
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

February 25, 2021

Date of Report (Date of earliest event reported)

Axon Enterprise, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

001-16391
(Commission File Number)

86-0741227
(IRS Employer Identification No.)

**17800 N. 85th St.
Scottsdale, Arizona 85255**
(Address of principal executive offices, including zip code)

(480) 991-0797
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, 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 Global Select Market

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter). 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.

Item 2.02 Results of Operations and Financial Condition

On February 25, 2021, Axon Enterprise, Inc. (the "Company" or "Axon"), issued a shareholder letter regarding the Company's financial results for its fourth quarter of 2020. The full text of the letter, together with the unaudited condensed consolidated statements of operations, segment reporting, balance sheets, cash flow information, statistical measures and reconciliations of GAAP to non-GAAP financial measures are attached hereto as Exhibit 99.1.

The information pursuant to Item 2.02 in this report on Form 8-K is being furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit Number</u>	<u>Exhibit Description</u>
99.1	Shareholder letter dated February 25, 2021
99.2	ESG and CSR Report
101	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.
104	The cover page from this Current Report on Form 8-K, formatted as Inline XBRL.

SIGNATURE

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 hereunto duly authorized.

Dated: February 25, 2021

Axon Enterprise, Inc.

By: /s/ JAWAD A. AHSAN

Jawad A. Ahsan

Chief Financial Officer

CONTACT:

Investor Relations
 Axon Enterprise, Inc.
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Axon (AXON) Reports 2020 Revenue of \$681 Million, Up 28%, Raises 2021 Outlook**Q4 2020 revenue grows 32% year over year to \$226 million on strong demand for TASER devices, cloudsoftware**

Dear Shareholders,

Every day, we hear stories about how our products are improving policing and driving safer outcomes for everyone.

SITUATION: OFFICER IN TROUBLE

Agency: Midwestern agency with about 1,000 sworn officers

Incident: An officer was involved in a struggle with a subject and began to radio for help, but couldn't complete the communication or broadcast her location or status. The agency's real-time crime center personnel used Axon Respond to geographically locate her and livestream from her Axon Body 3 camera — accessing critical awareness simply and securely from a Web browser.

Personnel saw that the suspect had grabbed ahold of one of the officer's arms. The agency dispatched backup support and the responding officers completed the arrest with no injuries to the officer or suspect. An agency supervisor said, "The technology is irreplaceable in critical incidences. It's always been well-appreciated by the police officers. Can't say enough about how important it was for that officer that day."

In 2020, we solidified the foundation for our next decade of growth. First and foremost, we served our customers, team members and communities during a global pandemic. At the same time, we secured our first Dispatch customer, established a solid foothold in the Federal market, launched our Respond platform and grew our international revenue by more than 70%. We are proud to have delivered a record \$681 million in revenue, representing 28% growth, \$1.2 billion in contract bookings, and \$221 million in annual recurring revenue. We wrapped up the year with an exceptional fourth quarter, highlighted by revenue growth of 32%, strong profitability and robust global demand for our TASER devices. The results showcase the leverage in our business model.

Our mission — from day one of our founding — has always been to obsolete the bullet. That has evolved in tandem with societal changes. Today we also aim to reduce social conflict and enable a fair and effective social justice system. We are on a clear path to making Axon synonymous with public and personal safety. We are investing today for a reality where officers reach for their TASER device before they reach for a firearm, because they feel safer doing so. We're investing in body cameras that capture truth and add real-time awareness, and in cloud software that drives efficiency and insights to help everyone get home safe.

We are proud to have created products that many have come to associate with modern best practices in policing.

Our objectives in 2021 are to:

1. Grow our core through innovation in our key products,
2. Scale new products by developing solutions to real-world challenges,
3. Unlock new areas for growth by extending our reach to new markets, and
4. Drive operating efficiencies across our manufacturing, hiring, and support systems.

The pace of our global expansion has hastened. In 2020, we continued to build out our sales force in English-speaking markets. In 2021, we are expanding our investments in international markets, including several major countries in Europe. These new markets are demonstrating the potential to mirror Axon's top tier markets like the US, UK, Australia and

Canada. International customers are increasingly showing interest in large deployments and adoption of Axon's expanding product portfolio — and we are putting the requisite sales, account management, and engineering muscle behind that.

In 2021, we are continuing to increase our investments in R&D across all of Axon's product lines. This is enabling us to accelerate the pace of innovation for our core customers, and will help us address new markets and customer segments. Our investments in innovation have allowed us to offer a wider range of valuable bundles to customers, including the introduction of our new highest-tier premium bundle at \$239 per officer per month over five years — it includes a TASER device, body camera, and access to many existing products within our cloud software suite, and adds expanded virtual reality ("VR") training and unlimited AI-powered transcription for body camera video.

Select customers, Net Revenue Retention

December 2020

Customer	Revenue Retention Rate
Major city agency, Western Region	386%
Major city agency, Mid-Atlantic US Region	333%
Major city agency, Southeastern Region	222%
Major city agency, Central Region	203%
Major city agency, Central Region	179%

Axon's product development is driving adoption of higher-tiered bundled subscriptions, allowing us to deliver more value to customers

Axon product growth drivers

At the start of the year, we like to provide an update on our rapidly growing and evolving product suite.

Axon products are generally cloud-connected, designed to drive better outcomes and customer experiences, and sold via mutually reinforcing integrated bundles, where all products work together. Our key revenue drivers belong to three broad product categories:

1. TASER: We develop smart devices, tools and services that support public safety officers in de-escalating situations, avoiding or minimizing use of force. These tools include:
 - a. TASER devices: Research has shown that TASER devices are the most effective less-lethal force option, with the lowest likelihood of injury to officers and assailants. Since our inception in 1993, TASER devices have been adopted by a majority of U.S. police departments and are used daily to help keep communities safe. The cloud-connected TASER device (the TASER 7 device) is our newest device. We also sell TASER devices to consumers for personal protection
 - b. VR and Training: We offer a suite of VR training services for public safety, delivered through our Axon Academy training platform. We intend to drive training and adoption of best practices in modern policing. Our VR training enables officers to accelerate and maintain their proficiency of practical skills through limitless repetition and application, while putting an emphasis on critical thinking and de-escalation skills.
2. Sensors: Axon devices address many needs, including transparency, real-time situational awareness, and capturing evidence accurately and integrating with software workflows. Product categories within sensors include:
 - a. Axon Body cameras include Axon Body 3, an LTE-enabled camera with Global Positioning System ("GPS") capability and support for real-time awareness via our software. Our body cameras also include the Axon Flex sunglasses-or-brim-mounted camera.
 - b. Axon Fleet in-car camera systems. We are investing in R&D on automated license plate reading ("ALPR"), which uses artificial intelligence ("AI") to read license plates to avoid officers typing in plate numbers while driving, find missing children and wanted felons, and recover stolen vehicles. We believe

a key differentiator is that our AI-powered system is being built from the ground up using an ethical design and privacy-centric framework.

