service Requirement		
Tranche	Revenue		Adj. EBITDA[2]		Stock Price Goal		2024 Employee XSP	2024 CEO Performance Award	Goal Expiration
1	$ 1,834	*or*	$ 382	*and*	$ 247.40	*and*	June 2025	December 2028	December 31, 2026
2	2,293	*or*	497	*and*	309.25	*and*	December 2025	December 2028	December 31, 2027
3	2,866	*or*	633	*and*	386.56	*and*	June 2026	December 2029	December 31, 2028
4	3,583	*or*	823	*and*	483.20	*and*	December 2026	December 2029	December 31, 2029
5	4,479	*or*	1,066	*and*	604.00	*and*	June 2027	December 2030	December 31, 2030
6	5,599	*or*	1,378	*and*	755.00	*and*	December 2027	December 2030	December 31, 2031
7	6,999	*or*	1,728	*and*	943.75	*and*	June 2028	December 2030	December 31, 2032

(1) Operational goals are measured, as of any date, for the previous four consecutive fiscal quarters, beginning with the Company's first full fiscal quarter ending after the fiscal quarter in which the grant date occurred.

(2) In connection with certain acquisitions which were completed during fiscal year 2024, the adjusted EBITDA goals were adjusted as required by the terms of the 2024 Employee XSP and 2024 CEO Performance Award. As the operational goals for tranches 1 and 2 were met as of December 31, 2024, no further adjustment to the adjusted EBITDA goals for these tranches was made in the current period, in accordance with the terms of the awards.

Restricted Stock Units

The following table summarizes restricted stock unit ("RSU") activity for the three months ended March 31, 2025 and 2024 (number of units and aggregate intrinsic value in thousands):

	Three Months Ended March 31, 2025		Three Months Ended March 31, 2024	
	Number of Units	Weighted Average Grant-Date Fair Value	Number of Units	Weighted Average Grant-Date Fair Value
Units outstanding, beginning of year	1,684	$ 356.31	1,615	$ 193.09
Granted	15	580.51	478	257.49
Released	(186)	281.66	(174)	213.88
Forfeited	(27)	398.72	(42)	186.93
Units outstanding, end of period	1,486	$ 367.15	1,877	$ 207.73
Aggregate intrinsic value at quarter end	$ 781,511		$ 587,321	

Aggregate intrinsic value represents our closing stock price on the last trading day of the period, which was $525.95 per share, multiplied by the number of RSUs outstanding. As of March 31, 2025, there was $461.0 million in unrecognized compensation costs related to RSUs under our stock plans for shares that are expected to vest. We expect to recognize the cost related to the RSUs over a weighted average period of 2.13 years. Shares underlying RSUs are generally released when vesting requirements are met.

Performance Stock Units

The following table summarizes performance stock unit (“PSU”) activity, inclusive of XSUs, for the three months ended March 31, 2025 and 2024 (number of units and aggregate intrinsic value in thousands):

	Three Months Ended March 31,			
	2025		2024	
	Number of Units	Weighted Average Grant-Date Fair Value	Number of Units	Weighted Average Grant-Date Fair Value
Units outstanding, beginning of year	4,865	$ 261.18	394	$ 201.61
Granted	16	499.47	15	284.00
Released	(15)	256.23	(1)	180.89
Forfeited	(48)	224.83	(7)	93.32
Units outstanding, end of period	4,818	$ 262.34	401	$ 206.75
Aggregate intrinsic value at quarter end	$ 2,533,889		$ 125,533	

Aggregate intrinsic value represents our closing stock price on the last trading day of the period, which was $525.95 per share, multiplied by the number of PSUs outstanding. As of March 31, 2025, there was $677.7 million in unrecognized compensation expense related to PSUs under our stock plans for awards that are expected to vest. We expect to recognize the cost related to PSUs over a weighted average period of 3.99 years. Shares underlying PSUs are generally released when vesting requirements are met.

Stock Option Activity

The following table summarizes stock option activity for the three months ended March 31, 2025 and 2024 (number of units and aggregate intrinsic value in thousands):

	Three Months Ended March 31,							
	2025				2024			
	Number of Options	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life (years)
Options outstanding, beginning of year	21	$	28.58		531	$	28.58	
Granted	—		—		—		—	
Exercised	—		—		—		—	
Expired / terminated	—		—		—		—	
Options outstanding and exercisable, end of period	21	$	28.58	2.91	531	$	28.58	3.9
Aggregate intrinsic value at quarter end	$ 10,410				$ 150,944			

Aggregate intrinsic value represents the difference between the exercise price of the underlying stock options and the closing stock price on the last trading day of the period ended March 31, 2025, which was $525.95 per share. There was no stock option activity during the three months ended March 31, 2025.

Stock-based Compensation Expense

The following table summarizes the composition of stock-based compensation expense for the three months ended March 31, 2025 and 2024 (in thousands):

	Three Months Ended March 31,	
	2025	2024
Cost of product and service sales	$ 12,887	$ 29,595
Selling, general and administrative expenses	71,347	23,155
Research and development expenses	56,005	22,365
Total stock-based compensation expense	$ 140,239	$ 75,115

Stock Incentive Plan

In May 2024, our shareholders approved the Axon Enterprise, Inc. Amended and Restated 2022 Stock Incentive Plan (the "Amended 2022 Plan") authorizing an additional 2.2 million shares, plus remaining available shares under prior plans, for issuance under the Amended 2022 Plan. Combined with the shares of our common stock available under our legacy stock incentive plans, there are 3.2 million shares of our common stock available for grant under the Amended 2022 Plan as of March 31, 2025.

At-The-Market Equity Offering

We participate in an "at-the-market" equity offering program (the "ATM"), pursuant to which we are authorized to sell up to a total of approximately 2.0 million shares of our common stock. As of March 31, 2025, there were approximately 2.0 million shares remaining. There were no issuances under the ATM during the three months ended March 31, 2025.

Stock Repurchase Plan

In February 2016, our Board of Directors authorized a stock repurchase program to acquire up to $50.0 million of our outstanding common stock subject to stock market conditions and corporate considerations. As of March 31, 2025, $16.3 million remained available under the plan for future purchases.

Note 13 - Line of Credit

In December 2022, we entered into a credit agreement that provides for a senior unsecured multi-currency revolving credit facility (the “Credit Agreement”) in an aggregate principal amount of up to $200.0 million, $30.0 million of which is available for the issuance of letters of credit. The Credit Agreement originally matured on the earlier of December 15, 2027 or the date that is six months prior to the stated maturity date of the 2027 Notes unless the 2027 Notes have been redeemed, repurchased, converted or defeased in full. Additionally, the Credit Agreement had an accordion feature which allowed for an increase in the total line of credit up to $300.0 million, in each lender’s sole discretion.

In March 2025, immediately prior to the consummation of the closing of the 2030 & 2033 Senior Notes Offering, we entered into an amendment (the “Amendment”) to the Credit Agreement. The Amendment increased the existing revolving credit facility by $100.0 million to a total aggregate principal amount of $300.0 million (with an accordion feature which allows for an increase in the total line of credit up to $400.0 million), increased availability for the issuance of letters of credit by $20.0 million to $50.0 million, extended the maturity date of the Credit Agreement from December 15, 2027 to March 11, 2030 (or, in each case, the date that is six months prior to the stated maturity date of the 2027 Notes unless the 2027 Notes have been redeemed, repurchased, converted or defeased in full), permitted the 2030 & 2033 Senior Notes Offering, and provided for other updates to the covenants and terms of the Credit Agreement.

As of March 31, 2025, no amounts were drawn under the Credit Agreement. Under the terms of the line of credit, available borrowings are reduced by outstanding letters of credit. As of March 31, 2025, we had letters of credit outstanding of approximately $8.7 million under the facility and available borrowing of $291.3 million, excluding amounts available under the accordion feature. Advances under the line of credit bear interest at Term SOFR plus 1.25 to 1.75% per year determined in accordance with a pricing grid based on our net leverage ratio and consolidated interest coverage ratio discussed further below. “SOFR” is defined as a rate equal to the secured overnight financing rate as administered by the Federal Reserve Bank of New York or a successor administrator of the secured overnight financing rate.

We are required to comply with a net leverage ratio, defined as consolidated total indebtedness to EBITDA, and a consolidated interest coverage ratio, defined as EBITDA to consolidated interest expense. As of March 31, 2025, we are in compliance with the associated covenants under the Credit Agreement.

Note 14 - Commitments and Contingencies

Product Litigation

As a manufacturer of weapons and other law enforcement tools used in high-risk field environments, we are often the subject of products liability litigation concerning the use of our products. We are currently named as a defendant in two such lawsuits in which the plaintiffs allege either wrongful death or personal injury in situations in which a TASER CED was used by law enforcement officers in connection with arrests or training. While the facts vary from case to case, these product liability claims typically allege defective product design, manufacturing, and/or failure to warn. They seek compensatory and sometimes punitive damages, often in unspecified amounts.

We continue to aggressively defend all product litigation. As a general rule, it is our policy not to settle suspect injury or death cases. Exceptions are sometimes made where the settlement is strategically beneficial to us. Due to the confidential nature of our litigation strategy and the confidentiality agreements that are executed in the event of a settlement, we do not identify or comment on specific settlements by case or amount. Based on current information, we do not believe that the outcome of any such legal proceeding will have a material effect on our financial position, results of operations or cash flows. We are self-insured for the first $5.0 million of any product claim made after 2014. No judgment or settlement has ever exceeded this amount in any products liability case. We continue to maintain product liability insurance coverage, including an insurance policy fronting arrangement, above our self-insured retention with various limits depending on the policy period.

Other Matters

Despite the Federal Trade Commission's (“FTC”) dismissal of its administrative enforcement complaint against Axon without consent decree or other condition in October 2023, other parties continue to allege that Axon’s May 2018 acquisition of an insolvent body camera competitor, Vievu LLC, was anticompetitive. Two purported antitrust lawsuits based largely on the FTC’s unproven allegations are pending in the District of New Jersey (Case No. 3:23-cv-7182) and District of Arizona (Case No. 2:24-cv-01869-SMB). The claims in both cases were substantially narrowed during motion practice. Axon denies all allegations of anticompetitive or other misconduct and is vigorously defending the cases.

Pending in the Eastern District of Virginia (Case No. 1:24-CV-01625) is a patent infringement suit filed by Airspace Systems, Inc. against Dedrone Holdings, Inc. involving certain drone technology. After Axon acquired Dedrone on October 1, 2024, Airspace amended its complaint and added Axon as a defendant. Airspace seeks injunctive relief and treble damages in an unspecified amount. Axon and Dedrone deny infringement and further contend that the three asserted patents are invalid and/or contain patent ineligible subject matter. To that end, Axon has simultaneously challenged all three patents in the United States Patent and Trademark Office and the court has stayed the litigation until September 15, 2025 or until the Patent Trial and Appeal Board renders a decision on Axon's petitions.

General

From time to time, we are notified that we may be a party to a lawsuit or that a claim is being made against us. After carefully assessing the claim, and assuming we determine that we are not at fault or we disagree with the damages or relief demanded, we vigorously defend any lawsuit filed against us. We record a liability when losses are deemed probable and reasonably estimable. When losses are deemed reasonably possible but not probable, we determine whether it is possible to provide an estimate of the amount of the loss or range of possible losses for the claim, if material for disclosure. In evaluating matters for accrual and disclosure purposes, we take into consideration factors such as our historical experience with matters of a similar nature, the specific facts and circumstances asserted, the likelihood of our prevailing, the availability of insurance, and the severity of any potential loss. We reevaluate and update accruals as matters progress over time.

Based on our assessment of outstanding litigation and claims as of March 31, 2025, we have determined that it is not reasonably possible that these losses, if any, from lawsuits will individually, or in the aggregate, materially affect our results of operations, financial condition or cash flows. However, the outcome of any litigation is inherently uncertain and there can be no assurance that any expense, liability or damages that may ultimately result from the resolution of these matters will be covered by our insurance or will not be in excess of amounts recognized or provided by insurance coverage and will not have a material adverse effect on our operating results, financial condition or cash flows.

Off-Balance Sheet Arrangements

Under certain circumstances, we use letters of credit and surety bonds to guarantee our performance under various contracts, principally in connection with the installation and integration of Axon cameras and related technologies. Certain of our letters of credit and surety bonds have stated expiration dates with others being released as the contractual performance terms are completed. At March 31, 2025, we had outstanding letters of credit issued under our credit facility of $8.7 million that are expected to expire through 2026. We also had outstanding letters of credit of $0.1 million that do not draw against our credit facility. Additionally, we had $21.6 million of outstanding surety bonds as of March 31, 2025, with expiration dates ranging through 2029.

Note 15 – Accumulated Other Comprehensive Income (Loss)

The following tables reflect the changes in accumulated other comprehensive income (loss), net of tax (in thousands):

	Unrealized Losses on Available-for-Sale Investments	Foreign Currency Translation	Total
Balance, December 31, 2024	$ (30)	$ (18,154)	$ (18,184)
Other comprehensive (loss) income	(124)	358	234
Balance, March 31, 2025	$ (154)	$ (17,796)	$ (17,950)

	Unrealized Losses on Available-for-Sale Investments	Foreign Currency Translation	Total
Balance, December 31, 2023	$ (399)	$ (10,280)	$ (10,679)
Other comprehensive loss	(106)	(801)	(907)
Balance, March 31, 2024	$ (505)	$ (11,081)	$ (11,586)

Note 16 - Segment Data

As a result of the Segment Realignment and effective as of the three months ended March 31, 2025, our financial results are reported in two reportable segments, Connected Devices and Software & Services. Segment information for the three months ended March 31, 2024 has been recast to reflect the Segment Realignment. Refer to Note 1 for additional details. Information relative to our reportable segments was as follows (in thousands):

	Three Months Ended March 31, 2025		
	Connected Devices	Software and Services	Total
Net sales	$ 340,896	$ 262,737	$ 603,633
Cost of sales	170,181	67,713	237,894
Other segment items [1]	9,420	9,037	18,457
Adjusted gross margin	$ 180,135	$ 204,061	$ 384,196
		Other segment items [1]	18,457
		Selling, general and administrative	223,509
		Research and development	151,023
		Interest income	10,604
		Interest expense	(7,821)
		Other income, net	114,401
		Income before provision for income taxes	$ 108,391

[1] Other segment items includes the adjustment for noncash stock-based compensation expense, amortization of acquired intangible assets, and inventory step-up amortization related to acquisitions to arrive at the profit measure used by the CODM.

	Three Months Ended March 31, 2024		
	Connected Devices	Software and Services	Total
Net sales	$ 270,424	$ 189,447	$ 459,871
Cost of sales	152,160	49,083	201,243
Other segment items [1]	28,152	3,731	31,883
Adjusted gross margin	$ 146,416	$ 144,095	$ 290,511
		Other segment items [1]	31,883
		Selling, general and administrative	151,075
		Research and development	91,097
		Interest income	12,130
		Interest expense	(1,756)
		Other income, net	139,066
		Income before provision for income taxes	$ 165,896

[1] Other segment items includes the adjustment for noncash stock-based compensation expense and amortization of acquired intangible assets to arrive at the profit measure used by the CODM.

The following table presents supplemental information included within the measure of profit or loss, adjusted gross margin, reviewed by our CODM (in thousands). There are no other material items presented to our CODM by segment or included within adjusted gross margin for supplemental disclosure.

	Three Months Ended March 31, 2025			Three Months Ended March 31, 2024		
	Connected Devices	Software and Services	Total	Connected Devices	Software and Services	Total
reciation and amortization	$ 9,285	$ 3,959	$ 13,244	$ 4,722	$ 2,226	$ 6,948
ificant noncash items:						
ock-based compensation expense	7,476	5,411	12,887	27,827	1,768	29,595
ovisions for inventory	846	—	846	1,354	—	1,354
arranty reserve expense	3,779	—	3,779	1,119	—	1,119

Note 17 – Business Combinations

Fusus

On January 31, 2024, we acquired the remaining 79.7% interest in Fusus for incremental consideration transferred of approximately $241.3 million. Based on the final purchase price allocation, we recorded $249.9 million of goodwill, $72.9 million of identifiable intangible assets, and other net liabilities assumed of $7.8 million, excluding deferred taxes. We also recorded a net deferred tax liability of $10.4 million. As of the acquisition date, the identifiable intangible assets recognized in the acquisition included $56.6 million of developed technology, $14.4 million of customer relationships, and $1.9 million of trademarks.

As a result of the Segment Realignment, the goodwill recognized in the acquisition has been reallocated and is now reported in our two reportable segments, Connected Devices and Software & Services.