- c. Axon Air is Axon's unmanned aircraft program, which allows agencies to ingest data captured on drone devices directly into Axon Evidence. Axon Air is an important tool to help improve officer safety, provide tactical support, and manage evidence.
 - d. Our sensors network works with our software to help to automatically ensure cameras are on when they're supposed to be on and send alerts within the network, including Signal Sidearm sensors that detect when a firearm has been removed from a holster, sensors that detect when a TASER device is unholstered or armed, when a vehicle light bar is activated or the vehicle door opens, and we are introducing new signal activation events including ones based on officer location and 911 dispatch.
3. **Software:** Axon delivers a suite of cloud-based, software-as-a-service ("SaaS") solutions that integrate with our sensors and TASER devices to benefit customers and drive annual recurring revenue, which totaled \$221 million as of Dec. 31, 2020. (We define ARR below.) Our SaaS solutions can be best trisectioned into:
- a. Digital Evidence Management: Axon Evidence addresses the challenges presented by growing amounts of digital evidence via closed circuit television video, body-worn camera video, in-car camera video, IOT sensors and citizen-captured digital evidence. We make it easy to store, manage, redact and share evidence on one platform. Axon Evidence is the world's largest cloud-hosted public safety data repository of public safety video data and other types of digital evidence. Products include:
 - i. Axon Evidence (aka Evidence.com) for managing, sharing and storing body-worn camera video, as well as hosting all types of digital evidence.
 - ii. Axon Performance helps agencies to ensure officers are adhering to policies and provides analytics on, and audit tools for, the effectiveness of body-worn camera programs.
 - iii. Redaction Assistant enables agencies to quickly redact videos using AI.
 - b. Productivity: Our productivity suite of tools is designed to reduce the time officers spend on administrative tasks and give command staff tools to make data-driven decisions. Our productivity-enhancing products include:
 - i. Axon Records is an emerging cloud-based report-writing tool that modernizes records management systems ("RMS") by putting body camera video at the heart of incident records.
 - ii. Axon Standards is a use-of-force reporting module that can be easily adopted alongside an agency's legacy RMS before an agency adopts the rest of Axon Records.
 - iii. Auto-Transcribe uses AI to help agencies review massive amounts of video evidence to find what is pertinent to an investigation and quickly and accurately transcribe video so it can move through the justice system.
 - iv. Priority-ranked Video Audit analyzes body camera videos for flagged keywords, TASER-related events, and Signal Sidearm events to recommend videos for supervisor review.
 - c. Real Time Operations. We are developing decision-making and communication tools that support real-time situational awareness through the sharing of information across myriad media, including voice, messaging, location mapping, and intelligence and evidence sharing. Products include:
 - i. Respond for Devices, which allows agencies to receive alerts, know the GPS location of their officers, and provide real-time access to what those officers are experiencing through live-video streaming.
 - ii. Respond for Dispatch, a computer-aided dispatch ("CAD") solution designed to empower everyone in public safety involved in incident response: dispatchers, call takers, command staff, patrol officers, firefighters and medical personnel.

Looking back: Select Q4 2020 highlights

Federal customer expansion continued: Axon signed a \$5 million digital evidence management software contract with an agency within the Department of Justice, completed several federal task force pilot programs across the Department of Justice, and worked to begin scheduled software deployments for 12,500 attorneys in the US Attorneys

Office (EOUSA.) In the quarter, Axon also started formal deployments under the Departments of Interior's IDIQ contract and conducted pilot programs across the Department of Homeland Security, the Department of Defense, and the Veteran's Administration.

Axon Respond live-stream usage increased 7x from April to December: And live map usage increased 5x in that period. We also signed more than 20 customers that were not municipal law enforcement agencies, including a hospital system complex. We have found that the hospital system is using live maps and streaming more than any other user, which is an encouraging early sign of the broader utility of this technology.

Green Bay Packers partner with Green Bay Police Department on TASER 7 and body camera deployment: The NFL team made a financial contribution to the local police department to help fund Axon's Officer Safety Plan 7+ integrated bundle, as part of the team's ongoing pledge to support its hometown. Green Bay PD is promoting a culture of ongoing learning and development as the latest agency to roll out Axon's Replay Coaching feature. The feature helps officers learn and improve from real experiences in the field, the same way as athletes receive game day coaching.

"In conversations with our players, community partners and elected officials, we determined that supporting this purchase would complement our many other efforts to address injustices in our communities of color. The cameras will also help the police perform their duties more effectively and benefit the local community. We are proud to be working with Green Bay and Axon to bring this technology to our city in order to enhance public safety and affect meaningful change." —Packers President/CEO Mark Murphy

"I am confident that Axon's technology will help our department better serve Green Bay, not only by helping increase our efficiency and performance, but also increase our transparency with the Axon Body 3 cameras with livestreaming capabilities. We serve to build trust, safety, and a higher quality of life for everyone here in Green Bay and we're thankful for the Packers' contribution." —Green Bay Police Chief Andrew Smith

"We are immensely grateful to the Green Bay Packers for again demonstrating their commitment to this community and for supporting our efforts to bring greater transparency and accountability to policing. This is a major step towards strengthening public safety, and I am honored to lead a community where organizations like ours can come together for the greater good of Green Bay." —Green Bay Mayor Eric Genrich

Summary of Q4 2020 results:

- Revenue of \$226 million grew 32% year over year, on top of 50% growth in Q4 2019, reflecting particularly strong global demand for TASER 7 devices and strong domestic demand for our cloud software suite.
 - The quarter benefitted from a \$20 million TASER 7 order from an international customer - the largest TASER order in our company's history.
- Gross margin of 62.5% improved 860 basis points year over year, reflecting TASER segment margin improvement, which we discuss below, stronger body camera gross margins due to customer mix and an increased mix of high margin software revenue in our Software & Sensors segment.
- Operating expenses of \$136 million included \$53 million in stock-based compensation expense and less than \$1 million in costs related to FTC litigation. (An update on the FTC litigation is below, under "Update on Legal Matters.")
 - SG&A of \$98 million included \$43 million in stock-based compensation expense.
 - R&D of \$38 million included \$9 million in stock-based compensation expense.
 - We recognized \$41 million in expenses related to our eXponential Stock Performance Plan ("XSPP") and CEO Performance Award in the fourth quarter. Although we achieved the first Adjusted EBITDA operational goal, no shares were vested from the achievement of this milestone pending certification by the Compensation Committee. To date, no other operational goals have been achieved. Costs are recognized under these plans when future milestones are considered probable of achievement. As of Q4 2020, 11 operational goals are considered probable. For more details about these innovative stock-based compensation plans, which were approved by shareholders and align the interests of management and employees with shareholders, please see our online FAQ at investor.axon.com.
- GAAP diluted EPS was \$0.40 based on a net income of \$26 million; Non-GAAP EPS was \$1.00.
- Quarterly Adjusted EBITDA grew 68% year over year. Adjusted EBITDA of \$64 million represented a 28% margin on revenue and represents a 48% incremental margin on revenue year-over-year. (Incremental EBITDA margin is the year-over-year growth in Adj. EBITDA divided by the year-over-year growth in revenue.)
- Cash and cash equivalents and investments totaled \$653 million at December 31, 2020.

- Axon has zero debt.

Financial commentary by segment:

TASER

	THREE MONTHS ENDED			CHANGE	
	31 DEC 2020	30 SEP 2020	31 DEC 2019 (in thousands)	QoQ	YoY
Net sales	\$ 135,761	\$ 84,406	\$ 83,955	60.8 %	61.7 %
Gross margin	64.5 %	62.9 %	60.5 %	160 bp	400 bp

- TASER segment revenue of \$136 million grew 62% year over year, reflecting robust demand for our TASER 7 platform, as well as officer training. The quarter benefitted from a \$20 million order from an international customer.
- Gross margin increased to 64.5% driven by higher average selling prices as well as engineered cost reductions on our bill of materials.

Software & Sensors

	THREE MONTHS ENDED			CHANGE	
	31 DEC 2020	30 SEP 2020	31 DEC 2019 (in thousands)	QoQ	YoY
Axon Cloud net sales	\$ 50,343	\$ 45,462	\$ 36,805	10.7 %	36.8 %
Axon Cloud gross margin	77.7 %	77.1 %	76.1 %	60 bp	160 bp
Sensors and Other net sales	\$ 40,036	\$ 36,574	\$ 51,091	9.5 %	(21.6)%
Sensors and Other gross margin	36.3 %	27.5 %	27.0 %	880 bp	930 bp

- Axon Cloud revenue grew 37% year over year and reflects healthy demand across our growing cloud software suite.
- Axon Cloud gross margin of 77.7% includes some low-to-no margin professional services that support new installations for SaaS customers. The software-only revenue in this segment, which includes cloud storage and compute costs, has consistently carried a gross margin above 80%.
- Sensors & Other revenue declined 22% year over year as we expected. The year over year decline reflects the difficult comparison to Q4 2019 when we shipped record units of body cameras in conjunction with our Axon Body 3 product launch.
- Sensors & Other gross margin was 36.3%. As a reminder, we manage toward a 25% gross margin for camera and sensors hardware, and the gross margin will fluctuate quarter to quarter depending on the customer mix.

Forward-looking performance indicators:

	31 DEC 2020	30 SEP 2020	30 JUN 2020 (\$ in thousands)	31 MAR 2020	31 DEC 2019
Annual recurring revenue (1)	\$ 221,263	\$ 203,815	\$ 183,498	\$ 173,919	\$ 161,277
Net revenue retention (2)	119 %	120 %	119 %	119 %	121 %
Total company future contracted revenue (2)	\$ 1,730,000	\$ 1,510,000	\$ 1,340,000	\$ 1,274,000	\$ 1,230,000
Percentage of TASER devices sold on a recurring payment plan	53 %	75 %	46 %	43 %	58 %

(1) Monthly recurring license, integration, warranty, and storage revenue annualized.

(2) Refer to "Statistical Definitions" below.

- Annual Recurring Revenue ("ARR") grew 37% year over year to \$221 million. On a sequential basis, ARR increased by \$17 million, reflecting robust customer demand for our growing suite of software tools.
- Net revenue retention was 119% in the quarter, reflecting our ability to deliver additional value to our customers over time and our de minimis annual churn rates. We drive adoption of our cloud software solutions

through integrated bundling. We are seeing major cities upgrading their subscriptions at individual net dollar retention rates of 150% to 300%+ to take advantage of our growing suite of productivity and digital evidence management tools. Our agency customers often sign up for five to ten-year subscriptions. This SaaS metric purposely excludes the hardware portion of customer subscriptions. We further define this metric under "Statistical Definitions."

- Total company future contracted revenue grew to \$1.73 billion. See definition of this metric under "Statistical Definitions."
- The percentage of TASER devices sold on a subscription was 53% in the quarter. We saw strong international demand for book-and-ship (that is, non-subscription) units in the quarter. Domestic subscription orders were 73% of TASER devices sold, reflecting the value that customers see in our integrated subscription bundles and our efforts to evolve TASER devices from a book-and-ship hardware product to a subscription-based de-escalation platform that includes cloud software and training.

Outlook:

The following forward-looking statements reflect Axon's expectations as of February 25, 2021, and are subject to risks and uncertainties:

In 2020, we shared our plans to invest in our channel, product and support infrastructure as we look to scale the business to \$1 billion in revenue and beyond. These investments yielded results ahead of our expectations, as evidenced by our strong 2020 finish. We intend to continue investing for growth in 2021.

Our updated 2021 outlook is as follows:

- We expect to achieve revenue in the range of \$740 million to \$780 million, which represents a \$25 million increase at the midpoint over the expectation of \$720 million to \$750 million communicated in November.
- We are raising our expectations for Adjusted EBITDA to \$125 million to \$140 million, up from \$120 million to \$130 million previously.
 - We provide Adjusted EBITDA guidance, rather than net income guidance, due to the inherent difficulty of forecasting certain types of expenses such as stock-based compensation and income tax expenses, which affect net income but do not affect Adjusted EBITDA. We are unable to reasonably estimate the impact of such expenses, if any, on net income. Accordingly, we do not provide a reconciliation of projected net income to projected Adjusted EBITDA.
- We expect stock-based compensation expense to be at least \$115 million for the full year. However, as our stock-based compensation expense may increase significantly based on increases in the probability of attaining certain operational metrics and with acceleration in the expected timing of such attainment, it is inherently difficult to forecast future stock-based compensation expense.
- We expect capital expenditures to be approximately \$65 million to \$70 million in 2021, including investments to support capacity expansion and automation on TASER device and cartridge manufacturing.
 - We expect to invest about \$25 million in:
 - Building manufacturing capacity to support our existing TASER device manufacturing lines, in response to growing International and Federal pipelines. These investments include adding cartridge capacity as demand continues to scale with our growing install base. We also look forward to automating more TASER production and increasing per-person efficiency on the manufacturing lines to reduce labor costs.
 - Supporting development of our next generation TASER devices through investments in initial tooling, test fixtures and automation equipment.
 - We expect to invest approximately \$20 million into our new facilities in Scottsdale, Arizona, where we intend to locate our next-generation manufacturing facilities and offices. Axon requires physical facilities for not only manufacturing, but also hardware R&D, testing laboratories, wireless calibration, quality testing, and a variety of other functions that require physical collaboration. We are focused on long-term flexibility, optionality and stability for our physical plant operations in order to support Axon's growth and expansion plans for the next several decades.
 - The remaining capital spend includes investments to support our rapidly scaling growth, including facilities, systems and added distribution centers in North America and the UK.
- We expect Q1 2021 revenue to grow approximately 12% year over year, and support an approximately 12%

Adjusted EBITDA margin. We expect the quarterly cadence of revenue and Adjusted EBITDA in 2021 to be substantively similar to previous years.

Thank you for joining us on our growth journey,

Rick Smith, CEO
Luke Larson, President
Jawad Ahsan, CFO

Quarterly conference call and webcast

We will host our Q4 2020 earnings conference call webinar on Thursday, February 25 at 2 p.m. PT / 5 p.m. ET.

The webcast will be available via a link on Axon's investor relations website at <https://investor.axon.com> (<https://investor.axon.com/>), or can be accessed directly via <https://axon.zoom.us/j/96921631701>.

Statistical Definitions

Bookings: We consider bookings to be a statistical measure defined as the sales price of orders (not invoiced sales), including contractual optional periods we expect to be exercised, net of cancellations, inclusive of renewals, placed in the relevant fiscal period, regardless of when the products or services ultimately will be provided, so long as they are expected to occur within five years. Most bookings will be invoiced in subsequent periods. Due to municipal government funding rules, in some cases certain of the future period amounts included in bookings are subject to budget appropriation or other contract cancellation clauses. Although we have entered into contracts for the delivery of products and services in the future and anticipate the contracts will be fulfilled, if agencies do not exercise contractual options, do not appropriate funds in future year budgets, or do not enact a cancellation clause, revenue associated with these bookings may not ultimately be recognized, resulting in a future reduction to bookings. Bookings, as presented here, represent total company bookings inclusive of all products, and should not be confused with our historical reported measure of Software & Sensors bookings, which excluded TASER-related bookings. Certain customers sign contracts for time periods longer than five-years, which generates a larger-sized booking — but the expected exercise amounts after the five-year period is not included in bookings, as described here, in order to facilitate comparisons between periods.