Dedrone

On October 1, 2024, we acquired the remaining 79.8% interest in Dedrone, a global leader in air space security, for incremental consideration transferred of approximately $391.1 million. We recorded incremental acquisition-related transaction and integration costs of $0.9 million for the quarter ended March 31, 2025. These costs were expensed as incurred in SG&A in our consolidated statements of operations.

The purchase price allocation is subject to revision during the measurement period for normal closing activities, such as income tax filings and settlement of escrow balances. During the first quarter of 2025, we recorded various measurement period adjustments primarily consisting of adjustments to working capital resulting in a $2.7 million decrease to goodwill. These measurement period adjustments also include a $2.5 million indemnification asset related to a tax matter which we currently expect will be fully recovered. We expect the measurement period to be completed by the third quarter of 2025.

Based on the current purchase price allocation, including measurement period adjustments, we have recorded $448.4 million of goodwill, $100.5 million of identifiable intangible assets, and other net liabilities assumed of $44.4 million, excluding deferred taxes. We have also recorded a net deferred tax liability of $1.2 million. As of the acquisition date, the identifiable intangible assets recognized in the acquisition included $41.0 million of developed technology, $41.0 million of in-process research and development, $15.0 million of customer relationships, and $3.5 million of trademarks.

As a result of the Segment Realignment, the goodwill recognized in the acquisition has been reallocated and is now reported in our two reportable segments, Connected Devices and Software & Services.

Note 18 - Restatement of Prior Period Financial Statements

As previously disclosed in our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 and discussed in Note 1 “Organization and Summary of Significant Accounting Policies”, the following tables reflect the impact of other previously identified immaterial errors to the specific line items presented in our previously reported (a) consolidated statement of operations and comprehensive income for the quarterly period ended March 31, 2024; (b) consolidated statement of stockholders' equity for the quarterly period ended March 31, 2024; and (c) consolidated statement of cash flows for the quarterly period ended March 31, 2024.

Consolidated Statement of Operations and Comprehensive Income
(in thousands)

Three Months Ended March 31, 2024	As Reported	Adjustments	As Restated
Net sales from products	$ 272,048	$ (1,624)	$ 270,424
Net sales from services	188,688	759	189,447
Net sales	460,736	(865)	459,871
Cost of product sales	151,698	462	152,160
Cost of service sales	48,992	91	49,083
Cost of sales	200,690	553	201,243
Gross margin	260,046	(1,418)	258,628
Selling, general and administrative	152,669	(1,594)	151,075
Total operating expenses	243,766	(1,594)	242,172
Income from operations	16,280	176	16,456
Income before provision for income taxes	165,720	176	165,896
Provision for (benefit from) income taxes	32,502	42	32,544
Net income	$ 133,218	$ 134	$ 133,352
Comprehensive income	$ 132,311	$ 134	$ 132,445

There was no impact on disclosed basic and diluted income per common and common equivalent shares for the three months ended March 31, 2024.

Consolidated Statement of Stockholders' Equity
(in thousands)

	As Reported		Adjustments		As Restated	
	Retained Earnings	Total Stockholders' Equity	Retained Earnings	Total Stockholders' Equity	Retained Earnings	Total Stockholders' Equity
Balance, December 31, 2023	$ 431,249	$ 1,612,034	$ 3,731	$ 3,731	$ 434,980	$ 1,615,765
Net income	133,218	133,218	134	134	133,352	133,352
Balance, March 31, 2024	$ 564,467	$ 1,818,015	$ 3,865	$ 3,865	$ 568,332	$ 1,821,880

Consolidated Statement of Cash Flows
(in thousands)

Three Months Ended March 31, 2024	As Reported	Adjustments	As Restated
Cash flows from operating activities:			
Net income	$ 133,218	$ 134	$ 133,352
Provision for bad debts and inventory	216	1,364	1,580
Change in assets and liabilities:			
Receivables and contract assets	(51,132)	(5,605)	(56,737)
Inventory	(710)	(1,364)	(2,074)
Deferred revenue	20,743	(1,622)	19,121
Accounts payable, accrued and other liabilities	(84,289)	(1,551)	(85,840)
Other - net	2	8,644	8,646

Other than the impact to the captions noted above, there was no impact on total cash flows from operating activities, or on cash flows from investing or financing activities.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis of our financial condition as of March 31, 2025, and results of operations for the three months ended March 31, 2025 and 2024, should be read in conjunction with the unaudited consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and related notes in our amended 2024 Annual Report on Form 10-K/A for the year ended December 31, 2024, filed with the SEC on May 7, 2025. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in such forward-looking statements as a result of certain factors, including but not limited to those described under "Part II, Item 1A. Risk Factors." See also "Special Note Regarding Forward-Looking Statements" on page ii of this Quarterly Report on Form 10-Q.

Overview

Axon is a technology leader in global public safety. Our moonshot goal is to cut gun-related deaths between police and the public in the United States in half by 2033. Axon is building the public safety operating system of the future by integrating a suite of hardware devices and cloud software solutions that not only revolutionize modern policing but also cater to federal agencies, corrections, justice and enterprise-level security needs. Axon's suite includes cloud-hosted digital evidence management solutions, productivity and real-time operations software, body cameras, in-car cameras, TASER energy devices, drone and robotic security, and training solutions.

Effective in the first quarter of 2025, we realigned our business to better reflect our continued growth and expansion of product, software and service offerings (the "Segment Realignment"). Previously reported within two reportable segments, TASER and Software and Sensors, we prospectively realigned our business in a manner that provides increased transparency and distinction between our hardware and software and services components. As a result of the Segment Realignment and effective as of the three months ended March 31, 2025, our financial results are reported in two reportable segments, Connected Devices and Software & Services. As a result of the Segment Realignment, we have recast our segment disclosures for the three months ended March 31, 2024 to conform to the new presentation.

Our revenues for the three months ended March 31, 2025 were $603.6 million, an increase of $143.8 million, or 31.3%, from the comparable period in the prior year. We had loss from operations of $8.8 million, compared to income from operations of $16.5 million for the same period in the prior year. Gross margin dollars increased $107.1 million and increased as a percentage of revenue to 60.6% from 56.2% compared to the three months ended March 31, 2024. The increase was primarily driven by higher stock-based compensation expense in the comparable period. Excluding the impacts of stock-based compensation expense and intangibles amortization in cost of goods sold, adjusted gross margin increased to 63.6% for three months ended March 31, 2025 compared to 63.2% for the same period in the prior year, primarily due to higher software revenue mix. Operating expenses increased by $132.4 million, reflecting increased headcount and an increase in stock-based compensation expense. Net income of $88.0 million included net realized and unrealized gains of $167.3 million related to our strategic investments, offset by a noncash unrealized loss of $23.4 million related to our marketable securities and inducement expense of $28.7 million associated with the early repurchase of a portion of our 2027 Notes, as discussed further within Note 10. Net income of $133.4 million for the comparable period in the prior year included a realized gain of $42.3 million related to our acquisition in Fusus, an unrealized gain of $75.6 million related to a strategic investment, and a noncash unrealized gain of $21.8 million on our investment in marketable securities.

Certain prior period amounts previously reported on our consolidated financial statements have been restated to correct for immaterial errors, as described in Note 1 and Note 18 to our consolidated financial statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Results of Operations

The following table presents data from our consolidated statements of operations as well as the percentage relationship to total net sales of items included in our consolidated statements of operations (dollars in thousands):

	Three Months Ended March 31,			
	2025		2024	
Net sales from products	$ 340,896	56.5 %	$ 270,424	58.8 %
Net sales from services	262,737	43.5	189,447	41.2
Net sales	603,633	100.0	459,871	100.0
Cost of product sales	170,181	28.2	152,160	33.1
Cost of services sales	67,713	11.2	49,083	10.7
Cost of sales	237,894	39.4	201,243	43.8
Gross margin	365,739	60.6	258,628	56.2
Operating expenses:				
Selling, general and administrative	223,509	37.0	151,075	32.9
Research and development	151,023	25.0	91,097	19.8
Total operating expenses	374,532	62.0	242,172	52.7
(Loss) income from operations	(8,793)	(1.4)	16,456	3.5
Interest income	10,604	1.8	12,130	2.6
Interest expense	(7,821)	(1.3)	(1,756)	(0.4)
Other income, net	114,401	19.0	139,066	30.2
Income before provision for income taxes	108,391	18.1	165,896	35.9
Provision for income taxes	20,411	3.4	32,544	7.1
Net income	$ 87,980	14.7 %	$ 133,352	28.8 %

The following table presents our revenues disaggregated by geography (dollars in thousands):

	Three Months Ended March 31,			
	2025		2024	
United States	$ 529,383	88 %	$ 391,541	85 %
Other countries	74,250	12	68,330	15
Total	$ 603,633	100 %	$ 459,871	100 %

International revenue increased compared to the prior year comparative period, primarily driven by increased sales in our Americas region (i.e., South America and Canada).

Net Sales

As a result of the Segment Realignment, we have updated and recast our disaggregated revenue categories. Net sales by product line were as follows (dollars in thousands):

	Three Months Ended March 31,				Dollar Change	Percent Change
	2025		2024			
Connected Devices segment:						
TASER [1]	$ 195,495	32.4 %	$ 164,599	35.8 %	$ 30,896	18.8 %
Personal Sensors [2]	88,405	14.7	68,000	14.8	20,405	30.0
Platform Solutions [3]	56,996	9.4	37,825	8.2	19,171	50.7
Total Connected Devices segment	340,896	56.5	270,424	58.8	70,472	26.1
Total Software and Services segment	262,737	43.5	189,447	41.2	73,290	38.7
Total net sales	$ 603,633	100.0 %	$ 459,871	100.0 %	$ 143,762	31.3 %

(1) 'TASER' includes TASER handles, cartridges and related extended warranties.
(2) 'Personal Sensors' primarily includes body cameras and accessories, signal sidearm, and related extended warranties.
(3) 'Platform Solutions' primarily includes interview room, fleet in-car video, fixed cameras, drones and counter-drone equipment, virtual reality training hardware, and related extended warranties.

Net sales for the Connected Devices segment increased 26.1% for the three months ended March 31, 2025 as compared to the prior-year quarter. The increase of $30.9 million in TASER is primarily driven by higher TASER 10 handle and cartridge volume. Personal Sensors increased $20.4 million on continued adoption of our newest body camera, AB4, and higher warranty revenue from more devices in the field. The $19.2 million increase in Platform Solutions is primarily driven by higher volume for virtual reality training and counter-drone equipment.

Net sales for the Software and Services segment increased 38.7% for the three months ended March 31, 2025 as compared to the prior-year quarter. The increase in the aggregate number of users and growing adoption of our premium add-on features by existing customers drove the majority of the increase of $73.3 million.

Gross Margin

As a percentage of net sales, gross margin for the Connected Devices segment increased to 50.1% from 43.7% for the three months ended March 31, 2025 and 2024, respectively. The increase was primarily due to higher stock-based compensation in the comparable period. Adjusted gross margin for the Connected Devices segment, which excludes stock-based compensation expense and intangibles amortization, was 52.8% for the three months ended March 31, 2025, compared to 54.1% for the same period in 2024. The decrease is primarily driven by higher mix of Personal Sensors and Platform Solutions which generally have a lower gross margin than TASER devices.

As a percentage of net sales, gross margin for the Software and Services segment increased to 74.2% from 74.1% for the three months ended March 31, 2025 and 2024, respectively. The increase was primarily due to higher stock-based compensation expense in the comparable period. Adjusted gross margin for Software and Services segment, which excludes stock-based compensation expense and intangibles amortization, increased to 77.7% for the three months ended March 31, 2025, compared to 76.1% for the same period in 2024 due to higher software mix.

Selling, General and Administrative Expenses

SG&A expenses were comprised as follows (dollars in thousands):

	Three Months Ended March 31,		Dollar Change	Percent Change
	2025	2024		
Total selling, general and administrative expenses	$ 223,509	$ 151,075	$ 72,434	47.9 %
As a percentage of net sales	37.0%	32.9%		

Stock-based compensation expense increased $48.2 million in comparison to the prior-year comparable period, which was primarily related to the 2024 Employee XSP and the 2024 CEO Performance Award that were approved by shareholders in the 2024 Annual Meeting of Shareholders and increased headcount. As of March 31, 2025, we consider some of the tranches probable and will recognize the expense ratably over their respective expected vesting periods. This may result in volatility and higher upfront expense recognition and is subject to change based on periodic probability assessments.

Salaries, benefits and bonus expense increased $12.7 million in comparison to the prior-year comparable period, which was primarily attributable to an increase in headcount and higher wages.

Sales and marketing expense increased $3.1 million in comparison to the prior-year comparable period, which was primarily attributable to increased commissions and in-person events.

Research and Development Expenses

R&D expenses were comprised as follows (dollars in thousands):

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Dollar Change	Percent Change
Total research and development expenses	$ 151,023	$ 91,097	$ 59,926	65.8 %
As a percentage of net sales	25.0 %	19.8 %		

Stock-based compensation expense increased $33.6 million in comparison to the prior-year comparable period, which was primarily related to the 2024 Employee XSP that was approved by shareholders in the 2024 Annual Meeting of Shareholders and increased headcount. As of March 31, 2025, we consider the vesting of some of the tranches probable and will recognize the expense ratably over their respective expected vesting periods. This may result in volatility and higher upfront expense recognition and is subject to change based on periodic probability assessments.

Salaries, benefits and bonus expense increased $16.7 million in comparison to the prior-year comparable period, which was primarily attributable to an increase in headcount and higher wages.

Interest Income, Net

Interest income, net, was as follows (in thousands):

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Interest income	$ 10,604	$ 12,130
Interest expense [1]	(7,821)	(1,756)
Total interest income, net	$ 2,783	$ 10,374

[1] Interest expense increased in comparison to the prior-year comparable period primarily as a result of the issuance of the Senior Notes in March 2025, as discussed further within Note 10.

Other Income, Net

Other income, net, was as follows (in thousands):

	Three Months Ended March 31,	
	2025	2024
Realized and unrealized gain on fair value adjustments of strategic investments, net	$ 167,321	$ 117,931
Unrealized gain (loss) on marketable securities, net	(23,400)	21,780
Gain (loss) on foreign currency transactions, net	(803)	88
Induced conversion of convertible debt (1)	(28,666)	—
Other, net	(51)	(733)
Other income, net	$ 114,401	$ 139,066

(1) Reflects the inducement expense associated with the early repurchase of a portion of our 2027 Notes, as discussed further within Note 10.

Provision for Income Taxes

The effective tax rate is 18.8% for the three months ended March 31, 2025, compared to 19.6% for the three months ended March 31, 2024. The decrease was primarily attributable to higher R&D tax credits and discrete benefit for excess tax benefits from stock-based compensation. These were partially offset by higher tax expense related to the executive compensation limitation under IRC Section 162(m), increased unrecognized tax benefits, state income taxes, a partially non-deductible expense related to the induced conversion of our 2027 Notes, and the absence of a prior-year gain related to an investment transaction not recognized for tax. The overall change in the effective tax rate also reflects the impact of a lower pre-tax book income base in the current period, which magnifies the relative effect of permanent and discrete items.

Provision for income taxes and effective tax rates were as follows (dollars in thousands):

	Three Months Ended March 31,		
	2025	2024	Change
Income before provision for income taxes	$ 108,391	$ 165,896	$ (57,505)
Provision for income taxes	$ 20,411	$ 32,544	$ (12,133)
Effective tax rate	18.8 %	19.6 %	(0.8)%

Net Income

We recorded net income of $88.0 million for the three months ended March 31, 2025 compared to net income of $133.4 million for the same period in 2024. Net income per basic share was $1.14 for the three months ended March 31, 2025 compared to $1.77 net income per basic share for the same period in 2024. Net income per diluted share was $1.08 for the three months ended March 31, 2025 compared to $1.73 net income per diluted share for the comparable period in 2024.

Non-GAAP Measures

We utilize certain non-GAAP financial measures such as EBITDA, adjusted EBITDA, and adjusted gross margin as defined below to enhance understanding of our financial results and related measures. We have adjusted for expenses that we believe are not indicative of our core operating results, including stock-based compensation expense and amortization of acquired intangible assets. To improve comparability, prior periods have been conformed to the current period presentation. Our management uses these non-GAAP financial measures in evaluating our operating performance in comparison to prior periods. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance, and when planning and forecasting our future periods. A reconciliation of GAAP to the non-GAAP financial measures is presented below.

- EBITDA (most comparable GAAP measure: Net income) - Earnings before interest expense, investment interest income, income taxes, depreciation and amortization.