Net revenue retention: Dollar-based net revenue retention is an important metric to measure our ability to retain and expand our relationships with existing customers. We calculate it as the software and camera warranty subscription and support revenue from a base set of agency customers from which we generated Axon Cloud subscription revenue in the last month of a quarter divided by the software and camera warranty subscription and support revenue from the year-ago month of that same customer base. This calculation includes high-margin warranty but purposely excludes the lower-margin hardware subscription contingent of the customer contracts, as it is meant to be a SaaS metric that we use to monitor the health of the recurring revenue business we are building. This calculation also excludes the implied monthly revenue contribution of customers that were added since the year-ago quarter, and therefore excludes the benefit of new customer acquisition. The metric includes customers, if any, that terminated during the annual period, and therefore, this metric is inclusive of customer churn. This metric is downwardly adjusted to account for the effect of phased deployments -- meaning that for the year-ago period, we consider the total contractually obligated implied monthly revenue amount, rather than monthly revenue amounts that might have been in actuality smaller on a GAAP basis due to the customer not having yet fully deployed their Axon solution. For more information relative to our revenue recognition policies, please reference our SEC filings.

Total company future contracted revenue: Total company future contracted revenue includes 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 Topic 606 as of December 31, 2020. We expect to recognize between 20% - 25% of this balance over the next twelve months, and generally expect the remainder to be recognized over the following five to seven years, subject to risks related to delayed deployments, budget appropriation or other contract cancellation clauses.

Non-GAAP Measures

To supplement the Company's financial results presented in accordance with GAAP, we present the non-GAAP financial measures of EBITDA, Adjusted EBITDA, Non-GAAP Net Income, Non-GAAP Diluted Earnings Per Share and Free Cash Flow. The Company's management uses these non-GAAP financial measures in evaluating the Company's

performance in comparison to prior periods. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing its performance, and when planning and forecasting our future periods. A reconciliation of GAAP to the non-GAAP financial measures is presented herein.

- 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, non-cash stock-based compensation expense and pre-tax certain other items (described below).
- Non-GAAP Net Income (Most comparable GAAP Measure: Net income) - Net income excluding the costs of non-cash stock-based compensation and excluding pre-tax certain other items, including, but not limited to, net gain/loss/write-down/disposal/abandonment of property, equipment and intangible assets; loss on impairment; costs related to business acquisitions and investments in unconsolidated affiliates; and costs related to the FTC litigation. The Company tax-effects non-GAAP adjustments using the blended statutory federal and state tax rates for each period presented.
- Non-GAAP Diluted Earnings Per Share (Most comparable GAAP Measure: Earnings Per share) - Measure of Company's Non-GAAP Net Income divided by the weighted average number of diluted common shares outstanding during the period presented.
- Free Cash Flow (Most comparable GAAP Measure: Cash flow from operating activities) - cash flows provided by operating activities minus purchases of property and equipment and intangible assets.

Caution on Use of Non-GAAP Measures

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 the Company's 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 the Company's GAAP financial measures;
- these non-GAAP financial measures should not be considered in isolation from, or as a substitute for, the Company's GAAP financial measures;
- these non-GAAP financial measures should not be considered to be superior to the Company's GAAP financial measures; and
- these non-GAAP financial measures were not prepared in accordance with GAAP or under a comprehensive set of rules or principles.

Further, these non-GAAP financial measures may be unique to the Company, as they may be different from similarly titled non-GAAP financial measures used by other companies. As such, this presentation of non-GAAP financial measures may not enhance the comparability of the Company's results to the results of other companies.

About Axon

Axon is the global leader in connected public safety technologies. We are a mission-driven company whose overarching goal is to protect life. Our vision is a world where bullets are obsolete, where social conflict is dramatically reduced, where everyone has access to a fair and effective justice system and where racial equity, diversity and inclusion is centered in all of our work. Axon is also a leading provider of body cameras for US public safety, providing more transparency and accountability to communities than ever before.

You may learn about our Environmental, Social, and Governance (ESG) and Corporate Social Responsibility (CSR) efforts by reading our ESG report at investor.axon.com.

We work hard for those who put themselves in harm's way for all of us. More than 246,000 lives and countless dollars have been saved with the Axon network of devices, apps and people. Learn more at www.axon.com or by calling (800) 978-2737. Axon is a global company with headquarters in Scottsdale, Arizona, and a global software engineering hub in Seattle, Washington, as well as additional offices in the US, Australia, Canada, Finland, Vietnam, the UK and the Netherlands.

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- Axon on Facebook: <https://www.facebook.com/Axon.ProtectLife/>

Forward-looking statements

Forward-looking statements in this letter include, without limitation, statements regarding: the impact of the COVID-19 pandemic; proposed products and services and related development efforts and activities; expectations about the market for our current and future products and services; strategies and trends relating to subscription plan programs and revenues; strategies and trends, including the benefits of, research and development investments; the timing and realization of future contracted revenue; expectations about customer behavior; statements concerning projections, predictions, expectations, estimates or forecasts as to our business, financial and operational results and future economic performance, including our outlook for first quarter 2021 revenue and Adjusted EBITDA, and for 2021 full year revenue, Adjusted EBITDA, stock-based compensation expense, and capital expenditures; statements of management's strategies, goals and objectives and other similar expressions; as well as the ultimate resolution of financial statement items requiring critical accounting estimates, including those set forth in our Form 10-K for the year ended December 31, 2020. 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. The following important factors could cause actual results to differ materially from those in the forward-looking statements: the potential global impacts of the COVID-19 pandemic; our exposure to cancellations of government contracts due to appropriation clauses, exercise of a cancellation clause, or non-exercise of contractually optional periods; our ability to design, introduce and sell new products or features; our ability to defend against litigation and protect our intellectual property, and the resulting costs of this activity; our ability to manage our supply chain and avoid production delays, shortages, and impacts to expected gross margins; the impact of stock compensation expense, impairment expense, and income tax expense on our financial results; customer purchase behavior, including adoption of our software as a service delivery model; negative media publicity regarding our products; the impact of product mix on projected gross margins; defects in our products; changes in the costs of product components and labor; loss of customer data, a breach of security, or an extended outage, including by our third party cloud-based storage providers; exposure to international operational risks; delayed cash collections and possible credit losses due to our subscription model; changes in government regulations in the U.S. and in foreign markets, especially related to the classification of our products by the United States Bureau of Alcohol, Tobacco, Firearms and Explosives; our ability to integrate acquired businesses; our ability to attract and retain key personnel; and counter-party risks relating to cash balances held in excess of FDIC insurance limits. 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. Our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q list various important factors that could cause actual results to differ materially from expected and historical results. These factors are intended as cautionary statements for investors within the meaning of Section 21E of the Exchange Act and Section 27A of the Securities Act. Readers can find them under the heading "Risk Factors" in the Annual Report on Form 10-K and in the Quarterly Reports 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 10-Q, 8-K and 10-K reports to the SEC.

Update on Legal Matters:

Axon v. FTC

Axon continues to both vigorously prosecute its Federal court constitutional case against the FTC and defend the FTC's separate antitrust administrative action against the company. The Ninth Circuit Court of Appeals stayed the FTC's administrative hearing that was scheduled to begin in October 2020 to preserve the status quo pending its ruling on Axon's appeal.

As background, Axon's Federal court constitutional challenge against the FTC was dismissed in April 2020, without prejudice, for lack of jurisdiction, holding that Axon must first bring its claims through the FTC's administrative process. Axon appealed that ruling to the Ninth Circuit (No. 20-15662). In January 2021, a Ninth Circuit panel in a 2-1 split decision ruled against Axon on the jurisdictional question. Axon intends to file a petition for rehearing en banc with an expanded 11-judge panel of the Ninth Circuit and thereafter may file a petition for certiorari with the U.S. Supreme Court. The panel dissent is strong and well-reasoned and even the majority opinion recognizes the legitimate and serious constitutional questions Axon has raised about the FTC's "stunning win rate" and whether the agency "has stacked the deck in its favor in its administrative proceedings."

We believe the administrative hearing will remain on hold until all appellate avenues have run their course, which could take up to a year or more to fully resolve. Copies of the Court's recent opinion and other Federal court filings can be found on Axon's FTC Investor Briefing page at <https://www.axon.com/ftc>.

As a reminder, in parallel to these matters Axon is evaluating strategic alternatives to litigation, which Axon might pursue if determined to be in the best interests of shareholders and customers. This could include a divestiture of the Vieu entity and/or related assets. While Axon continues to believe the acquisition of Vieu in 2018 was lawful and a benefit to Vieu's customers, the cost, risk and distraction of protracted litigation merit consideration of settlement if achievable on terms agreeable to the FTC and Axon.

For investor relations information please contact Andrea James and Angel Ambrosio via email at IR@axon.com.

AXON ENTERPRISE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Uaudited)
(in thousands, except per share data)

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
	31 DEC 2020	30 SEP 2020	31 DEC 2019	31 DEC 2020	31 DEC 2019
Net sales from products	\$ 174,116	\$ 120,091	\$ 134,497	\$ 500,250	\$ 399,474
Net sales from services	52,024	46,351	37,354	180,753	131,386
Net sales	226,140	166,442	171,851	681,003	530,860
Cost of product sales	73,624	57,798	70,418	224,131	190,683
Cost of service sales	11,210	10,404	8,793	40,541	32,891
Cost of sales	84,834	68,202	79,211	264,672	223,574
Gross margin	141,306	98,240	92,640	416,331	307,286
Operating expenses:					
Sales, general and administrative	97,523	74,443	78,281	307,286	212,959
Research and development	38,008	29,246	28,745	123,195	100,721
Total operating expenses	135,531	103,689	107,026	430,481	313,680
Income (loss) from operations	5,775	(5,449)	(14,386)	(14,150)	(6,394)
Interest and other income, net	3,265	2,040	2,486	7,859	8,464
Income (loss) before provision for income taxes	9,040	(3,409)	(11,900)	(6,291)	2,070
Provision for (benefit from) income taxes	(16,794)	(2,536)	479	(4,567)	1,188
Net income (loss)	\$ 25,834	\$ (873)	\$ (12,379)	\$ (1,724)	\$ 882
Net income (loss) per common and common equivalent shares:					
Basic	\$ 0.41	\$ (0.01)	\$ (0.21)	\$ (0.03)	\$ 0.01
Diluted	\$ 0.40	\$ (0.01)	\$ (0.21)	\$ (0.03)	\$ 0.01
Weighted average number of common and common equivalent shares outstanding:					
Basic	63,639	63,496	59,374	61,782	59,160
Diluted	65,362	63,496	59,374	61,782	60,018

AXON ENTERPRISE, INC.
SEGMENT REPORTING
(Uaudited)
(dollars in thousands)

	THREE MONTHS ENDED 31 DEC 2020			THREE MONTHS ENDED 30 SEP 2020			THREE MONTHS ENDED 31 DEC 2019		
	TASER	Software and Sensors	Total	TASER	Software and Sensors	Total	TASER	Software and Sensors	Total
Net sales from products (1)	\$ 134,080	\$ 40,036	\$ 174,116	\$ 83,517	\$ 36,574	\$ 120,091	\$ 83,406	\$ 51,091	\$ 134,497
Net sales from services (2)	1,681	50,343	52,024	889	45,462	46,351	549	36,805	37,354
Net sales	135,761	90,379	226,140	84,406	82,036	166,442	83,955	87,896	171,851
Cost of product sales	48,138	25,486	73,624	31,297	26,501	57,798	33,144	37,274	70,418
Cost of service sales	—	11,210	11,210	—	10,404	10,404	—	8,793	8,793
Cost of sales	48,138	36,696	84,834	31,297	36,905	68,202	33,144	46,067	79,211
Gross margin	87,623	53,683	141,306	53,109	45,131	98,240	50,811	41,829	92,640
Gross margin %	64.5 %	59.4 %	62.5 %	62.9 %	55.0 %	59.0 %	60.5 %	47.6 %	53.9 %
Research and development	5,231	32,777	38,008	3,355	25,891	29,246	4,185	24,560	28,745
	TWELVE MONTHS ENDED 31 DEC 2020					TWELVE MONTHS ENDED 31 DEC 2019			
	TASER	Software and Sensors	Total	TASER	Software and Sensors	Total	TASER	Software and Sensors	Total
Net sales from products (1)	\$ 362,649	\$ 137,601	\$ 500,250	\$ 280,554	\$ 118,920	\$ 399,474			
Net sales from services (2)	3,903	176,850	180,753	1,107	130,279	131,386			
Net sales	366,552	314,451	681,003	281,661	249,199	530,860			
Cost of product sales	136,925	87,206	224,131	107,188	83,495	190,683			
Cost of service sales	—	40,541	40,541	—	32,891	32,891			
Cost of sales	136,925	127,747	264,672	107,188	116,386	223,574			
Gross margin	229,627	186,704	416,331	174,473	132,813	307,286			
Gross margin %	62.6 %	59.4 %	61.1 %	61.9 %	53.3 %	57.9 %			
Research and development	15,380	107,815	123,195	14,469	86,252	100,721			

- (1) Software and Sensors “products” revenue consists of sensors, including on-officer body cameras, Axon Fleet cameras, other hardware sensors, warranties on sensors, and other products, and is sometimes referred to as Sensors and Other revenue.
- (2) Software and Sensors “services” revenue comprises sales related to the Axon Cloud, which includes Axon Evidence, cloud-based evidence management software revenue, other recurring cloud-hosted software revenue and related professional services, and is sometimes referred to as Axon Cloud revenue.
-

AXON ENTERPRISE, INC.

UNIT SALES STATISTICS

(Unaudited)

Units in whole numbers

	THREE MONTHS ENDED				TWELVE MONTHS ENDED			
	31 DEC 2020	31 DEC 2019	Unit Change	Percent Change	31 DEC 2020	31 DEC 2019	Unit Change	Percent Change
TASER 7	41,099	14,577	26,522	181.9 %	77,451	49,221	28,230	57.4 %
TASER X26P	10,611	13,554	(2,943)	(21.7)	37,391	48,798	(11,407)	(23.4)
TASER X2	9,751	11,534	(1,783)	(15.5)	43,407	40,973	2,434	5.9
TASER Pulse	11,657	2,978	8,679	291.4	33,158	11,785	21,373	181.4
Cartridges	1,272,679	962,519	310,160	32.2	3,714,291	2,751,603	962,688	35.0
Axon Body	44,735	83,268	(38,533)	(46.3)	182,538	151,499	31,039	20.5
Axon Flex	749	3,078	(2,329)	(75.7)	8,962	15,586	(6,624)	(42.5)
Axon Fleet	3,905	3,324	581	17.5	11,304	10,467	837	8.0
Axon Dock	6,326	10,149	(3,823)	(37.7)	25,422	22,275	3,147	14.1

AXON ENTERPRISE, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(Uaudited)
Dollars in thousands