- Adjusted EBITDA (most comparable GAAP measure: Net income) – Earnings before interest expense; investment interest income; income taxes; depreciation; amortization; noncash stock-based compensation expense; fair value adjustments related to strategic investments and marketable securities; debt inducement expense associated with the early repurchase of a portion of our 2027 Notes; transaction and integration costs related to strategic investments and acquisitions; inventory step-up amortization related to acquisitions; certain litigation costs and recoveries related to (1) antitrust cases we consider to be non-recurring and outside of our core operating results and (2) litigation matters for acquired companies that were unresolved at the date of the acquisition; and other unusual, non-recurring pre-tax items that are not considered representative of our underlying operating performance (listed in the tables below).

- Adjusted gross margin (most comparable GAAP measure: Gross margin) – Gross margin before noncash stock-based compensation expense, amortization of acquired intangible assets, and inventory step-up amortization related to acquisitions.

Although these non-GAAP financial measures are not consistent with GAAP, management believes investors will benefit by referring to these non-GAAP financial measures when assessing our operating results, as well as when forecasting and analyzing future periods. However, management recognizes that:

- these non-GAAP financial measures are limited in their usefulness and should be considered only as a supplement to our GAAP financial measures;

- these non-GAAP financial measures should not be considered in isolation from, or as a substitute for, our GAAP financial measures;

- these non-GAAP financial measures should not be considered to be superior to our GAAP financial measures; and

- these non-GAAP financial measures were not prepared in accordance with GAAP and investors should not assume that the non-GAAP financial measures presented in this Quarterly Report on Form 10-Q were prepared under a comprehensive set of rules or principles.

EBITDA and adjusted EBITDA reconcile to net income as follows (in thousands):

	Three Months Ended		
	March 31, 2025	December 31, 2024	March 31, 2024
Net income	$ 87,980	$ 135,184	$ 133,352
Depreciation and amortization	19,195	17,489	11,564
Interest expense	7,821	1,825	1,756
Investment interest income	(10,604)	(7,286)	(12,130)
Provision for (benefit from) income taxes	20,411	(50,619)	32,544
EBITDA	$ 124,803	$ 96,593	$ 167,086
Non-GAAP adjustments:			
Stock-based compensation expense	140,239	130,888	75,115
Unrealized and realized gains on strategic investments and marketable securities, net	(143,921)	(39,432)	(97,419)
Realized gains on previously held minority interests acquired in business combinations, net	—	(51,627)	(42,292)
Debt inducement expense	28,666	—	—
Transaction costs related to strategic investments and acquisitions	2,727	2,104	6,357
Loss on disposal, abandonment, and impairment of property, equipment and intangible assets, net	—	—	—
Loss recoveries	—	—	—
Inventory step-up amortization	607	609	—
Litigation costs and related recoveries	2,049	1,537	224
Payroll taxes related to 2018 CEO Performance Award option exercises	—	918	—
Adjusted EBITDA	$ 155,170	$ 141,590	$ 109,071

As a result of the Segment Realignment, we have recast adjusted gross margin for the three months ended March 31, 2024 to conform to the new presentation. Adjusted gross margin reconciles to gross margin as follows (in thousands):

	Three Months Ended					
	March 31, 2025			March 31, 2024		
	Connected Devices	Software and Services	Total	Connected Devices	Software and Services	Total
Gross margin	$ 170,715	$ 195,024	$ 365,739	$ 118,264	$ 140,364	$ 258,628
Stock-based compensation expense	7,476	5,411	12,887	27,827	1,768	29,595
Amortization of acquired intangible assets	1,337	3,626	4,963	325	1,963	2,288
Inventory step-up amortization	607	—	607	—	—	—
Adjusted gross margin	$ 180,135	$ 204,061	$ 384,196	$ 146,416	$ 144,095	$ 290,511
Gross margin %	50.1 %	74.2 %	60.6 %	43.7 %	74.1 %	56.2 %
Adjusted gross margin %	52.8 %	77.7 %	63.6 %	54.1 %	76.1 %	63.2 %

Liquidity and Capital Resources

Summary

	March 31, 2025	December 31, 2024	Dollar Change
Cash and cash equivalents	$ 1,092,938	$ 454,844	$ 638,094
Available-for-sale investments	1,099,230	333,235	765,995
Total	$ 2,192,168	$ 788,079	$ 1,404,089

Our most significant source of liquidity continues to be funds generated by operating activities and available cash and cash equivalents and short-term investments. As of March 31, 2025, we had $1.1 billion of cash and cash equivalents, an increase of $638.1 million from December 31, 2024. Refer below for further discussions related to the change in cash and cash equivalents. As of March 31, 2025, we had $1.1 billion of available-for-sale investments, an increase of $766.0 million from December 31, 2024 primarily as a result of investment activity following the issuance of the Senior Notes. Refer to Note 10 in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional details on the issuance.

In addition, our Credit Agreement is available for additional working capital needs or investment opportunities. The Credit Agreement provides for a senior unsecured multi-currency revolving credit facility in an aggregate principal amount of up to $300.0 million, $50.0 million of which is available for the issuance of letters of credit. As of March 31, 2025, and December 31, 2024, respectively, no amounts were drawn under the Credit Agreement. Under the terms of the line of credit, available borrowings are reduced by outstanding letters of credit. As of March 31, 2025, we had letters of credit outstanding of approximately $8.7 million under the facility and available borrowing of $291.3 million. Refer to Note 13 in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional details related to our Credit Agreement and outstanding letters of credit.

We also have an aggregate of $1.75 billion of Senior Notes outstanding. As of March 31, 2025, none of our subsidiaries guarantee the Senior Notes. Our non-guarantor subsidiaries accounted for approximately 12% of our total revenue for the three months ended March 31, 2025, and approximately 18% and 6% of our total consolidated assets and liabilities (excluding the effect of intercompany transactions), respectively, as of March 31, 2025. Refer to Note 10 in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional details related to our Senior Notes.

We believe we have access to additional financing. However, there is no assurance that such funding will be available on terms acceptable to us, or at all. We believe that our sources of funding will be sufficient to satisfy our currently anticipated cash requirements, including capital expenditures, working capital requirements, potential acquisitions or investments, income and payroll tax payments for net-settled stock awards, and other liquidity requirements through at least the next 12 months.

Going forward, we expect to continue to be an opportunistic issuer of debt securities and may issue new debt securities from time to time to fund our growth or refinance future debt maturities, among other things. In addition, from time to time, we may acquire our debt securities through open market purchases, redemptions, privately negotiated transactions, tender offers, exchange offers or otherwise, upon such terms and at such prices as we may from time to time determine, for cash or other consideration.

Cash Flows

The following table summarizes our cash flows from operating, investing and financing activities (in thousands):

	Three Months Ended March 31,		Dollar Change
	2025	2024	
Operating activities	$ 25,794	$ (15,938)	$ 41,732
Investing activities	(702,217)	(174,044)	(528,173)
Financing activities	1,313,226	(2,710)	1,315,936
Effect of exchange rate changes on cash and cash equivalents	1,192	(1,978)	3,170
Net increase (decrease) in cash and cash equivalents and restricted cash	$ 637,995	$ (194,670)	$ 832,665

Operating activities

Net cash provided by operating activities was $25.8 million for the first three months of 2025, compared to $(15.9) million in the comparable period in the prior year. The $41.7 million increase is due to changes in the following (in thousands):

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Dollar Change
Net income	$ 87,980	$ 133,352	$ (45,372)
Stock-based compensation	140,239	75,115	65,124
Fair value adjustments on strategic investments and marketable securities, net	(143,921)	(139,711)	(4,210)
Deferred income taxes	(48,768)	20,670	(69,438)
Debt inducement expense	28,666	—	28,666
Inventory and accounts payable	(8,375)	(87,914)	79,539
Receivables and contract assets	(73,565)	(56,737)	(16,828)
Deferred revenue	33,505	19,121	14,384
Other, net	10,033	20,166	(10,133)
Net cash provided by (used in) operating activities	$ 25,794	$ (15,938)	$ 41,732

Net cash provided by operating activities consisted of net income of $88.0 million, a net add-back of non-cash income statement items of $9.0 million and a $71.2 million net change in operating assets and liabilities. Primary drivers of the non-cash items include stock-based compensation expense for employee equity programs, debt inducement expense related to the induced conversion for our 2027 Notes, fair value adjustments for the net realized and unrealized gains on our strategic investments and marketable securities, and deferred income taxes. The realized and unrealized gains on our strategic investments and related warrants were primarily related to an observable price change and subsequent sale of one of our strategic investments. The change in accounts and notes receivable was largely due to increased sales. This was partly offset by the change in deferred revenue due to the timing of billing events. The change in inventory and accounts payable was largely due to advanced raw material purchases for Axon Body 4 and TASER 10 CEDs to support future sales. The change in deferred income taxes was primarily driven by non-taxable unrealized net investment gain and additional GAAP expense for unvested stock-based compensation.

Investing activities

Net cash used in investing activities was $702.2 million for the three months ended March 31, 2025 compared to cash used in investing activities of $174.0 million for the comparable period in the prior year. The net investing cash outflow is driven by $1.1 billion of investment purchases, including $203.4 million related to our strategic investments, and $24.9 million for purchases of property and equipment, net of proceeds. Cash outflow was partially offset by $110.9 million of proceeds from calls, maturities and sales of available-for-sale investments and $290.9 million of proceeds from the sale of strategic investments. The net cash outflow is primarily driven by greater available-for-sale and strategic investment activity in the current period, when contrasted with the prior comparable period.

Financing activities

Net cash provided by financing activities was $1.3 billion for the three months ended March 31, 2025 compared to cash used by financing activities of $2.7 million for the comparable period in the prior year. Financing cash inflow was driven by gross proceeds of $1.8 billion from the Senior Notes issuance. Gross proceeds from the issuance were partially offset by $407.5 million of principal payments related to the induced conversion for our 2027 Notes, $24.2 million of transaction costs related to the induced conversion, debt issuance, and revolver modifications, and payments totaling $5.0 million for income and payroll taxes on behalf of employees who net-settled stock awards during the period.

Critical Accounting Estimates

Our management's discussion and analysis of our financial condition and results of operation is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances, and we evaluate our estimates and assumptions on an ongoing basis. While we do not believe that a change in these estimates is reasonably likely, there can be no assurance that our actual results will not differ from these estimates.

Our critical accounting estimates are discussed in our amended 2024 Annual Report on Form 10-K/A for the fiscal year ended December 31, 2024. There have been no significant changes to these critical accounting estimates for the three months ended March 31, 2025. Refer to Note 1 in Part I, Item 1 of this Quarterly Report on Form 10-Q for any additional details regarding our significant accounting policies.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Interest Rate Risk

We typically invest in a limited number of financial instruments, consisting principally of investments in money market accounts, certificates of deposit, and corporate and municipal bonds with a typical long-term debt rating of “A” or better by any nationally recognized statistical rating organization, denominated in U.S. dollars. All of our cash equivalents and investments are treated as “available-for-sale”. To quantify our interest rate risk exposure, we perform a sensitivity analysis based on hypothetical changes in interest rates. Based on investment positions as of March 31, 2025, a hypothetical 100 basis point increase in interest rates across all maturities would result in a $2.1 million decline in the fair market value of the portfolio. Such losses would only be realized if we sold the investments prior to maturity.

Additionally, we have access to a $300.0 million line of credit borrowing facility which bears interest at SOFR plus 1.25 to 1.75% per year determined in accordance with a pricing grid based on our net leverage ratio and consolidated interest coverage ratio. Under the terms of the line of credit, available borrowings are reduced by outstanding letters of credit, which totaled $8.7 million at March 31, 2025. At March 31, 2025, there was no amount outstanding under the line of credit, and the available borrowing under the line of credit was $291.3 million. We have not borrowed any funds under the line of credit since its inception; however, should we need to do so in the future, such borrowings could be subject to adverse or favorable changes in the underlying interest rate.

Exchange Rate Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, in each case compared to the U.S. dollar, related to transactions by our foreign subsidiaries. The majority of our sales to international customers are transacted in foreign currencies and therefore are subject to exchange rate fluctuations on these transactions. The cost of our products to our customers increases when the U.S. dollar strengthens against their local currency, and we may have more sales and expenses denominated in foreign currencies in future years which could increase our foreign exchange rate risk. Additionally, intercompany sales to our non-U.S. dollar functional currency international subsidiaries are transacted in U.S. dollars which could increase our foreign exchange rate risk caused by foreign currency transaction gains and losses.

To date, we have not engaged in any currency hedging activities. However, we may enter into foreign currency forward and option contracts with financial institutions to protect against foreign exchange risks associated with certain existing assets and liabilities, certain firmly committed transactions, forecasted future cash flows and net investments in foreign subsidiaries. However, we may choose not to hedge certain foreign exchange exposures for a variety of reasons, including, but not limited to, the prohibitive economic cost of hedging particular exposures. As such, fluctuations in currency exchange rates could harm our business in the future.

Item 4. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer are responsible for the evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of March 31, 2025 due to unremediated material weaknesses in our internal control over financial reporting as disclosed in Part II, Item 9A of our amended 2024 Annual Report on Form 10-K/A for the year ended December 31, 2024.

Remediation Efforts to Address the Material Weaknesses

With respect to the material weaknesses, management, under the oversight of the Audit Committee, is in the process of implementing remediation plans in response to the identified material weaknesses. Refer to Part II, Item 9A of our amended 2024 Annual Report on Form 10-K/A for additional details relating to the remediation plans. While we have taken steps to implement our remediation plans, the material weakness cannot be considered remediated until the applicable controls have operated for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. *Legal Proceedings*

The discussion in Note 14 to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated by reference herein.

Item 1A. *Risk Factors*

Risk Factor Summary

The following is only a summary of the principal risks that may materially adversely affect our business, financial condition, results of operations and cash flows. The following should be read in conjunction with the more complete discussion of the risks we face, which are set forth more fully below.

Strategic Risks

- We substantially depend on acceptance of our products and services by law enforcement agencies throughout the world. If law enforcement agencies do not continue to purchase and use our products and services, our business prospects, operating results and financial condition will be materially adversely affected.
- We substantially depend on sales of our CEDs, and if these products do not continue to be widely accepted, our business prospects, operating results and financial condition will be diminished.
- If we are unable to design, introduce, sell and deploy new products or new product features successfully, our business and financial results could be adversely affected.
- We face risks associated with rapid technological change and new competing products.
- Our future success depends on our ability to expand sales through direct sales and distributors and our inability to increase direct sales or recruit new distributors would negatively affect our sales.
- Negative publicity could adversely impact sales, which could cause our revenues or operating results to decline.
- Acquisitions of, or investments in, other products, technologies or businesses could disrupt our business, dilute shareholder value, and adversely affect our operating results.
- We may not successfully manage our growth or plan for future growth.
- We are highly dependent on the services of our executive officers, including Patrick W. Smith, our Chief Executive Officer. Our failure to retain executive officers could adversely impact our business.

Operational Risks

- Unavailability of materials or higher costs could adversely affect our financial results.
- Material adverse developments in domestic and global economic conditions, or the occurrence of other sufficiently disruptive world events, could materially adversely affect our revenue and results of operations.
- If demand for our products increases, our future success will depend on our ability to manage our growth and to increase manufacturing production capacity.
- Delays in product development schedules could adversely affect our revenues and cash flows.
- We expend significant resources in anticipation of a sale due to our lengthy sales cycle and may receive no revenue in return.

- If our security measures or those of our third-party providers, including cloud storage providers, are breached, resulting in unauthorized access to our and our customers' data, it could undermine the confidence in our network, data centers and services, leading to reduced customer use of our products and services and significant legal and financial exposure and liabilities.
- Catastrophic events could materially adversely affect our business prospects, operating results and financial condition.
- Uncertainty in the development, deployment, and use of artificial intelligence ("AI") in our products and services, as well as our business more broadly, could adversely affect our business and reputation.
- Defects or disruptions in our services could impact demand for our services and subject us to substantial liability.
- Defects in our products could reduce demand for our products or result in product recalls and result in a loss of sales, delay in market acceptance and damage to our reputation.
- Our international operations expose us to additional risks that could harm our business prospects, operating results and financial condition.
- We depend on our ability to attract and retain our key management, sales and technical personnel.
- Failure to comply with federal, state, or local regulations applicable to our firearm product, the TASER 10 CED, could result in governmental actions or litigation, potentially harming our business prospects, operating results, and financial condition.
- Failure to maintain effective internal control over financial reporting may adversely affect our ability to report our financial condition and operating results in a timely and accurate manner, which may cause investor confidence to diminish and the value of our common stock to decline.
- Our revision and our restatement of previously issued consolidated financial statements may adversely affect investor confidence and could result in regulatory actions and stockholder litigation.