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
	31 DEC 2020	30 SEP 2020	31 DEC 2019	31 DEC 2020	31 DEC 2019
EBITDA and Adjusted EBITDA:					
Net income (loss)	\$ 25,834	\$ (873)	\$ (12,379)	\$ (1,724)	\$ 882
Depreciation and amortization	3,531	3,133	3,165	12,475	11,361
Interest expense	11	32	19	55	46
Investment interest income	(929)	(965)	(1,760)	(4,086)	(7,040)
Provision for (benefit from) income taxes	(16,794)	(2,536)	479	(4,567)	1,188
EBITDA	\$ 11,653	\$ (1,209)	\$ (10,476)	\$ 2,153	\$ 6,437
Adjustments:					
Stock-based compensation expense	\$ 53,448	\$ 26,094	\$ 48,300	\$ 133,572	\$ 78,495
Loss on disposal and abandonment of intangible assets	68	139	16	320	67
Loss on disposal and impairment of property and equipment, net	293	124	134	1,722	2,542
Transaction costs related to investments in unconsolidated affiliates	109	—	—	1,032	—
Costs related to FTC litigation	522	8,573	240	19,064	240
Unrealized net gain on investment and warrants in unconsolidated affiliate	(2,055)	—	—	(2,055)	—
Adjusted EBITDA	\$ 64,038	\$ 33,721	\$ 38,214	\$ 155,808	\$ 87,781
<i>Net income (loss) as a percentage of net sales</i>	11.4 %	(0.5)%	(7.2)%	(0.3)%	0.2 %
<i>Adjusted EBITDA as a percentage of net sales</i>	28.3 %	20.3 %	22.2 %	22.9 %	16.5 %
Stock-based compensation expense:					
Cost of product and service sales	\$ 1,294	\$ 744	\$ 790	\$ 3,464	\$ 1,565
Sales, general and administrative	43,007	19,117	40,212	103,860	59,342
Research and development	9,147	6,233	7,298	26,248	17,588
Total	\$ 53,448	\$ 26,094	\$ 48,300	\$ 133,572	\$ 78,495

AXON ENTERPRISE, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES - continued
(Uaudited)
Dollars in thousands

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
	31 DEC 2020	30 SEP 2020	31 DEC 2019	31 DEC 2020	31 DEC 2019
Non-GAAP net income:					
GAAP net income (loss)	\$ 25,834	\$ (873)	\$ (12,379)	\$ (1,724)	\$ 882
Non-GAAP adjustments:					
Stock-based compensation expense	53,448	26,094	48,300	133,572	78,495
Loss on disposal and abandonment of intangible assets	68	139	16	320	67
Loss on disposal and impairment of property and equipment, net	293	124	134	1,722	2,542
Transaction costs related to investments in unconsolidated affiliates	109	—	—	1,032	—
Costs related to FTC litigation	522	8,573	240	19,064	240
Unrealized net gain on investment and warrants in unconsolidated affiliate	(2,055)	—	—	(2,055)	—
Income tax effects	(13,172)	(8,618)	(11,863)	(38,156)	(20,068)
Non-GAAP net income	\$ 65,047	\$ 25,439	\$ 24,448	\$ 113,775	\$ 62,158
 Non-GAAP diluted earnings per share:					
GAAP diluted earnings (loss) per share	\$ 0.40	\$ (0.01)	\$ (0.21)	\$ (0.03)	\$ 0.01
Non-GAAP adjustments:					
Stock-based compensation expense	0.82	0.41	0.80	2.13	1.31
Loss on disposal and abandonment of intangible assets	0.00	0.00	0.00	0.01	0.00
Loss on disposal and impairment of property and equipment, net	0.00	0.00	0.00	0.03	0.04
Transaction costs related to investments in unconsolidated affiliates	0.00	-	-	0.02	-
Costs related to FTC litigation	0.01	0.13	0.00	0.30	0.00
Unrealized net gain on investment and warrants in unconsolidated affiliate	(0.03)	-	-	(0.03)	-
Income tax effects	(0.20)	(0.13)	(0.20)	(0.61)	(0.33)
Non-GAAP diluted earnings per share ⁽¹⁾	\$ 1.00	\$ 0.40	\$ 0.41	\$ 1.81	\$ 1.04
Weighted average number of diluted common and common equivalent shares outstanding (in thousands)	65,362	64,087	60,257	62,707	60,018

(1) The per share calculations for GAAP net income, Non-GAAP adjustments and Non-GAAP diluted earnings per share are each computed independently. Per share amounts may not sum due to rounding.

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

	31 DEC 2020 (Unaudited)	31 DEC 2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 155,440	\$ 172,250
Short-term investments	406,525	178,534
Accounts and notes receivable, net	229,201	146,878
Contract assets, net	63,945	38,102
Inventory	89,958	38,845
Prepaid expenses and other current assets	<u>36,883</u>	<u>34,866</u>
Total current assets	981,952	609,475
Property and equipment, net	105,494	43,770
Deferred tax assets, net	45,770	27,688
Intangible assets, net	9,448	12,771
Goodwill	25,205	25,013
Long-term investments	90,681	45,499
Long-term notes receivable, net of current portion	22,457	31,598
Long-term contract assets, net	20,099	9,644
Other assets	79,917	40,181
Total assets	\$ 1,381,023	\$ 845,639
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	24,142	25,874
Accrued liabilities	59,843	45,001
Current portion of deferred revenue	163,959	117,864
Customer deposits	2,956	2,974
Other current liabilities	<u>5,431</u>	<u>3,853</u>
Total current liabilities	256,331	195,566
Deferred revenue, net of current portion	111,222	87,936
Liability for unrecognized tax benefits	4,503	3,832
Long-term deferred compensation	4,732	3,936
Deferred tax liabilities, net	649	354
Other long-term liabilities	27,331	10,520
Total liabilities	404,768	302,144
Stockholders' Equity:		
Preferred stock	—	—
Common stock	1	1
Additional paid-in capital	962,159	528,272
Treasury stock	(155,947)	(155,947)
Retained earnings	169,901	172,265
Accumulated other comprehensive loss	<u>141</u>	<u>(1,096)</u>
Total stockholders' equity	976,255	543,495
Total liabilities and stockholders' equity	\$ 1,381,023	\$ 845,639