Financial Risks

- An increasing percentage of our revenue is derived from subscription billing arrangements that may result in delayed cash collections and may increase customer credit risk on receivables and contract assets.
- Our gross margin depends on a number of factors, including our product mix, cost structure and acquisitions we may make, any of which could cause our gross margin to fluctuate.
- Revenue for our Software as a Service ("SaaS") products is recognized over multi-year contract terms, which may delay the reflection of new business in our operating results.
- Most of our end-user customers are subject to budgetary and political constraints, which may delay or prevent sales, result in cancellations, or lead to the non-renewal of contracts.
- The open bidding process introduces uncertainty in securing future contract awards.
- We hold the majority of our cash balances, some of which are not insured, at three depository institutions.
- Stock transactions may have a material, unpredictable impact on our operating results and may result in dilution to existing shareholders.
- Our financial performance is subject to risks associated with changes in the value of the U.S. dollar versus local currencies.
- Unanticipated changes in our effective tax rate and additional tax liabilities could adversely affect our operating results and financial condition.
- Our revenue and operating results may fluctuate unexpectedly from quarter-to-quarter, which could impact our stock price.
- Our profitability could suffer from declines in fair value or impairment of our investments, including our strategic investments, and could fluctuate if the fair values of our investments increase.

Legal and Compliance Risks

- We may face personal injury, wrongful death, product liability and other liability claims that harm our reputation and adversely affect our business prospects, operating results and financial condition.

- Other litigation, government inquiries and regulatory actions may result in significant costs and judgments and divert management attention from our business.
- We have in the past and may in the future be subject to intellectual property infringement and other claims, which could incur substantial litigation costs, result in significant damages awards, inhibit our use of certain technologies, and divert management attention from our business.
- If we are unable to protect our intellectual property, the value of our brands and products may decrease and we may lose our competitive market advantage.
- We may be unable to enforce patent rights internationally, which may limit our ability to prevent our product features from being used by competitors in some foreign jurisdictions.
- The use of open-source software in our products, services and technologies may expose us to additional risks and harm our intellectual property rights.
- A variety of new and existing laws and/or interpretations could materially and adversely affect our business.
- Uncertainties with complex U.S. federal, state and local and foreign procurement laws and regulations could cause us to incur costs that could have a material adverse effect on our business, financial position, results of operations and cash flow.
- We are subject to evolving corporate governance and public disclosure regulations and expectations that could expose us to numerous risks.
- Our amended and restated bylaws include exclusive forum provisions that could increase costs to bring a claim, discourage claims or limit the ability of our shareholders to bring a claim in a judicial forum viewed by shareholders as more favorable for disputes.

Risks Related to our Indebtedness

- Fulfilling our debt obligations requires significant cash resources, which may exceed our available cash flow.
- The conditional conversion features of the 2027 Notes may adversely affect our financial condition and operating results.
- Conversion of the 2027 Notes may dilute the shareholder ownership and could depress the price of our common stock.
- The 2027 Note Hedge and Warrant transactions may impact the value of the 2027 Notes and our common stock.
- We are exposed to counterparty risk with respect to the 2027 Note Hedge transactions.
- Our indebtedness contains restrictive covenants that could limit our operational flexibility and adversely affect the value of our common stock.

Our past financial performance may not be a reliable indicator of our future performance and historical trends should not be used to anticipate our results or trends in future periods because of the following factors and other variables affecting our operating results. You should carefully consider the trends, risks and uncertainties described below and other information in this Quarterly Report on Form 10-Q and subsequent reports filed with or furnished to the SEC before making any investment decision with respect to our securities. If any of the following trends, risks or uncertainties actually occurs or continues, our business prospects, financial condition, results of operations or cash flows could be materially adversely affected, the trading prices of our securities could decline, and you could lose all or part of your investment. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

Strategic Risks

We substantially depend on acceptance of our products and services by law enforcement agencies throughout the world. If law enforcement agencies do not continue to purchase and use our products and services, our business prospects, operating results and financial condition will be materially adversely affected.

Our largest customer vertical is U.S. federal, state and local law enforcement. Axon has a customer relationship with a substantial number of federal, state and local law enforcement agencies in the United States. At any point, whether or not related to the performance of our products and services, law enforcement agencies may elect to no longer purchase or use our CEDs or other products and services. For example, we believe that in the past our sales were adversely impacted by negative coverage and publicity surrounding our products and services and their use and this could occur in the future, including as a result of factors beyond our control. If law enforcement agencies no longer purchase our products and services, or materially decrease their purchases, our business prospects, operating results and financial condition will be materially adversely affected.

We substantially depend on sales of our CEDs, and if these products do not continue to be widely accepted, our growth prospects, operating results and financial condition will be diminished.

For the years ended December 31, 2024, 2023 and 2022, we derived a significant portion of our revenues from sales of CEDs and related products and services, whether sold individually or as part of a subscription plan offering. We anticipate that these products will continue to account for a significant portion of our revenue for the foreseeable future. The acceptance of these devices is critical to our business prospects, operating results and financial condition. If we cannot continue to meet customer demands or achieve more widespread market acceptance of these products, our business prospects, operating results, and financial condition will be materially adversely affected.

Demand for CED products is affected by several factors, many of which are beyond our control, including continued market acceptance of our products by our customers, technological change, and growth or contraction of the economy in general. Additionally, our CEDs and other offerings or products could fail to maintain or attain sufficient customer acceptance for many reasons, including:

- our failure to predict market demand accurately, whether as a result of a failure to anticipate demand for product features or functionality or to supply offerings that meet this demand;
- real or perceived defects, errors or failures;
- negative publicity about product performance or effectiveness;
- delays in releasing to the market our improved offerings or enhancements, or defects, errors or failures while releasing such offerings or enhancements;
- real or perceived failure to offer complementary products that enhance the functionality of our offerings;
- introduction or anticipated introduction of competing products; and
- budget constraints or other limitations for our customers.

A decrease in the selling prices of or demand for these products, or their failure to maintain broad market acceptance, would significantly harm our competitive position, business prospects, operating results and financial condition.

If we are unable to design, introduce, sell and deploy new products or new product features successfully, our business and financial results could be adversely affected.

Our future success will likely depend on our ability to develop new products or product features that achieve market acceptance in a timely and cost-effective manner and in a way that is responsive to customer demand. The development of new products and product features is complex, time-consuming and expensive, and we may experience delays or incur significant additional costs in completing the development and introduction of new products. We may choose to carry higher levels of inventory to mitigate the risk of production delays, which may expose us to an increased risk of obsolescence.

We have devoted, and continue to devote, significant resources to develop and deploy SaaS solutions to a large number of customers. If there is a substantial increase of new customers in a small window, we may have difficulty deploying these solutions in a way that meets market demand. Increases in customer demand may require us to change our information technology ("IT") infrastructure, expand our IT infrastructure or replace our IT infrastructure entirely. Scaling and adapting our IT infrastructure is likely to be complex and require additional technical expertise. If we are required to make any changes to our IT infrastructure, we may incur substantial costs and experience delays or interruptions in our solutions. These delays or interruptions may cause customers to become dissatisfied with our solutions and move to competing providers. Our failure to accommodate increased traffic, increased costs, inefficiencies or failures to adapt to new technologies or customer requirements and the associated adjustments to our IT infrastructure could harm our business prospects, operating results and financial condition.

Additionally, customers' requirements for these products are complex and varied. If we cannot develop scalable solutions that can be consistently configured for customers with minimal effort or grow and maintain a professional services team that can consistently configure our products to meet the requirements of large numbers of customers in a timely and cost-effective manner, our ability to broadly scale SaaS solutions could be negatively impacted, and our business prospects, operating results and financial condition could be negatively impacted.

We cannot provide any assurance that products that we may develop in the future will achieve market acceptance. If we fail to develop new products or new product features on a timely basis that achieve market acceptance, our business, financial results and competitive position could be adversely affected.

We face risks associated with rapid technological change and new competing products.

The technology associated with law enforcement devices and software receives significant attention and is rapidly evolving. The introduction of products embodying new technologies and the emergence of new industry standards can render existing products obsolete and unmarketable. In particular, AI and machine learning technologies are rapidly developing and as these technologies are incorporated into our products and the operations of our customers, the pace of change has in the past and may in the future continue to accelerate. Additionally, we expect our products to meet and keep pace with evolving security standards and requirements of our industry and customers, including those of the U.S. federal government and international governments. While we have some patent protection in certain key areas of our Axon devices, CEDs and SaaS technology, new technology may result in competing products that operate outside our patents and could present significant competition for our products, which could adversely affect our business, financial results and competitive position. Additionally, our competitors may develop competing technologies or products with superior features or lower costs, respond quicker to emerging technologies, conduct more extensive marketing campaigns, have greater financial, marketing, manufacturing and other resources, and may be more successful in attracting potential customers, employees and strategic partners. If we cannot compete effectively, our business and financial results could be adversely affected.

Our future success depends on our ability to expand sales through direct sales and distributors and our inability to increase direct sales or recruit new distributors would negatively affect our sales.

Our distribution strategy is to pursue sales through multiple channels primarily through direct sales and independent distributors. We focus on direct sales to larger agencies and our inability to grow sales to these agencies in this manner would materially adversely affect our business prospects, operating results, and financial condition. In addition, our inability to establish relationships with and retain distributors who we believe can successfully sell our products would materially adversely affect our business prospects, operating results, and financial condition. If we do not competitively price our products, meet the requirements of our distributors or end-users, provide adequate marketing support, or comply with the terms of our distribution arrangements, our distributors may fail to aggressively market our products or may terminate their relationships with us. These developments would likely have a material adverse effect on our sales. Our reliance on the sales of our products by others also makes it more difficult to predict our revenue, cash flow, and operating results.

In certain states and foreign jurisdictions, we have chosen to sell directly with law enforcement customers rather than through established distribution channels. However, some of our customers may have strong working relationships with distributors, and we may face resistance to this change. Failure to overcome this resistance and successfully establish direct relationships with our customers could negatively impact sales, or our competitors may be better positioned by continuing to sell through distributors, which could adversely affect our business prospects, operating results and financial condition.

Negative publicity could adversely impact sales, which could cause our revenues or operating results to decline.

Our business depends on the reputation of the Axon brand. If we are unable to maintain the position of the Axon brand, our business may be adversely affected by diminishing the appeal of the brand to our customer base. This could result in lower sales and earnings.

Our reputation and our brands have in the past been, and could in the future be, damaged by negative publicity, whether or not merited or as a result of actions that are within our control. Negative publicity could relate to our company, our brands, our products, our supply chain, our packaging, our employees or any other aspect of our business. We could experience negative publicity (which may be raised by consumer advocacy groups, third-party interest groups, investors, employees or other stakeholders) for a variety of reasons, including as a result of product safety issues, threatened or pending legal or regulatory proceedings, product claims, advertising and promotional practices, sustainability or policy issues, materials sourcing or cybersecurity incidents. Negative publicity that damages one of our brands could be compounded by having an adverse effect on our other brands or our company as a whole.

In addition, unfavorable media or investor and analyst reports related to our industry, company, brand, marketing, personnel, operations, business performance, or prospects may affect our common stock price and the performance of our business, even if the publicity is not directly related to our company or our brands and even if the publicity is not accurate. Furthermore, the speed at which negative publicity is disseminated has dramatically increased through use of electronic communication, including social media outlets, websites and other digital platforms. Alternatively, our employees may knowingly or inadvertently use digital or social media platforms in ways that may not be aligned with our digital or social media strategy and could damage our reputation or our brands. Our success in maintaining and enhancing our brand depends on our ability to adapt to rapidly changing media environments. Adverse publicity or negative commentary from any media outlet could damage our reputation, require us to expend substantial resources to remedy the damage or reduce the demand for our products and services, which would all adversely affect our business and financial results.

Acquisitions of, or investments in, other products, technologies or businesses could disrupt our business, dilute shareholder value, and adversely affect our operating results.

Our business strategy has included, and may continue to include, acquiring or investing in other complementary products, technologies, or businesses. Identifying and negotiating these transactions can be time-consuming, difficult, and expensive. Additionally, our ability to close these transactions has previously, and may in the future, depend on obtaining third-party approvals, such as government regulatory approvals and clearances, which are beyond our control. Consequently, we can make no assurance that these transactions once undertaken and announced, will close.

Acquisitions or investments may present unforeseen operating difficulties and expenses. If we acquire businesses, technologies or products, we may encounter difficulties in successfully integrating the acquired personnel, operations, systems, technologies, or products successfully, or effectively managing the combined business. Anticipated benefits of such transactions may not materialize due to factors such as:

- inability to integrate or profitably benefit from acquired products, technologies or businesses;
- failure to obtain regulatory approvals, clearances or certifications;
- exposure to new regulations related to the acquired products, technologies, or business that are unexpectedly burdensome, negatively impact existing products, technologies or business, or require significant investment in order to achieve compliance;
- unanticipated costs, liabilities, or risks related to the transaction, such as those arising from litigation, government inquiries, or regulatory actions;
- identified or unknown security vulnerabilities in acquired technologies that expose us to additional security risks or delay integration;
- cultural misalignment with the acquired company, as well as disruptions to our workplace environment or investor perception;
- unionization or labor organization efforts leading to work stoppages, strikes, or disruptions in business operations;
- incurrence of costs related to the transaction and integration;
- difficulty integrating the accounting and information systems, operations and personnel of the acquired business;
- inability to enhance the acquired technologies and platforms to meet the quality, performance, and brand standards expected by our customers;
- difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- challenges aligning the acquired company’s revenue recognition policies and forecasting methods;
- write-offs of acquired assets or investments, credit risks, or other financial impacts associated with acquired customers;
- challenges transitioning acquired customers to our systems, processes, and contractual terms;
- diversion of management’s attention;
- harm to existing business relationships with business partners and customers;
- loss of key employees;
- diversion of critical resources, including substantial portions of available cash, away from other parts of our business;
- shareholder dilution resulting from the issuance of new equity to finance the transaction;
- incurrence of debt on unfavorable terms, repayment difficulties, or significant financial liabilities arising out of the acquisition or investment; and
- exposure to adverse tax consequences, substantial asset depreciation, or deferred compensation expenses.

We cannot assure you that the anticipated benefits of any acquisition or investment will be realized, that projected synergies will materialize, or that we will not be exposed to unknown liabilities or risks. Integrating an acquired technology, asset, or business into our operations can be challenging, complex, and costly, and we cannot assure you that we will be successful or that the anticipated benefits of the acquisitions or investments that we complete will outweigh their costs. If our integration and development efforts are unsuccessful and the anticipated benefits of the acquisitions we complete are not achieved, our business prospects, operating results and financial condition could be adversely affected.

In connection with these types of transactions, we may issue additional equity securities that would dilute our shareholders, use cash that we may need in the future to operate our business, incur debt on terms unfavorable to us or that we are unable to repay, incur large charges or substantial liabilities, encounter difficulties integrating diverse business cultures and values or become subject to adverse tax consequences, substantial depreciation, or deferred compensation charges. These challenges could adversely affect our business prospects, operating results and financial condition.

We may not successfully manage our growth or plan for future growth.

Since our founding in 1993, we have experienced rapid growth. The growth and expansion of our business places a continuous and significant strain on our management, operational, and financial resources. Further growth of our operations to support our customer base, our expanding third-party relationships, our information technology systems, and our internal controls and procedures may not be adequate to support our operations. Managing our growth will also require significant expenditures and allocation of valuable management resources, including the challenges of integrating, developing, and motivating a growing employee base in various countries around the world.

In addition, our rapid growth may make it difficult to evaluate our future prospects. Our ability to forecast our future results of operations is subject to a number of uncertainties, including our ability to effectively plan for and model future growth. We have encountered in the past, and may encounter in the future, risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If we fail to achieve the necessary level of efficiency in our organization as it grows, or if we are not able to accurately forecast future growth, our business would be harmed.

We are highly dependent on the services of our executive officers, including Patrick W. Smith, our Chief Executive Officer. Our failure to retain executive officers could adversely impact our business.

Our future success depends upon our ability to retain executive officers, including Patrick W. Smith, and any failure to do so could adversely impact our new product development, business prospects, operating results and financial condition.

Among other qualifications, Patrick W. Smith is the founder of Axon and brings extensive executive leadership experience in the technology industry, including the management of worldwide operations, sales, service and support as well as technology innovation as an inventor listed on over 50 U.S. patents. Mr. Smith has been instrumental in building the public safety operating system of the future by integrating a suite of hardware devices and cloud-based software solutions that lead to modern policing and help save lives. From the early days of founding the organization to today as a market leader, Mr. Smith's expertise has brought forth entirely new product categories, including the less-than-lethal TASER de-escalation platform, body cameras and cloud software that modernize public safety.

The loss of any of our senior management, including Patrick W. Smith, could interrupt our ability to execute our business plan, as such individuals may be difficult to replace.

Operational Risks

Unavailability of materials or higher costs could adversely affect our financial results.

We depend on domestic and international suppliers for the delivery of components used in the assembly of our products. Our reliance on third-party suppliers creates risks related to our potential inability to obtain an adequate supply of components or sub-assemblies and reduced control over pricing and timing of delivery of components and sub-assemblies, including single or sole-source components used in the manufacture of our products. Specifically, we depend on suppliers of sub-assemblies, machined parts, injection molded plastic parts, printed circuit boards, semiconductors, custom wire fabrications and other miscellaneous custom and off-the-shelf parts for our products. Although we may implement long-term agreements with strategic suppliers to mitigate the risk of supply continuity, disruptions remain possible. Additionally, if our suppliers do not allocate sufficient production, they may decommit from agreed supply levels, or inaccurately forecast demand, we may face reduced access to components and need to secure new suppliers. As the scale of our hardware production increases, we need to accurately forecast, purchase, warehouse and transport components at high volumes to our manufacturing facilities. If we are unable to accurately match the timing and quantities of component purchases to our actual needs, we may incur costs related to unexpected production disruption, storage, transportation, expedite, and write-offs, which may harm our business prospects and financial condition.

The TASER 10 CED presents additional supply chain challenges due to its unique design and regulatory requirements, including, for example, the regulation of imports and exports of certain TASER 10 CED components. We also purchase raw materials for TASER 10 CEDs from a limited number of suppliers, some of which may be subject to market price fluctuations that we may be unable to pass through to our customers. Because of the unique requirements of TASER 10 CEDs, we cannot change suppliers easily. Any delay or interruption in the supply of the raw materials that are used in TASER 10 CEDs could impair our ability to manufacture and deliver TASER 10 CEDs, harm our reputation, or cause a reduction in revenues.

A significant number of our raw materials or components comprise petroleum-based products or incur some form of landed cost associated with transporting the raw materials or components. Our freight and import costs and the timely delivery of our products could be adversely affected by the materialization or re-emergence of a number of factors that could reduce the profitability of our operations, including, for example: higher fuel costs; supply chain shortages; potential port closures or shipping disruptions; customs clearance issues; increased government regulation or regulatory changes for imports of foreign products into the United States and exports from foreign sources; and delays created by war, terrorist attacks or threats, public health issues, national disasters or work stoppages. We are also subject to supply chain disruption if any of our suppliers violate legislation that bans the import of goods based on their method of production, such as using forced labor or sanctioned raw material suppliers. This may also result in negative publicity regarding our production methods, and alleged unethical or illegal practices of any of our suppliers could adversely affect our reputation. Any interruption of supply for any material components of our products could significantly delay the shipment of our products and have a material adverse effect on our revenues, profitability and financial condition. For example, there have been and may continue to be disruptions in the semi-conductor supply chain that could negatively impact our ability to make our products.

If significant tariffs or other restrictions continue to be placed on foreign imports by the United States, our sales and results of operations may be harmed. Recently, the U.S. government has indicated its intent to modify U.S. trade policy and, in some cases, to renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements. It has also imposed or has indicated its intent to impose increased tariffs on foreign imports into the United States, particularly from China, Mexico and Canada. Such tariffs could have a significant impact on our business, particularly the importation of products used in our business that are manufactured outside the United States, which have resulted and could in the future result in our products exported from the United States being subject to retaliatory tariffs imposed by other countries. We also source certain raw materials from foreign countries, as do some of our suppliers. The implementation of tariffs and trade restrictions as well as changes in trade policies between the United States and such foreign countries could lead to increases in our supply costs and make it more difficult to obtain suppliers and may have an adverse effect on our supply chain from a cost and sourcing perspective. If we attempt to renegotiate prices with suppliers or diversify our supply chain in response to tariffs, such efforts may not yield immediate results or may be ineffective. We might also consider increasing prices to the end consumer; however, this could reduce the competitiveness of our products and adversely affect net sales. Finally, tariffs and international trade arrangements may continue to change, potentially without warning and to an extent that is difficult to predict. Changing tariff rates and shifting trade regulations may create significant uncertainty for vendors, consumers, and us; may increase our merchandise costs; negatively impact consumer demand for our products and services; or otherwise negatively impact our operating results. We may not be able to forecast such impacts accurately. If we fail to manage these dynamics successfully, gross margins and profitability could be adversely affected. Increased tariffs or trade restrictions implemented by the United States could have a material adverse effect on our business prospects, operating results and financial condition.

Material adverse developments in domestic and global economic conditions, or the occurrence of other sufficiently disruptive world events, could materially adversely affect our revenue and results of operations.

Global economic uncertainty continues to pose risks to our business, driven by factors such as ongoing conflicts in Gaza and Ukraine, the volatility of interest rates, high inflation, changes in U.S. immigration policy, an actual recession or fears of a recession, trade policies and tariffs, and geopolitical tensions. Our inability to offset price inflation in our materials, components, shipping or labor through increased prices to customers with long-term fixed-price contracts and formula-based or long-term fixed-price contracts with suppliers could adversely affect our business prospects, operating results and financial condition. Global supply chain and labor market challenges could also negatively affect our and our suppliers' performance. Interest rate increases have also created financial market volatility and could further negatively impact financial markets, lead to an economic downturn or recession, or have an adverse effect on our financial results. Economic slowdowns can also negatively impact municipal and state tax collections and put pressure on law enforcement budgets, which may increase the risk that our customers will be unable to appropriate funds for existing or future contracts with us. In addition, geopolitical risks could affect our customers' budgets and policies. These and other factors may adversely affect customer demand and ability to pay, cause decrease in sales, and negatively impact the realizability of our accounts and notes receivable and contract assets.

If the demand for our products increases, our future success will be dependent upon our ability to manage our growth and to increase manufacturing production capacity.

A significant increase in demand for our products may require us to expand our production capacity while maintaining product quality. Our primary strategies to meet this challenge include introducing additional shifts, increasing the physical size of our assembly facilities, hiring additional production staff, and implementing additional customized manufacturing automation equipment. As we develop additional products, we may need to bring new equipment online, implement new systems, technology, methods and processes, and hire personnel with different qualifications. The costs associated with implementing new manufacturing technologies, methods and processes, including the purchase of new equipment, and any resulting delays, inefficiencies or loss of sales, could harm our financial results. The investments we make in equipment, technologies or personnel may not yield the anticipated labor and material efficiencies, and we may experience difficulty in attracting, integrating and retaining qualified personnel. Our inability to meet any future increase in sales demand or effectively manage our expansion could have a material adverse effect on our revenues, operating results and financial condition.

Delays in product development schedules could adversely affect our revenues and cash flows.

The development of CEDs, devices, sensors, and software is complex and time-consuming. Achieving market acceptance requires accurately anticipating customer needs and delivering products that adapt to evolving demands in a timely and cost-effective manner. Customers may require product features and capabilities that our current products do not have. If we fail to develop products that satisfy customer requirements, our ability to create or increase demand for our products could be adversely affected.

Without the timely and cost-effective introduction of new products, services, and enhancements, our offerings will likely become less competitive over time, in which case our competitive position and operating results could suffer. New products and services, and enhancements to existing products and services, can require long development and testing periods and significant investment, including substantial R&D, development of different engineering and manufacturing workflows, and adjustments to our data and analytics infrastructure. Our focus on our SaaS platform also presents complex development issues. Significant delays in new product or service releases or problems in creating new products or services could adversely affect our business, growth prospects, operating results, cash flows, and competitive position.

We expend significant resources in anticipation of a sale due to our lengthy sales cycle and may receive no revenue in return.

Before committing to purchase our products, our end-user customers typically consider a wide range of issues such as product benefits, training costs, the cost to use our products in addition to or in place of other products, budget constraints and product reliability, safety and efficacy. Because we sell to various types of non-government and government entities of multiple sizes, including national agencies, state agencies, county agencies and municipal agencies, which can require varying levels of approvals followed by appropriations, the length of our sales cycle may range from a few weeks to as long as several years. Adverse publicity surrounding our products or the safety of such products has in the past, and could in the future, lengthen our sales cycle with customers. We believe that in the past our sales were adversely impacted by negative coverage and publicity surrounding our products or the use of our products. We may incur substantial selling costs and expend significant effort in connection with the evaluation of our products by potential customers before they place an order. If these potential customers do not purchase our products, we will have expended significant resources and received no revenue in return.

If our security measures or those of our third-party providers, including cloud storage providers, are breached, resulting in unauthorized access to our or our customers' data, it could undermine confidence in our network, data centers, and services leading to reduced customer use of our products and services and significant legal and financial exposure and liabilities.

Security breaches of our products and services could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our customers' data. Additionally, breaches of our network or data security measures or those of our third-party providers—including cloud storage providers, suppliers and vendors—could disrupt the security of our internal systems and business applications, impair our ability to provide products and services to our customers and protect the privacy of their data, result in product development delays, result in theft or misuse of our intellectual property or other assets, require us to allocate more resources to improve technologies, or otherwise materially adversely affect our business. Supply chain vulnerabilities, such as compromised third-party software, hardware, or components, could further expose our systems to cyber risks which could materially adversely affect our business.

Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently, grow more complex over time, and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. The delayed detection of sophisticated threats could allow attackers to remain undetected within our systems for extended periods, increasing the potential damage to our operations, intellectual property, and customer data. Moreover, our security measures and those of our third-party service providers or customers have not in the past and may not in the future immediately detect such security breaches if they occur. Although we have developed systems and processes that are designed to protect our data and user data, to prevent or detect data loss and security breaches, we have been in the past and are likely to remain a frequent target of third-party cybersecurity intrusion attempts and we cannot assure that such measures will provide absolute security. We have in the past and may in the future incur significant costs in protecting against or remediating cyber attacks.

We also face increasing and evolving disclosure obligations related to cyber and other security events. Despite rigorous processes, we risk failing to meet all our existing or future disclosure obligations or having our disclosures misinterpreted. National security or public safety considerations may also affect, or in limited instances prevent, our public disclosure of a cybersecurity incident in certain circumstances.

We devote significant resources to engineer secure products and ensure security vulnerabilities are mitigated, and we require our third-party service providers to do so as well. Remote-work arrangements may increase our exposure to cyber attacks due to vulnerabilities in unsecured devices, networks, and employee environments. Breaches could occur during transfer of data-to-data centers or at any time, and result in unauthorized physical or electronic access to our or our customers' data. Third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as usernames, passwords or other information to gain access to our data or our customers' data. Additionally, hackers may develop and deploy viruses, worms and other malicious software programs that attack or gain access to our networks and data centers. Recent developments in the threat landscape include use of AI and machine learning by attackers to automate, enhance, and evade detection during cyber attacks, along with an increased number of cyber extortion and ransomware incidents. These attacks can feature higher financial ransom demands and demonstrate increasing sophistication, including novel ransomware techniques, diverse methodologies, and advance capabilities such as adaptive malware and deepfake-enabled phishing schemes. Increasing socioeconomic and political instability in some countries has heightened these risks. In addition, retaliatory acts by foreign governments in response to Western sanctions could include cyber attacks that could directly or indirectly impact our operations.

A security breach could expose us to a risk of loss or inappropriate use of proprietary and sensitive data, or the denial of access to this data. A real or perceived security breach could also result in a loss of confidence in the security of our products and services, damage our reputation, disrupt our business, subject us to third-party lawsuits, regulatory fines or investigations or otherwise subject us to legal liability, negatively impact our future sales and significantly harm our business prospects, operating results and financial condition. Even the perception of inadequate security may damage our reputation and negatively affect our ability to win new customers or retain existing customers.

Catastrophic events could materially adversely affect our business prospects, operating results, and financial condition.

A disruption or failure of our systems or operations in the event of a major earthquake, weather event, fire, water shortage, explosion, failure to contain hazardous materials, industrial accident, utility failure, cyber attack, terrorist attack, public health crisis, pandemic, or other catastrophic event could cause delays in completing sales, providing products and services, or performing other mission-critical functions. A catastrophic event that results in the destruction or disruption of any of our critical operations, or of the capacity, reliability or security of our information technology systems, could harm our ability to conduct normal business activities and our operating results, as well as expose us to claims, litigation and governmental investigations and fines. Such events may also jeopardize employee safety and availability, causing additional delays or operational challenges. In addition, catastrophes may put pressure on federal, state and municipal government budgets, which may increase the risk that our customers will be unable to appropriate funds for existing or future contracts with us. These and other factors may adversely affect customer demand and their ability to pay, cause decrease in sales, and negatively impact the realizability of our accounts receivable and contract assets. Furthermore, service delays or failures during such events could damage our reputation, especially with public safety customers, and erode trust in our ability to deliver reliable solutions during critical times.

Public health emergencies have adversely affected workforces, economies and financial markets globally, and led to an economic downturn in the past and may do so again in the future.

We may also face threats to our physical security, including to our facilities and the safety and well-being of our people. In addition to the potential catastrophic events described above, these threats could involve insider threats, workplace violence, or civil unrest, which could adversely affect our company. Our customers and suppliers face similar risks that, if realized, could also adversely impact our operations. Such acts could cause delays, manufacturing downtime, or other impacts that could detrimentally impact our ability to perform our operations. We could also incur unanticipated costs to remediate impacts and lost business.

If our backup and mitigation plans are insufficient to minimize business disruption, our financial results could be adversely affected. We are continuously monitoring our operations and intend to take appropriate actions to mitigate the risks arising from catastrophic events, but there can be no assurances that we will be successful in doing so.

Uncertainty in the development, deployment, and use of AI in our products and services, as well as our business more broadly, could adversely affect our business and reputation.

We offer systems and tools that incorporate AI-based technologies, including generative AI, for our customers. We also leverage and expect to continue leveraging AI-based technologies for internal use to drive efficiency in our business operations. As with many new and emerging technologies, AI presents numerous risks and challenges to our internal business operations and our customers. For example, unexpected failures or inaccuracies in AI-driven systems could expose our customers to operational risks, particularly in high-stakes use cases such as law enforcement or public safety.

The development, adoption, integration and use of generative AI technology remains in the early stages and consequently, our AI technology may contain material defects or errors. Additionally, ineffective or inadequate AI or generative AI governance, development, use or deployment practices by us or third parties could result in unintended consequences. For example, AI algorithms that we use may be flawed or may be (or perceived to be) based on datasets that are biased or insufficient, a risk raised by the American Civil Liberties Union in a report dated December 10, 2024. Biases in AI models could result in discriminatory outcomes, eroding trust among customers and communities we serve.

Any latency, disruption, or failure in our AI systems, third-party AI systems that we utilize, or infrastructure could cause delays or errors in our offerings. Additionally, inadequate governance, testing, or quality assurance processes could result in flawed deployments, including those that result in physical harm or which produce erroneous or harmful outputs that may damage our reputation and expose us to legal liabilities. Correcting such defects or errors may be costly and time-consuming and could harm our business. Failure to adequately train customers on the use and limitations of AI-driven products could also compound these risks. Thoroughly testing generative AI models is challenging due to their complexity and the unpredictability of their outputs. Developing, testing, and deploying resource-intensive AI systems may require additional investment and increase our costs. There also may be real or perceived social harm, environmental harm, unfairness or other outcomes that undermine public confidence in the deployment and use of AI. Furthermore, third parties may deploy AI technologies in a manner that reduces customer demand for our products and services. Competitive pressures may also drive rapid AI development or deployment, increasing the risk of releasing inadequately tested or unreliable features. Any of the foregoing may result in decreased demand for our products and services or harm to our business, financial results, or reputation.

The legal and regulatory landscape surrounding AI technologies is rapidly evolving and uncertain, particularly in areas of intellectual property, cybersecurity, privacy, and data protection. For example, there is uncertainty around the validity and enforceability of intellectual property rights related to our development, deployment and use of AI. Cyber attacks that use AI may also become increasingly frequent and effective. Additionally, third parties that license AI technologies to us may impose unfavorable licensing terms or terminate the licenses altogether, requiring us to seek licenses from alternative sources to avoid disruptions in feature delivery.

Compliance with new or changing laws, regulations, or industry standards relating to AI may impose significant operational costs and may limit our ability to develop, deploy or use AI technologies. In part due to our global scope and law enforcement customer base, we may face heightened scrutiny and regulatory requirements, which could further increase compliance costs and limit our ability to develop, deploy or use our AI solutions or other AI technologies. For example, the AI Act in the European Union imposes compliance requirements on a variety of AI uses by law enforcement, as well as on the companies that develop those products, including us. Other jurisdictions may adopt similar measures in the future. In the future, we may voluntarily or involuntarily initiate recalls if our products are determined by us or a regulatory authority to be noncompliant with applicable laws and regulations. Such recalls, whether voluntary or involuntary, could result in significant expense, supply chain complications, and may harm our brand, business, prospects, financial condition and operating results. Please also see "Operational Risks—Defects in our products could reduce demand for our products or result in product recalls and result in a loss of sales, delay in market acceptance, and damage to our reputation" for additional information.