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

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
	31 DEC 2020	30 SEP 2020	31 DEC 2019	31 DEC 2020	31 DEC 2019
Cash flows from operating activities:					
Net income (loss)	\$ 25,834	\$ (873)	\$ (12,379)	\$ (1,724)	\$ 882
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	3,531	3,133	3,165	12,475	11,361
Loss on disposal and abandonment of intangible assets	68	139	16	320	67
Loss on disposal and impairment of property and equipment, net	293	124	134	1,722	2,542
Stock-based compensation	53,448	26,094	48,300	133,572	78,495
Deferred income taxes	(4,858)	(5,518)	(4,041)	(16,528)	(7,987)
Unrecognized tax benefits	98	(39)	389	671	983
Other noncash, net	2,876	1,977	1,005	7,449	3,928
Provision for expected credit losses	526	118	—	1,302	—
Change in assets and liabilities:					
Accounts and notes receivable and contract assets	(59,211)	(39,176)	(8,333)	(107,762)	(38,830)
Inventory	7,215	(16,100)	1,399	(52,156)	(4,903)
Prepaid expenses and other assets	(10,063)	3,729	2,122	(14,885)	(9,845)
Accounts payable, accrued liabilities and other liabilities	(16,479)	8,657	18,495	8,886	4,967
Deferred revenue	31,040	28,875	(4,463)	65,139	24,013
Net cash provided by operating activities	<u>34,318</u>	<u>11,140</u>	<u>45,809</u>	<u>38,481</u>	<u>65,673</u>
Cash flows from investing activities:					
Purchases of investments	(139,835)	(224,090)	(111,784)	(656,522)	(354,477)
Proceeds from call / maturity of investments	92,640	128,529	37,876	379,839	130,083
Purchases of property and equipment	(6,606)	(58,472)	(3,828)	(72,629)	(15,939)
Proceeds of disposal from property and equipment	1	16	—	95	—
Purchases of intangible assets	(64)	(66)	(76)	(241)	(404)
Investments in unconsolidated affiliates	(2,368)	—	—	(7,068)	—
Net cash used in investing activities	<u>(56,232)</u>	<u>(154,083)</u>	<u>(77,812)</u>	<u>(356,526)</u>	<u>(240,737)</u>
Cash flows from financing activities:					
Net proceeds from equity offering	—	—	—	306,779	—
Proceeds from options exercised	—	—	8	295	114
Income and payroll tax payments for net-settled stock awards	(923)	(1,119)	(783)	(7,809)	(4,051)
Net cash provided by (used in) financing activities	<u>(923)</u>	<u>(1,119)</u>	<u>(775)</u>	<u>299,265</u>	<u>(3,937)</u>
Effect of exchange rate changes on cash and cash equivalents	2,279	812	1,007	1,976	329
Net decrease in cash and cash equivalents and restricted cash	(20,558)	(143,250)	(31,771)	(16,804)	(178,672)
Cash and cash equivalents and restricted cash, beginning of period	176,109	319,359	204,126	172,355	351,027
Cash and cash equivalents and restricted cash, end of period	<u>\$ 155,551</u>	<u>\$ 176,109</u>	<u>\$ 172,355</u>	<u>\$ 155,551</u>	<u>\$ 172,355</u>

AXON ENTERPRISE, INC.
SELECTED CASH FLOW INFORMATION
(Uaudited)
(in thousands)

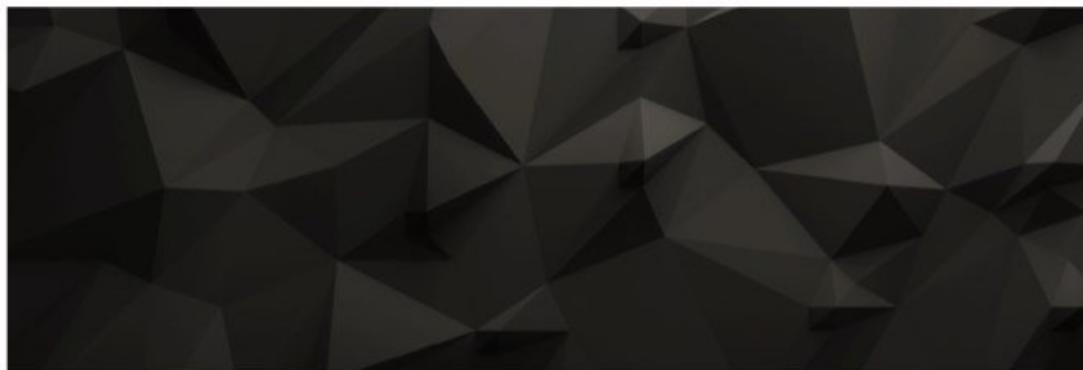
	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
	31 DEC 2020	30 SEP 2020	31 DEC 2019	31 DEC 2020	31 DEC 2019
Net cash provided by operating activities	\$ 34,318	\$ 11,140	\$ 45,809	\$ 38,481	\$ 65,673
Purchases of property and equipment	(6,606)	(58,472)	(3,828)	(72,629)	(15,939)
Purchases of intangible assets	(64)	(66)	(76)	(241)	(404)
Free cash flow, a non-GAAP measure	<u><u>\$ 27,648</u></u>	<u><u>\$ (47,398)</u></u>	<u><u>\$ 41,905</u></u>	<u><u>\$ (34,389)</u></u>	<u><u>\$ 49,330</u></u>

AXON ENTERPRISE, INC.
SUPPLEMENTAL TABLES
(in thousands)

	31 DEC 2020	31 DEC 2019
	(Unaudited)	
Cash and cash equivalents	\$ 155,440	\$ 172,250
Short-term investments	406,525	178,534
Long-term investments	90,681	45,499
Total cash and cash equivalents and investments, net	<u><u>\$ 652,646</u></u>	<u><u>\$ 396,283</u></u>



2021



**ENVIRONMENTAL, SOCIAL & GOVERNANCE
+ CORPORATE SOCIAL RESPONSIBILITY**



**ESG / CSR
REPORT**

AXON ENTERPRISE INC.
NASDAQ: AXON

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// SECTION 1

THE BIG PICTURE: BUILDING A SOCIETY WE WANT TO LIVE IN.

Axon is a mission-driven company with the overarching goal to protect life.

Our vision is a world where bullets are obsolete, where social conflict is dramatically reduced, and where everyone has access to a fair and effective justice system.

We see 100% of Axon revenues as tied to devices, software or services designed for public safety and promoting social good.

Everyone deserves to get home safely. We are in the business of helping officers to de-escalate, and to respond effectively and safely, in service of protecting life. Axon is the inventor and exclusive maker of TASER® devices, which are the safest and most effective less-lethal force option used in public safety today. Axon also creates virtual-reality based empathy training for public safety to better equip officers with the tools to de-escalate situations involving people suffering from mental health issues or crises.

Thanks to TASER devices, at the time of this report, over 246,000 lives had been saved from potential death or serious bodily injury. These represent instances when lethal force might have been justified, and the less-lethal TASER device was deployed instead.

Axon is also a leading provider of body cameras for US law enforcement, providing more transparency and accountability to communities than ever before. We also invest heavily in AI, or artificial intelligence, especially in areas such as redaction, which preserves the right to freedom of information for the community, while also protecting the right to privacy of individuals in body camera videos.

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More than 200,000 people avoided serious harm thanks to Axon's less-lethal technology.

We are humbled and inspired by the gravity of our mission.