We may also face increased scrutiny regarding data privacy and security risks related to the data we use to train and evaluate AI models, as breaches or misuse of this data and associated terms and conditions could expose us to significant liabilities. For example, while we do not use customer data to train AI models today, we do occasionally use data obtained from the Axon Customer Evidence Improvement Program ("ACEIP") for evaluation and we may use ACEIP data to also train models in the future, while ensuring proper consents and compliance with applicable laws. This approach reflects our commitment to responsible data usage and governance. However, there remains a significant risk in the nature of data used by third-party providers to train the AI models we rely on, including whether such third-party providers have trained AI models on data that they did not have proper consents for. Failure to appropriately respond to this evolving landscape may result in legal liability, regulatory action, or brand and reputational harm.

Defects or disruptions in our services could impact demand for our services and subject us to substantial liability.

We rely on third-party cloud service providers located in the United States and other countries to deliver our cloud services. The use of these cloud service providers gives us greater flexibility in efficiently delivering a more tailored, scalable customer experience, but also exposes us to additional risks and vulnerabilities. Lack of availability of this infrastructure could be due to several potential causes such as technical failures, natural disasters, fraud or security attacks that we cannot predict or prevent. Interruptions in our service, or loss or corruption of digital evidence, may reduce our revenue, cause us to issue credits or pay penalties, cause customers to file litigation against us, cause customers to terminate their subscriptions, and adversely affect our renewal rates and our ability to attract new customers.

Our business will also be harmed if our customers and potential customers believe our service is unreliable. Since our customers use our services for important aspects of their operations, any errors, defects, disruptions in service or other performance problems could hurt our reputation and may damage our customers' operations. Additionally, the inability to recover or restore lost or corrupted digital evidence in a timely manner could result in significant reputational damage. This risk is particularly acute for law enforcement and public safety customers, where service reliability is critical, and disruptions could have serious operational or legal consequences. As a result, customers could elect not to renew our services or to delay or withhold payment to us. Delayed resolution of service outages or technical defects could also lead to prolonged dissatisfaction and erosion of customer trust. We could also lose future sales or customers may make warranty or other claims against us, which could result in an increase in our warranty expense, an increase in collection cycles for and decline in the collectability of accounts receivable or in the convertibility of contract assets to cash, and an increase in the expense and risk of litigation.

Defects in our products could reduce demand for our products or result in product recalls and result in a loss of sales, delay in market acceptance, and damage to our reputation.

Complex components and assemblies used in our products may contain undetected defects that could be subsequently discovered at any point in the life of the product. Errors or defects in our products, including software-related errors or defects, may only be discovered after they have been tested, commercialized and deployed. In such event, we may incur significant additional development costs and product recall, repair or replacement costs, or liability for personal injury or property damage caused by such errors or defects. In particular, defects in products designed for public safety or law enforcement use could undermine customer and community trust, erode confidence in our brand, and result in heightened scrutiny or regulatory enforcement. Our reputation or brand may be damaged as a result of these problems and may result in difficulty retaining current customers and securing new contracts. Defects in our products could result in a loss of sales, delay in market acceptance, damage to our reputation and increased warranty costs, which could adversely affect our business, financial results and competitive position.

Additionally, we are subject to the U.S. Consumer Products Safety Act of 1972, as amended by the Consumer Product Safety Improvement Act of 2008, which empowers the Consumer Products Safety Commission to exclude from the market products that are found to be unsafe or hazardous, and similar laws under foreign jurisdictions. We could also face challenges with cross-border compliance if products are recalled in multiple jurisdictions, further increasing operational and financial burdens. Under certain circumstances, the Consumer Products Safety Commission or comparable foreign agencies could require us to repurchase or recall one or more of our products. If we were required to remove, or we voluntarily remove, our products from the market, our reputation could be tarnished, and we might have large quantities of finished products that we could not sell. A recall of critical components may also disrupt manufacturing and delay delivery of other products in our portfolio, compounding the adverse effect on our business.

Our international operations expose us to additional risks that could harm our business prospects, operating results, and financial condition.

We have significant international operations and plan to continue growing internationally by acquiring existing entities and setting up new legal entities in new markets. In certain international markets, we have limited operating experience and may not benefit from first-to-market advantages or otherwise succeed. Our international operations expose us to other risks, including:

- restrictions on foreign ownership and investments, along with stringent foreign exchange controls, could limit our ability to repatriate cash earned in countries outside the United States;

- import and export requirements, tariffs, trade disputes, product certification mandates, sanctions, and customs could hinder our ability to offer products or services in certain countries or obtain necessary parts and components to manufacture products;
- longer payment cycles in certain countries, heightened credit risk, and higher instances of payment fraud;
- uncertainty regarding liability for our products and services, including uncertainty resulting from local laws and lack of legal precedent; and
- differing labor laws and customs, existence of workers' councils and labor unions, and other challenges caused by distance, language, and cultural differences.

Our suite of products is export-controlled under both U.S. and international regulatory bodies. Changes in U.S. foreign policy, foreign governmental status and evolving international human rights policy objectives may impact Axon's ability to obtain licenses for a given destination or customer.

Trade regulations include, among other categories, environmental regulations, climate- and sustainability-related regulations, tax and statutory financial regulations, export and import controls, customs and duties regulations, internal control and disclosure rules, privacy and data protection requirements, anti-corruption laws, and other local laws prohibiting corrupt payments to governmental officials, and competition regulations.

Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our directors, officers, or employees, as well as prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries. They could also materially adversely affect our brand, international growth efforts, ability to attract and retain employees, business, and operating results. Although we have implemented policies and procedures designed to ensure compliance with these laws and regulations, there can be no assurance that our directors, officers, employees, contractors, or agents will not violate our policies nor that enforcement actions by regulators will be consistent. Furthermore, inconsistent enforcement of local laws and regulations in some jurisdictions may increase compliance uncertainty and risk.

We depend on our ability to attract and retain our key management, sales and technical personnel.

Our success depends upon the continued service of our key management personnel. Although we have entered into employment agreements with our key personnel, including Mr. Smith, these agreements have no specific duration and constitute at-will employment, which means they may terminate their employment with us at any time. Additionally, we do not maintain any key person insurance on any of our officers or employees. Any changes in our senior management team, even in the ordinary course of business, may be disruptive to our business. Such changes may result in a loss of institutional knowledge and cause disruptions to our business. Losing any member of our existing senior management team could also damage key seller relationships, lead to unanticipated replacement, recruitment and training costs, and make it more difficult to operate our business and achieve our business goals. Additionally, if our senior management team fails to work together effectively or execute our plans and strategies on a timely basis as a result of management turnover or otherwise, our business could be harmed.

Our success also depends on our ability to continue to attract, retain and motivate qualified technical employees. Our ability to compete effectively and our future success depends on our continuing to identify, hire, develop, motivate and retain highly skilled personnel. In particular, we compete with many other companies for employees with high levels of expertise in our industry, as well as for skilled engineers (including those with highly sought after experience in fields such as data science or AI), sales, and operations professionals. Job candidates may also be threatened with legal action under agreements with their existing employers if we attempt to hire them, which could impact hiring and result in a diversion of our time and resources. In addition, we are selective in our hiring process which requires significant investment of time and resources from internal stakeholders and management. At times, we have experienced, and we may continue to experience, difficulty in hiring personnel who meet the demands of our selection process and with appropriate qualifications, experience, or expertise, and we may not be able to fill positions as quickly as desired. In addition, our recruiting personnel, methodology, and approach may need to be altered to address a changing candidate pool and profile. We may not be able to identify or implement such changes in a timely manner.

Restrictive U.S. immigration policies and regulatory changes may also affect our ability to hire, mobilize or retain some of our global talent. Many of our technical personnel are foreign nationals entering the United States on work visas, primarily under the H-1B visa classification. The H-1B visa classification enables U.S. employers to hire qualified foreign nationals in positions that require an education at least equal to a bachelor's degree. U.S. immigration laws and regulations are subject to legislative and administrative changes, as well as changes in the application of standards and enforcement. Future restrictions on the availability of work visas could restrain our ability to acquire the skilled professionals needed to meet our customers' requirements, which could have a material adverse effect on our business. The scope and impact of these changes remain unclear, however a narrow interpretation and vigorous enforcement of existing laws and regulations could adversely affect the ability of entities with which we subcontract to utilize foreign nationals and/or renew existing foreign national consultants on assignment. There can be no assurance that we will be able to keep or replace all foreign nationals currently employed, or continue to acquire foreign national talent at the same rates as in the past.

In addition, our compensation arrangements, such as our equity incentives, may not always be successful in attracting new employees and retaining and motivating our existing employees. In particular, we may face challenges in hiring personnel, particularly for executive-level engineering talent, whether as a result of competition with other companies or other factors. We have had and expect to continue to have unique equity incentives designed to attract and retain long-term employees. We utilize these plans to align pay and performance and drive shareholder returns while reducing near-term cash expenditures. Our equity incentives and ongoing stock and option grants are subject to having sufficient shares under our stock plans and any new plans or increases in the number of shares available for grant under existing plans must be approved by our shareholders. If we are unable to obtain shareholder approval, we may be unable to attract and retain top talent, including senior executives. Our ability to attract, retain and motivate employees may also be adversely affected by common stock price volatility. The loss of the service of one or more of our key personnel could adversely impact our business prospects, operating results and financial condition.

Failure to comply with federal, state, or local regulations applicable to our firearm product, the TASER 10 CED, could result in governmental actions or litigation, potentially harming our business prospects, operating results, and financial condition.

The TASER 10 CED is primarily regulated by the Bureau of Alcohol, Tobacco, Firearms and Explosives (the “ATF”), which regulates the manufacture, sale and import of firearms in the United States primarily under the National Firearms Act of 1934, the Gun Control Act of 1968, and the Firearms Owners’ Protection Act of 1986, which have been amended from time to time.

The ATF conducts periodic audits of our facilities that hold federal firearms licenses. If we fail to comply with ATF rules and regulations, the ATF may limit our activities or growth related to the TASER 10 CED, fine us, or, ultimately, suspend our ability to produce and sell the TASER 10 CED product line. Such audits may also expose operational inefficiencies or create delays that affect production timelines or access to necessary permits. Also, various state and local laws, regulations, and ordinances relating to firearm characteristics, features and sales govern the TASER 10 CED product line. Axon and local distributors must comply with state and local laws, regulations, and ordinances pertaining to firearm and magazine sales in the jurisdictions where the TASER 10 CED is sold. Non-compliance with such laws could expose us to legal liability, reputational harm, and additional costs with remedying violations. Additionally, certain TASER 10 CED components are regulated for import into the United States by the ATF and are subject to ATF import permits that limit Axon’s ability to source from some suppliers leading to a potential decrease in supply chain agility. Supply chain constraints or an inability to source TASER 10 CED components could have a material adverse effect on our business prospects, operating results and financial condition.

Federal and state legislatures frequently consider legislation relating to the regulation of firearms, including the amendment or repeal of existing legislation. Existing laws may also be affected by future judicial rulings and interpretations. These possible changes to existing legislation or the enactment of new legislation may seek to restrict the makeup of a firearm, mandate the use of certain technologies in a firearm, remove existing legal defenses in lawsuits, set minimum age limits to purchase certain firearms, or ban the sale and, in some cases, the ownership of various types of firearms and accessories. In addition, evolving public sentiment or political pressure regarding firearm regulation could impact customer demand for TASER 10 CEDs, especially in jurisdictions with stricter firearm laws. Such restrictions or bans could have a material adverse effect on our business prospects, operating results and financial condition.

Failure to maintain effective internal control over financial reporting may adversely affect our ability to report our financial condition and operating results in a timely and accurate manner, which may cause investor confidence in our company to diminish and the value of our common stock to decline.

Preparing our consolidated financial statements involves many complex manual and automated processes, which depend on individual data input or review and require significant management judgment. The increasing complexity of our operations, including growth in international markets and expansion of product offerings, further heightens the risk of control deficiencies. Acquired businesses may have insufficient internal controls, which may have been identified or unidentifiable during diligence, that could require significant remediation efforts and create additional risks of financial misstatements during integration. One or more of these processes may result in errors that may not be, and in the past have not been, immediately detected and could result in a material misstatement or other errors in our consolidated financial statements. Such errors may be more likely to occur when implementing new systems and processes, particularly when implementing evolving and complex accounting rules. The Sarbanes-Oxley Act of 2002 requires, among other things, that as a publicly traded company we disclose whether our internal control over financial reporting and disclosure controls and procedures are effective.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. While we continually undertake steps to improve our internal control over financial reporting as our business changes, we may not be successful in making the improvements and changes necessary to be able to identify and remediate control deficiencies or material weaknesses on a timely basis. Our ability to address deficiencies may also be constrained by resource limitations, including access to skilled accounting personnel, particularly during periods of rapid growth or cost pressures. We identified two material weaknesses in our internal control over financial reporting as of December 31, 2024 related to revenue recognition and our convertible debt. Specifically, we did not design and maintain controls to 1) update our revenue recognition policies to reflect changes in product offerings or terms and conditions of arrangements with customers to ensure revenue was appropriately recognized and disclosed in accordance with U.S. GAAP and 2) periodically monitor the conversion provisions within our convertible debt arrangement. We are working to remediate the material weaknesses as further discussed in Item 4 of this Quarterly Report on Form 10-Q. If we cannot successfully remediate identified control deficiencies, including any current or future material weaknesses in our internal control over financial reporting: the accuracy and timing of our financial reporting may be adversely affected; our liquidity, access to capital markets and perceptions of our creditworthiness may be adversely affected; we could face difficulty forecasting our financial results accurately, impacting decision-making by investors and analysts; we may be unable to maintain compliance with securities laws, stock exchange listing requirements and debt instruments' covenants regarding the timely filing of periodic reports; we may be subject to regulatory investigations and penalties; investors may lose confidence in our financial reporting; we may suffer defaults under our debt instruments; and our common stock price may decline.

Our revision and our restatement of previously issued consolidated financial statements may adversely affect investor confidence and could result in regulatory actions and stockholder litigation.

We have previously revised certain of our previously issued financial statements to correct errors related to our historical conclusions of principal vs. agent accounting under Accounting Standards Codification, Revenue from Contracts with Customers ("ASC 606"). Furthermore, as described in our amended 2024 Annual Report on Form 10-K/A, we have restated certain of our previously issued financial statements to correct an error related to the classification of the 2027 Notes between current liabilities and long-term liabilities. These items may have the effect of eroding investor confidence in the Company and our financial reporting and accounting practices and processes and may raise reputational issues for our business.

Such revision or restatement may also result in stockholder litigation against us, or adverse regulatory consequences. Any such regulatory consequences, litigation, claim or dispute, whether successful or not, could subject us to additional costs, divert the attention of our management, or impair our reputation. Each of these consequences could have a material adverse effect on our business prospects, operating results and financial condition.

Financial Risks

An increasing percentage of our revenue is derived from subscription billing arrangements that may result in delayed cash collections and may increase customer credit risk on receivables and contract assets.

Our strategy includes maintaining a significant portion of our business through a subscription model, which aligns with the municipal budgeting process of our customers and allows for multiple product offerings to be combined into existing subscriptions. This approach differs from a traditional hardware sale, where the entire hardware payment is commonly invoiced upon shipment, by spreading payments over the subscription or installment period. While this model provides predictable recurring revenue, it impacts liquidity, as cash is received in multiple installments rather than upfront.

We record an estimate of expected credit losses and perform ongoing reviews of trade accounts receivables. However, if we become aware of information related to the creditworthiness of a major customer, or if future actual default rates on receivables in general differ from those currently anticipated, we may have to adjust our expected credit loss reserve. Such adjustments could negatively impact earnings and require additional resources for collections or restructuring customer payment terms. Furthermore, our reliance on municipal and government customers may heighten the risk of delayed payments during periods of political or economic instability, such as government shutdowns or reduced tax revenues. Any of these factors could adversely affect our business prospects, operating results and financial condition.

Our gross margin depends on many factors, including our product mix, cost structure, and acquisitions we may make, any of which could cause our gross margin to fluctuate.

Our gross margin could decline in future periods due to adverse impacts from various factors, including:

- changes in product mix;

- changes in shipment volume;
- increased warranty costs;
- sales discounts;
- expanding into new markets or lower-margin markets, including those with distinct pricing and cost structures, through acquisitions or internal development;
- higher production costs;
- increases in materials, labor, manufacturing, or supply chain logistics;
- excess inventory and obsolescence charges;
- increased amortization of purchased intangible assets, especially from acquisitions; and
- how well we execute on our strategy and operating plans.

Any of these factors could result in significant fluctuations in our gross margin. This variability and unpredictability could lead to our inability to meet internal expectations or those of securities analysts or investors for a particular period. Failure to meet or exceed such expectations for these or any other reasons may adversely affect the market price of our stock.

Revenue for our SaaS products is recognized over multi-year contract terms, which may delay the reflection of new business in our operating results.

Our SaaS revenue is generally recognized ratably over the terms of the contracts. As a result, most of the SaaS revenue we report each quarter is the result of agreements entered into during previous quarters. Consequently, current trends, whether positive or negative, may not be fully reflected in our revenue results for several periods, and a decline in new or renewed SaaS contracts in any period may not be immediately reflected in our reported financial results for that period, but could result in a decline in our revenue in future reporting periods. If any of our assumptions about revenue from our SaaS delivery model are incorrect, our actual results could differ materially from those anticipated, estimated, or projected.

Most of our end-user customers are subject to budgetary and political constraints, which may delay or prevent sales, result in cancellations, or lead to the non-renewal of contracts.

A significant portion of our end-user customers are government agencies, which typically lack direct control over their budgets. These budgets are often influenced by legislative processes and political considerations, limiting the agencies' ability to allocate funds as they see fit. There can be no assurance that the economic and political pressures will not adversely affect sales of our products.

Additionally, government procurement processes are often subject to scheduling delays and uncertainties, which can disrupt anticipated sales. Federal agencies, in particular, are vulnerable to broader governmental challenges, such as funding and debt limit constraints, which has previously resulted in government shutdowns, including those in 2018 and 2019, and additional shutdowns narrowly avoided more recently.

While we enter into contracts for the delivery of products and services in the future, and anticipate that these contracts will be completed, if agencies fail to appropriate funds in future year budgets, terminate contracts for convenience, or if other cancellation clauses are invoked, this would prevent us from recognizing anticipated revenue and cash flow. Contracts terminated without cause generally allow us to recover only our incurred costs, committed expenses, and a portion of profits, if any, on the work completed prior to termination. We may or may not be able to recover all the costs incurred during the start-up phase of a terminated contract.

The unexpected termination of significant contracts could result in substantial revenue shortfalls. If these shortfalls are not offset by corresponding reductions in expenses, our financial performance and overall business could be adversely affected. We cannot anticipate if, when, or to what extent our customers might terminate their contracts with us.

The open bidding process introduces uncertainty in securing future contract awards.

Governmental agencies often procure products and services through an open bidding process, which typically involves publishing a list of requirements and soliciting proposals from potential vendors. To compete successfully in these requests for proposals, we must accurately estimate our cost structure for servicing a proposed contract, the time required to establish operations for the proposed customer, and the likely terms of any other third-party proposals submitted. However, we cannot guarantee that we will win future bids or that any winning bids will ultimately result in contracts with favorable terms.

Our contracts typically have fixed terms, with the possibility of extension at the discretion of the contracting entity. When these contracts expire, contracts may be reopened to competing bidders, and there is no guarantee that the contracts will be renewed or extended. In some cases, customers may initiate the bidding processes earlier than expected, resulting in increased competition prior to the anticipated end of contracts. Additionally, many of our contracts with government agencies include termination for convenience provisions that may allow our customers to terminate the contract earlier than their term length.

Failure to secure new contracts, retain existing ones, or negotiate favorable terms through the open bidding process could adversely impact our revenues, profitability, and overall financial performance.

We hold the majority of our cash balances, some of which are not insured, at three depository institutions.

We hold the majority of our cash and cash equivalents accounts at three depository institutions. Our balances with these and other institutions regularly exceed Federal Deposit Insurance Corporation insurance limits for domestic deposits, as well as various foreign deposit insurance programs. For additional discussion, refer to Note 1 in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

If any of these depository institutions were to fail (as seen with several U.S. bank failures in spring of 2023), and their assets were insufficient to cover deposits, or if governments did not take action to support deposits exceeding existing insurance limits, we could incur losses related to the uninsured balances. Such losses or delays in accessing funds could materially and adversely affect our liquidity, operating results and financial condition.

Stock transactions may have a material, unpredictable impact on our operating results and may result in dilution to existing shareholders.

We have historically granted and expect to continue to grant stock-based compensation to employees and non-employee directors as a means of attracting and retaining highly qualified personnel. All stock-based awards are required to be recognized in our financial statements based on their grant date fair values. The amount recognized for stock-compensation expense could vary depending on a number of assumptions or changes that may occur.

Changes in the subjective and probability-based assumptions can materially affect the estimates of the fair value of the awards and timing of recognition of stock-based compensation expense and, consequently, the related amount recognized in our consolidated statements of operations and comprehensive income.

As we continue to mature, the incentives to attract, retain and motivate employees provided by our equity awards or by future arrangements may not be as effective as in the past. We may also issue equity securities to pay for acquisitions and grant stock-based awards to retain the employees of acquired companies. If we issue significant equity awards to attract additional employees, to retain our existing employees or related to acquisitions, we could incur substantial additional stock-based compensation expense and the ownership of our existing shareholders would be further diluted, which could depress the market price of our stock.

Our financial performance is subject to risks associated with changes in the value of the U.S. dollar versus local currencies.

For international customers (whether current or potential) whose contracts are or would be denominated in U.S. dollars, the relative change in local currency values creates relative fluctuations in our product pricing. These changes in international end-user costs may result in lost orders and reduce the competitiveness of our products in certain foreign markets. Additionally, intercompany sales to our non-U.S. dollar functional currency international subsidiaries are transacted in U.S. dollars, which could increase our foreign exchange rate risk caused by foreign currency transaction gains and losses.

For non-U.S. dollar denominated sales, weakening of foreign currencies relative to the U.S. dollar generally leads us to raise international pricing, potentially reducing demand for our products. Should we decide not to raise local prices to fully offset the dollar's strengthening, the U.S. dollar value of our foreign currency denominated sales and earnings would be adversely affected. We do not currently engage in hedging activities related to fluctuations in foreign currency. Fluctuations in foreign currency could result in a change in the U.S. dollar value of our foreign denominated assets and liabilities, including accounts receivable. Therefore, the U.S. dollar equivalent collected on a given sale could be less than the amount invoiced causing the sale to be less profitable than contemplated.

We also import selected components that are used in the manufacturing of some of our products. Although our purchase orders are generally in U.S. dollars, weakness in the U.S. dollar could lead to price increases for the components.

Unanticipated changes in our effective tax rate and additional tax liabilities could adversely affect our operating results and financial condition.

We are subject to income taxes in the United States and various other jurisdictions. Our effective tax rate could be impacted by changes in statutory tax rates, the geographic distribution of our earnings, and the application of top-up taxes introduced under global minimum tax regulations of the Organization for Economic Co-operation and Development ("OECD") framework. Our tax expense could also be impacted by changes in non-deductible expenses, excess tax benefits from stock option exercises and RSU vesting, adjustments to the valuation of deferred tax assets and liabilities, the applicability of withholding taxes, and changes in unrecognized tax benefits. Although we believe that our tax estimates are reasonable, the ultimate tax determination involves significant judgments that could become subject to audit by tax authorities in the ordinary course of business. Our estimates are based on information available to us at the time we prepare the income tax provision.

We are subject to potential tax examinations in multiple jurisdictions. While we regularly evaluate new information to adjust our tax position, there is no guarantee that the outcome of these examinations will not adversely affect our operating results and financial condition.

Our tax provision could also be impacted by changes in U.S. federal, state, local, or international tax laws, including significant tax reforms which target corporate multinationals, and proposals by the current or future administrations.

Additionally, we may be subject to tax liabilities due to changes in income-based taxes resulting from changes in U.S. federal, state, local, or foreign tax laws, changes in tax jurisdictions' administrative interpretations, decisions, policies and positions, results of tax examinations, settlements or judicial decisions, changes in accounting principles, changes to our business operations, including acquisitions, as well as the evaluation of new information that results in a change to a tax position taken in a prior period.

Furthermore, recommendations from the OECD for a global minimum income tax and other changes, are being implemented or considered in jurisdictions where we operate. While we believe enactment of the recommended framework in jurisdictions where we operate will result in minimal impacts to our financial results in the near term, the impact of any new tax legislation may differ materially from our estimates due to future regulatory guidance or changes in our interpretations or assumptions we have made. The impact of any new tax legislation may differ materially from our estimates due to future regulatory guidance or changes in our interpretations or assumptions we have made.

Our revenue and operating results may fluctuate unexpectedly from quarter-to-quarter, which could impact our stock price.

Several factors, including some beyond our control, may affect our revenue and operating results, potentially causing our common stock price to fluctuate, including:

- budgetary cycles of municipal, state, and federal law enforcement and corrections agencies;
- market acceptance of our products and services;
- the timing of large domestic and international orders;
- the outcome of any existing or future litigation;
- adverse publicity surrounding our products, the safety of our products, or the use of our products;
- changes in our sales mix;
- new product introduction costs;
- increased raw material expenses;
- changes in our operating expenses, including stock-based compensation expense;
- changes in foreign currency exchange rates, inflation, and interest rates;
- inventory obsolescence;
- changes in warranty reserve;
- existing or future tariffs; and
- regulatory changes that may affect the marketability of our products and services.

As a result of these and other factors, we believe that short-term period-to-period comparisons of our operating results may not provide meaningful insights, and our performance in a particular period may not be indicative of our performance in any future period. Additionally, fluctuations in our revenues and operating results could lead to declines in the market price of our common stock.

Our profitability could suffer from declines in fair value or impairment of our investments, including our strategic investments, and could fluctuate if the fair values of our investments increase.

We invest a portion of available funds in a portfolio consisting of securities of various types. Our investments consist of investments in both marketable and non-marketable securities. Investments in marketable securities are measured at fair value on a recurring basis. We generally have elected to apply the measurement alternative for non-marketable securities. Under the alternative, we measure investments without readily determinable fair values at cost, less impairment, adjusted by observable price changes and we assess for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Our future investment income may fall short of expectations due to changes in interest rates, or due to certain inherent risks involved in investments in early-stage privately held companies. For example, we have recognized and may in the future recognize an unrealized loss on an investment if we determine that our carrying amount for an investment without a readily determinable fair value is not expected to be fully recovered, which would cause our earnings performance to suffer from such losses. By contrast, we have recorded and may in the future record an unrealized gain on an investment if we determine the fair value exceeds the carrying amount, which would benefit our earnings performance.

Legal and Compliance Risks

We may face personal injury, wrongful death, product liability and other liability claims that harm our reputation and adversely affect our business prospects, operating results and financial condition.

Third parties often use our CED products in aggressive confrontations that may result in serious, permanent bodily injury or death to those involved. Our CED products may be associated with these injuries. A person, or the family members of a person, injured or killed in a confrontation or otherwise in connection with the use of our products, may bring legal action against us to recover damages on the basis of a number of theories, including wrongful death, personal injury, negligent design, defective product, product performance issues, or inadequate warnings or training. We are currently subject to a number of such lawsuits and have been and may be in the future subject to significant adverse judgments and settlements. We may also be subject to lawsuits involving allegations of criminal misuse of our products. We have no control over how our products are used by our customers or other end-users and cannot ensure they are used consistent with our specifications, design and warnings. While our products are designed to be non-lethal, we cannot guarantee they will be used in a manner consistent with their intended use and any misuse exposes us to litigation, reputational harm and controversy.

Although we maintain product liability insurance in amounts that we believe are reasonable, we may not be able to maintain such insurance on acceptable terms, if at all, and product liability claims could result in a potential award of monetary damages in excess of the amount of insurance coverage available to us. Because we manufacture and sell CEDs, insurance carriers may decide not to insure our products or our company in the future.

Similar to product liability claims, we face exposure to class action lawsuits related to the design, performance, safety, pricing or advertising of our products. Such class action lawsuits could also result in substantial monetary judgments, defense costs, business distraction, reallocation of internal resources, injunctions related to the sale of products and reputational harm.

If successful, the aforementioned claims could result in adverse judgments or unfavorable settlements, significant legal expenses, a diversion of management's attention and resources, and reputational harm. The outcome of any litigation is inherently uncertain and there can be no assurance that our existing or any future litigation will not have a material adverse effect on our business prospects, operating results and financial condition.

Other litigation, government inquiries and regulatory actions may subject us to significant costs and judgments and divert management attention from our business.

We have been and could in the future be involved in numerous other litigation, government inquiries and regulatory matters relating to our products, contracts, employees and business relationships, including litigation against persons or entities we believe have infringed on our intellectual property, infringement litigation filed against us, litigation against a competitor, antitrust litigation, and enforcement actions filed against us. See discussion of litigation in Note 14 to the consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

Such matters have resulted, and are expected to continue to result in, substantial costs to us, including in the form of attorneys' fees and costs, damages, fines or other penalties, whether pursuant to an adverse judgment or settlement, and diversion of our management's attention, which could adversely affect our business prospects, operating results and financial condition.

We have in the past and may in the future be subject to intellectual property infringement and other claims, which could incur substantial litigation costs, result in significant damages awards, inhibit our use of certain technologies, and divert management attention from our business.

Many companies own intellectual property rights that are directly or indirectly related to public safety technologies. These companies periodically demand licensing agreements or engage in litigation based on allegations of infringement or other violations of their patents, trademarks, copyrights or trade secrets. These companies may also allege that their patents protect features essential to the implementation of particular technical standards. Non-practicing entities may also hold patents that are directly or indirectly related to public safety technologies. These entities may seek compensation for perceived infringement of their patents, including by filing claims against us, independent of the merit of any such claims. As we enter new markets, expand into new product categories, and otherwise offer new products, services and technologies, additional intellectual property claims may be filed against us by these companies, entities and other third parties. Additionally, our use of AI tools in our business may increase the likelihood that third parties will claim that we infringe their intellectual property rights. Intellectual property claims may also be filed against us as our current products, services and technologies gain additional market share.

If our products, services or technologies were found to infringe a third-party's proprietary rights, we could be forced to discontinue use of the protected technology or enter into costly royalty or licensing agreements to be able to sell our products, services or technologies. Such royalty and licensing agreements may not be available on terms acceptable to us or at all. We could also be required to pay substantial damages, fines or other penalties, indemnify customers or distributors, cease the manufacture, use or sale of infringing products or processes, make proprietary source code publicly available, and/or expend significant resources to develop or acquire non-infringing technologies. Our suppliers may not provide, or we may not be able to obtain, intellectual property indemnification sufficient to offset all damages, fines or other penalties resulting from any claims of intellectual property infringement brought against us or our customers. There is no guarantee that our use of conventional technology searching and brand clearance searching will identify all potential rights holders. Rights holders may demand payment for past infringements and/or force us to accept costly license terms or discontinue use of protected technology and/or works of authorship that may include, for example, photos, videos and software. Our development and sale of software-based products, including that which is related to AI or virtual reality, increases this risk.

If we are unable to protect our intellectual property, the value of our brands and products may decrease and we may lose our competitive market advantage.

Our future success depends upon our proprietary technology. Our protective measures for this proprietary technology include patents, trademarks, copyrights and trade secret protection. However, these protective measures, as well as our efforts to pursue such protective measures, may prove inadequate. For example, the value of intellectual property protection in certain countries may not be apparent until after such protection can no longer be pursued. As such, our intellectual property protection may not extend to all countries in which our products are distributed or will be distributed in the future. Though we work to protect our innovations, we may not be able to obtain protection for certain innovations. For example, we may be unable to patent some software-based products. Furthermore, any use of AI tools to create content or code that may be incorporated into our products or services may also impact our ability to obtain or successfully defend certain intellectual property rights. The scope of any patent protection we have obtained, or may obtain, may not prevent others from developing and selling competing products. Despite our efforts, any intellectual property protection we obtain may be later determined to be insufficient or ineffective.

Our protective measures may prove inadequate for reasons outside of our control. Varying intellectual property laws across countries may lead to differences in protection between such countries. In certain countries in which our products are distributed, the ability to effectively enforce intellectual property rights may not exist. Patent requirements differ by country and certain domestic or international laws may prohibit us from satisfying these requirements, creating a risk that some of our international patents may become unenforceable. Patents for older technologies, such as those first introduced in our TASER M26 CED and TASER X26 CED, have expired or will expire due to statutory limits on patent terms. Despite policies and efforts to maintain secrecy of trade secrets and other confidential information, such information could be compromised by employees, partners or other third parties.

Once established, there is no guarantee that our intellectual property rights will remain in force. Issued patents may be re-examined and subsequently ruled invalid or unenforceable. Our registered trademarks may also be diminished or lost. For example, there is a risk that our "TASER" trademark could become synonymous with the general product category of "conducted energy devices" resulting in claims of genericness that could interfere with our enforcement efforts and create customer confusion as to product source. The right to stop others from misusing our trademarks and service marks in commerce depends, to some extent, on our ability to show evidence of enforcement of our rights against such misuse in commerce. Our efforts to stop improper use, if ineffective, may lead to the loss of trademark and service mark rights, brand loyalty and notoriety among our customers and prospective customers.

Inability to protect our intellectual property could negatively impact our commercial efforts and competitive market advantage. Regardless of the outcome, the prosecution of patent and other intellectual property claims is both costly and time-consuming. Unauthorized use of our proprietary technology could divert our management's attention from our business and could result in a material adverse effect on our business prospects, operating results and financial position.

We may be unable to enforce patent rights internationally, which may limit our ability to prevent our product features from being used by competitors in some foreign jurisdictions.

Our U.S. patents protect us from imported infringing products coming into the United States from abroad. We have filed applications for patents in foreign countries; however, these may be inadequate to protect markets for our products in these foreign countries. Each patent is examined and granted according to the law of the country where it was filed independent of whether a U.S. patent on similar technology was granted. Certain foreign countries have patent working requirements that require a patent owner to practice a patented invention within the respective country. A patent in a foreign country may be subject to cancellation, forfeiture, compulsory license or other penalty if the claimed invention has not been worked in that country. Meeting the requirements of working an invention differs by country and ranges from sales in the country to manufacturing in the country. U.S. export law, or the laws of some foreign countries, may prohibit us from satisfying the requirements for working the invention, creating a risk that some of our international patents may become unenforceable. In a country in which we do not have a patent or a country in which our patent in that country is unenforceable or unenforced, other companies and makers of similar products may be able to copy our products or features of our products without consequence, thus limiting our ability to capture market share or protect our technology, which could materially harm our business prospects and operating results.

The use of open-source software in our products, services and technologies may expose us to additional risks and harm our intellectual property.

Open-source software is typically freely accessible, usable and modifiable. Certain open source software licenses require a user who intends to distribute the open source software as a component of the user's software to disclose publicly part or all of the source code to the user's software or require the user of such software to make any derivative works of the open source code available to others on potentially unfavorable terms or at no cost. The terms of many open-source licenses have not been interpreted by courts, and there is a risk that those licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to commercialize our products, services and technologies. In that event, we could be required to seek licenses from third parties to continue offering our products, to re-develop our products, to discontinue sales of our products or to release our proprietary software code under the terms of an open-source license, any of which could harm our business. Although we aim to avoid any use of open source software in our products, services and technologies, and otherwise only use open source software available under permissive open source licenses, it is possible that other manners of use, including those that a third-party may allege to be in breach of a corresponding open source license, may have inadvertently occurred in deploying our products, services and technologies. If a third-party software provider has incorporated certain types of open-source software into software we license from such third-party for our products, services and technologies without our knowledge, we could be required to disclose the source code to our products, services and technologies. This could harm our intellectual property position as well as our business prospects, operating results and financial condition.

A variety of new and existing laws and/or interpretations could materially and adversely affect our business.

As detailed in "Item I. Business – Government Regulation" in our amended 2024 Annual Report on Form 10-K/A for the year ended December 31, 2024, we are subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business, including laws and regulations related to: privacy, data protection, security, retention and deletion; rights of publicity; content; intellectual property; regulation of certain of our CEDs as firearms; advertising; marketing; distribution; electronic contracts and other communications; competition; consumer protection; telecommunications; product liability; taxation; labor and employment; sustainability; economic or other trade prohibitions or sanctions; securities; and online payment services. The introduction of new products and expansion of our activities in certain jurisdictions, including through acquisitions, or other actions that we may take may subject us to additional laws, regulations or other government scrutiny. There are several legislative proposals in the United States, at both the federal and state level, that could impose new obligations in areas affecting our business. In addition, foreign privacy, data protection, content, competition, sustainability and other laws and regulations can impose different obligations or be more restrictive than those in the United States.

These U.S. federal and state and foreign laws and regulations, which in some cases can be enforced by private parties in addition to government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. New laws and regulations (or new interpretations of existing laws and regulations) could materially and adversely affect our business.

The cost of compliance with these laws and regulations is high and is likely to increase in the future. Additionally, these laws and regulations, or any associated inquiries or investigations or other government actions, have in the past and may in the future delay or impede the development of new products, result in negative publicity, cause customers to delay purchases, require significant management time and attention, cause us to change our business practices, and subject us to remedies that may harm our business, including civil or criminal liability, such as fines, demands or orders that we modify or cease existing business practices. For additional details, refer to "Item I. Business – Government Regulation." in our amended 2024 Annual Report on Form 10-K/A for the year ended December 31, 2024.

Uncertainties with complex U.S. federal, state and local and foreign procurement laws and regulations of governments could cause us to incur costs, which could have a material adverse effect on our business, financial position, results of operations and cash flows.

We have entered and will enter into contracts with U.S. federal, state and local governments as well as foreign governments. This subjects us to various statutes and regulations applicable to companies doing business with governments, including the Federal Acquisition Regulation ("FAR"). We must comply with laws and regulations relating to the formation, administration and performance of U.S. federal, state and local and foreign government contracts. These laws and regulations affect how we conduct business with our U.S. federal, state and local and foreign government customers.

Recently, two executive orders have been issued that are intended to (i) simplify and accelerate the procurement process through a review and restructuring of the FAR, and its supplements and (ii) modernize defense acquisitions by promoting commercial solutions, innovative acquisition authorities, and other existing streamlined processes. Among the actions directed is a review of major defense acquisition programs that are more than 15% behind schedule or over budget, including identifying any programs for potential cancellation. Should the U.S. government review one or more major defense programs in which we provide products and/or services, and this review leads to a full or partial cancellation of one of these programs, this could have an adverse effect on our business, financial condition, results of operations and cash flows.

We are subject to evolving corporate governance and public disclosure regulations and expectations that could expose us to numerous risks.

We are subject to changing rules and regulations promulgated by several governmental and self-regulatory organizations, including the SEC, the Nasdaq Stock Market and the FASB. These rules and regulations continue to evolve in scope and complexity and many new requirements have been created in response to laws enacted by Congress, making compliance more difficult and uncertain. In addition, increasingly regulators, customers, investors, employees and other stakeholders are focusing on environmental, social and governance ("ESG") matters and related disclosures, while certain ESG-related practices have also been increasingly subject to political controversy in the United States. These changing rules, regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting such regulations and expectations. For example, developing and acting on initiatives within the scope of ESG, and collecting, measuring and reporting ESG-related information and metrics can be costly, difficult and time-consuming and is subject to evolving reporting standards, including the UK Modern Slavery Act and the European Union's Corporate Sustainability Reporting Directive.

Additionally, unfavorable perception regarding our social initiatives, governance practices, diversity initiatives, the perceived or actual impacts of our products and services, environmental policies or other concerns of our stakeholders (which could conflict with the expectations of other stakeholders) could adversely affect our reputation. Any negative effect on our reputation could have an adverse effect on the size of our customer base, which could adversely affect our business and financial results. We have been, and may be in the future, subject to informal private or public inquiries and formal proxy proposals by activists urging us to take certain corporate actions related to ESG matters, which may not be aligned with our best interests. These activities may adversely affect our business in a number of ways, since responding to inquiries or proposals can be costly, time-consuming, and disruptive to our operations and could meaningfully divert our resources, including the attention of our management team and our employees.

We may also communicate certain initiatives and goals, regarding environmental matters, diversity, responsible sourcing and social investments and other ESG-related matters, in our SEC filings or in other public disclosures. These initiatives and goals within the scope of ESG could be difficult and expensive to implement, the technologies needed to implement them may not be cost effective and may not advance at a sufficient pace, and we could be criticized for the accuracy, adequacy or completeness of the disclosure. Further, statements about our ESG-related initiatives and goals, and progress against those goals, may be based on standards for measuring progress with respect to our goals that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. In addition, we could be criticized for the scope or nature of such initiatives or goals or for any revisions to these goals. Given the dynamic nature of ESG expectations, standards and regulations, which may change over time, we may from time to time need to update or otherwise revise our current practices, initiatives and goals, including in response to legislative or legal developments. If our ESG-related data, processes and reporting attract controversy, if such data, processes or reporting are or are perceived to be incomplete or inaccurate, or if we fail to achieve progress with respect to our goals within the scope of ESG on a timely basis, or at all, we may be exposed to potential liability or litigation, and our reputation, business, financial performance and growth could be adversely affected.

Our amended and restated bylaws include exclusive forum provisions that could increase costs to bring a claim, discourage claims or limit the ability of our shareholders to bring a claim in a judicial forum viewed by shareholders as more favorable for disputes.

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Chancery Court of the State of Delaware will be, to the fullest extent permitted by law, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or shareholders; (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or of our amended and restated certificate of incorporation or our amended and restated bylaws; or (iv) any action asserting a claim against us or any of our directors or officers governed by the internal affairs doctrine. In addition, our amended and restated bylaws also provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any claim arising under the Securities Act. The exclusive forum provision in our amended and restated bylaws does not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction.

The choice of forum provision may increase costs to bring a claim, discourage claims or limit a shareholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with Axon or Axon's directors, officers or other employees, which may discourage such lawsuits against Axon or Axon's directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions.

Risks Related to our Indebtedness

Fulfilling our debt obligations requires significant cash resources, which may exceed our available cash flow.

Our ability to meet our debt obligations, including making our scheduled payments of the principal and interest payments or refinancing our indebtedness, depends on our future performance, which is subject to economic, financial, competitive, and other factors, many of which are beyond our control. If our business fails to generate sufficient cash flow from operations to meet these obligations and fund capital expenditures, we may be required to adopt one or more alternatives, such as asset sales, debt restructuring, or raising additional equity capital, which could involve unfavorable or dilutive terms. Additionally, our ability to refinance our indebtedness will depend on market conditions and our financial standing at such time, which may not be favorable. Failure to engage in any of these activities on desirable terms could result in a default on our debt obligations.

The conditional conversion features of the Notes may adversely affect our financial condition and operating results.

The conditional conversion features of the 2027 Notes entitle holders to convert them during specified periods at their option when certain criteria are met. If one or more holders elect to convert their 2027 Notes, we would be required to settle any converted principal amount in cash, which could adversely impact our liquidity.

Moreover, even if no holders elect to convert their 2027 Notes, if conversion criteria are met, applicable accounting rules may require that we continue to classify all or a portion of the outstanding principal of the Notes as a current liability when we could have otherwise classified them as a long-term liability, resulting in a material reduction to our net working capital, potentially affecting our financial flexibility, stability, and liquidity.

Conversion of the 2027 Notes may dilute the shareholder ownership and could depress the price of our common stock.

The conversion of some or all of the 2027 Notes could dilute our shareholders' ownership interests. Upon conversion, we have the option to pay or deliver cash, shares of our common stock, or a combination of both. If we elect to settle the remainder, if any, of our conversion obligation exceeding the principal amount of the 2027 Notes with shares of our common stock or a mix of cash and stock, any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. Additionally, the existence of the 2027 Notes may encourage short selling by market participants because the conversion of the 2027 Notes could be used to satisfy short positions, or anticipated conversion of the 2027 Notes into shares of our common stock could depress the market price of our common stock.

The 2027 Note Hedge and Warrant transactions may impact the value of the 2027 Notes and our common stock.

In connection with the pricing of the 2027 Notes, we entered into 2027 Note Hedge transactions and Warrant Transactions with the option counterparties. The 2027 Note Hedge transactions are intended to reduce the potential dilution to our common stock upon any conversion of 2027 Notes and offset any cash payments we are required to make in excess of the principal amount of converted Notes. However, the Warrant transactions could have a dilutive effect on our common stock to the extent that the market price per share of our common stock exceeds the strike price of the Warrants.

Additionally, the option counterparties or their affiliates may modify their hedge positions by entering into or unwinding various derivatives tied our common stock, or by buying or selling our common stock or other securities in secondary market transactions. These activities could occur prior to the maturity of the 2027 Notes, or and in connection with any conversion, redemption, or repurchase of the 2027 Notes. Such actions could cause fluctuations in the market price of our common stock, either increasing or decreasing its value.

If any of the Note Hedge and Warrant transactions fail to become effective, counterparties or their affiliates may unwind their hedge positions, which could adversely affect the value of our common stock.

The potential effect of these transactions and activities on the market price of our common stock will depend in part on market conditions and other factors beyond our control, and their impact cannot be ascertained at this time. Any of these activities could adversely affect the value of our common stock.

We are exposed to counterparty risk with respect to the 2027 Note Hedge transactions.

The option counterparties for the 2027 Note Hedge transactions are financial institutions, and we face the risk that any or all of them might default on their obligations under these transactions. Our exposure to this credit risk is unsecure, as the option counterparties have not secured their obligations by any collateral.

If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure under the 2027 Note Hedge transactions at that time. Our exposure will depend on many factors, including an increase in the market price and volatility of our common stock.

A default by an option counterparty could lead us to suffer adverse tax consequences and result in greater dilution of our common stock than we currently anticipate. We cannot provide assurances as to the financial stability or solvency of the option counterparties, and any default could materially and adversely affect our financial results and shareholder value.

Our indebtedness contains restrictive covenants that could limit our operational flexibility and adversely affect the value of our common stock.

Our revolving credit facility, and the indentures governing our 2027 Notes, 2030 Notes and 2033 Notes (collectively, the "Notes") impose certain restrictions on our ability to, among other matters, incur additional debt and liens, make distributions to our shareholders in certain circumstances, dispose of assets and enter into mergers, consolidations and transfers of all or substantially all of our assets. In addition, the revolving credit facility requires us to maintain specified financial ratios and satisfy other financial condition tests. Further, following certain change of control events, we would be required to offer to repurchase the Notes, and such events would also constitute an event of default under our revolving credit facility.

These limitations may restrict our ability to operate or expand our business, pursue strategic transactions, raise additional debt or equity financing, or respond effectively to changing business and economic conditions. As a result, compliance with these covenants could adversely affect the value of our common stock and shareholder value.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

None.

Item 3. ***Defaults Upon Senior Securities***

None.

Item 4. ***Mine Safety Disclosures***

None.

Item 5. ***Other Information***

The table below describes the contracts, instructions or written plans for the purchase or sale of securities adopted by our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) during the three months ended March 31, 2025, that are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c).

Name and Title	Adoption Date	Expiration Date	Aggregate Number of Securities to be Sold(1)
Jeffrey Kunins, *Chief Product Officer and Chief Technology Officer*	March 10, 2025	December 15, 2025	15,977
Jennifer Mak, *Chief Accounting Officer*	March 14, 2025	February 27, 2026	8,768

(1) Reflects the maximum number of shares to be sold, excluding the effect of shares withheld for taxes.

No other Rule 10b5-1 trading arrangements or "non-Rule 10b5-1 trading arrangements" (as defined by S-K Item 408(c)) were entered into, modified, or terminated by our directors or officers during such period.

Item 6. ***Exhibits***

3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q, filed August 9, 2022)
3.2	Bylaws, as amended and restated (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K, filed December 21, 2023)
4.1	Indenture relating to the 2030 Senior Notes, dated as of March 11, 2025, between Axon Enterprise, Inc. and U.S. Bank Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, filed March 11, 2025)
4.2	Indenture relating to the 2033 Senior Notes, dated as of March 11, 2025, between Axon Enterprise, Inc. and U.S. Bank Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K, filed March 11, 2025)
4.3	Form of 6.125% Senior Notes due 2030 (included as Exhibit A to the Indenture relating to the 2030 Notes filed herewith as Exhibit 4.1)
4.4	Form of 6.250% Senior Notes due 2033 (included as Exhibit A to the Indenture relating to the 2033 Notes filed herewith as Exhibit 4.2)
10.1+*	Executive Employment Agreement by and between Axon Enterprise, Inc. and Cameron Brooks, dated April 12, 2024
10.2	Amendment No. 1, dated March 11, 2025, amending the Credit Agreement dated December 15, 2022, among, the Company, the Lenders party thereto and the Administrative Agent (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed March 11, 2025)
31.1*	Principal Executive Officer Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a)
31.2*	Principal Financial Officer Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a)
32**	Principal Executive Officer and Principal Financial Officer Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2025, formatted in Inline XBRL

+ Management contract or compensatory plan or arrangement
* Filed herewith
** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AXON ENTERPRISE, INC.

Date:	May 7, 2025	By:	/s/ PATRICK SMITH *Chief Executive Officer* *(Principal Executive Officer)*
Date:	May 7, 2025	By:	/s/ BRITTANY BAGLEY *Chief Operating Officer and Chief Financial Officer* *(Principal Financial Officer)*