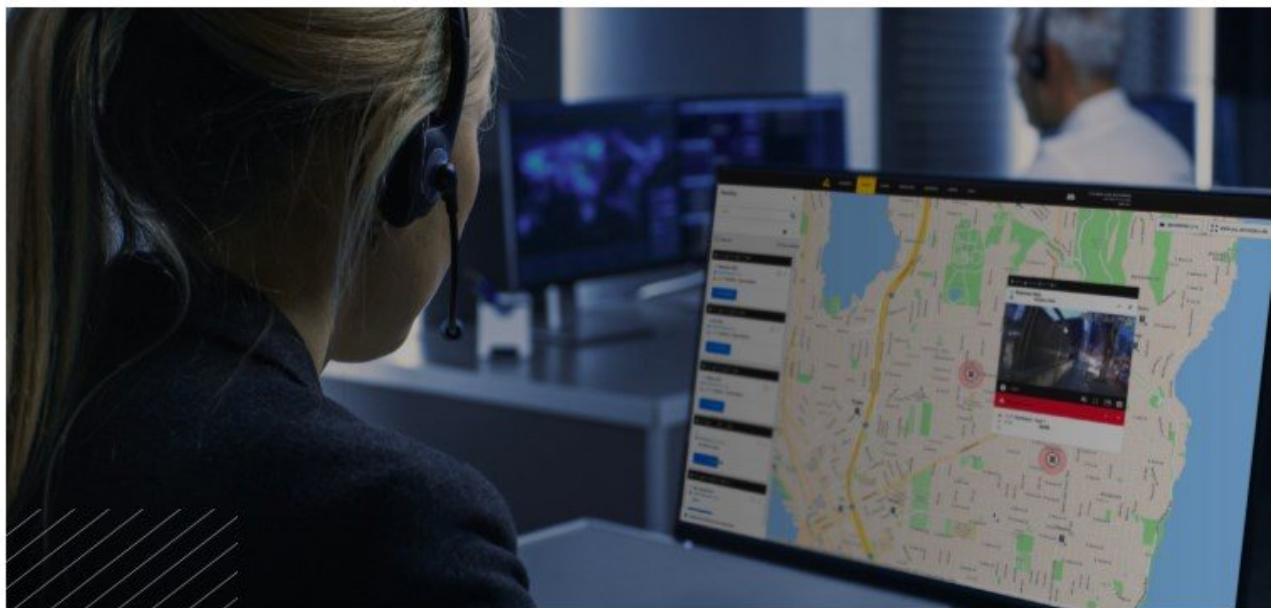
Axon is proud to have formed the industry's first and most predominant AI ethics board, which helps to establish best practices to protect privacy and ensure safeguards to avoid bias and other potential risks associated with AI. Axon was the first major technology player to implement a policy to restrict the use of facial recognition in our body cameras, until biased accuracy and privacy risks have been addressed. This policy leadership was a direct result of the work of our AI ethics board and has now been followed by many technology providers. We discuss this board in greater detail later in this report.

When body cameras are deployed:



SOURCES: (1) *The Effect of Police Body-Worn Cameras on Use of Force and Citizens' Complaints Against the Police: A Randomized Controlled Trial* (2015), (2) *Queensland Police Domestic Violence Case Study* (2017)

Our products also help emergency responders of all kinds — from fire and EMS, to dispatchers at public safety answering points (911 call centers in the US) — be more effective, more efficient and create safer communities.



1/01

SUPPORTING THE U.N.'S SUSTAINABLE DEVELOPMENT GOALS

We see 100% of our revenues as generated by products and solutions that support the United Nations Sustainable Development Goals, particularly goals 5, 9, 11 and 16. These goals seek to achieve gender equality, build resilient infrastructure and foster innovation, promote safe living conditions in urban areas, reduce violence and death rates, promote the rule of law to ensure equal access to justice, and develop effective, accountable and transparent institutions.

Following the social unrest of 2020, Axon became one of the first companies to announce a public [action plan](#), including a commitment to help public safety agencies in their work to address systemic inequity, racism, and injustice. As part of this commitment, Axon added a new strategic goal to our mission — **to build for racial equity, diversity, and inclusion.**

In October 2020, we unveiled our first eight product features developed in direct support of this goal, which we built through a company-wide initiative led by our product teams. The features focus on transparency, truth and officer development, and aim to reduce violence and social conflict. Importantly, they increase officer accountability with multiple features such as automatically prioritizing body camera videos selected for random audits (based on events such as unholstering a TASER device or spoken keywords from the AI-powered transcription of the audio), a use of force dashboard, virtual reality training to assist in handling high-stakes situations like peer intervention, and replay coaching to revisit body camera footage and promote ongoing learning and development.

// PROGRESS ON U.N. SUSTAINABLE DEVELOPMENT GOALS //



1/02

CASE STUDY: HOW BODY CAMERAS HELP DOMESTIC VIOLENCE VICTIMS

Domestic violence is a significant public health and social problem [worldwide](#), often leading to long-term mental and physical health issues.

- Axon ran a study on the Queensland Police Service in Australia, and we found that body cameras help with the real problem of domestic violence. In Australia, almost **1 in 4 (23%) women** and **1 in 6 (16%) men** have experienced emotional abuse from a current or previous partner since the age of 15, according to the Australian government.
- In Queensland, law enforcement responds to **5,000 cases per week**. Also, domestic violence is known to be largely an under-reported and under-prosecuted crime, and **10% of women experiencing domestic violence seek help**.

BODY CAMERAS CAPTURE TRUTH

Though few women report the crimes they suffer, often because they are afraid of retaliation by their abuser or because they consider the abuse to be a private issue, modern technology is helping those who do seek help get justice and safety from their abusers. **Body cameras record the circumstances surrounding an incident**, and often show far more than a written or verbal statement while reducing the time police officers spend on recording affidavits and in court. In addition, with digital evidence management systems like Evidence.com, prosecutors are able to access untampered footage to see exactly what happened.

INCREASED GUILTY PLEAS

When Queensland police began using body camera footage in the court while dealing with cases of domestic violence, they saw a **60% to 70% decline in police summary hearings**, and an increase in the number of guilty pleas. Notably, and perhaps due to the increase in successful court cases, the study also projects a **22% increase in reported cases**.

Domestic violence isn't just a problem in Australia.

- // A **2020 report** published by NCADV found that in the United States, more than **10 million adults experience domestic violence annually**.
- // For the year ending March 2016 to the year ending March 2018, **74% of victims of domestic homicide in the UK were female**.
- // A **2015 South Korean study** found that **72% of female respondents experienced being controlled** by their partners and that **37% experienced psychological/emotional violence** from their partners.
- // In Italy, almost **20% of women** will experience **physical or sexual violence from an intimate partner** in a lifetime, and globally, **one in three women** have been victims of **gender-based violence or abuse** in their lives.

We believe that body cameras can play an important role in addressing this public health issue.

//————— ADDITIONAL RESOURCES —————//

VIDEO

Video: <https://www.axon.com/news/using-modern-technology-to-combat-domestic-violence>

SOURCES

https://www.cdc.gov/violenceprevention/pdf/nisvs_report2010-a.pdf

https://assets.speakcdn.com/assets/2497/domestic_violence-2020080709350855.pdf?1596828650457

<https://www.womensaid.org.uk/information-support/what-is-domestic-abuse/domestic-abuse-is-a-gendered-crime/>

https://eng.kic.re.kr/brdartcl/boardarticleView.do?brd_id=BDIDX_736t9S87ryDaxzPmkp5987&cont_idx=797&srch_menu_nix=w5mg0hj7&edomweivgp=R&srch_mu_lang=CDIDX00023

<https://evaw-global-database.unwomen.org/en/countries/europe/italy>

<http://www.bwss.org/resources/information-on-abuse/numbers-are-people-too/>

1/03

COMMON QUESTION: HOW SAFE ARE TASER DEVICES?

Axon is relentlessly working toward our mission of making the bullet obsolete. A critical component of that journey is advancing the technology of our TASER devices.

TASER devices protect life. They are the most studied less-lethal use-of-force option available to officers today, with more than 800 published studies evaluating safety and effectiveness.

The conclusions of these studies are clear: public safety agencies and communities benefit from the adoption of TASER devices. They de-escalate intense situations and reduce the rate of injuries to civilians and officers—and as a result, agencies often save taxpayer money and see a drop in workers' compensation claims after implementing a TASER device program.

For over a decade, Axon has sought to understand why TASER device probe deployments may have been ineffective in some instances. We have taken that data to build our most effective device yet, the [TASER 7](#) device.

The TASER 7 achieves better connection at close distances, where most deployments occur, and is making clothing barriers a problem of the past.

Agencies that purchase a TASER 7 program can also get access to innovative [VR training](#) that builds officer empathy and enhanced in-person training with new live scenarios.

246,000+
LIVES SAVED

from potential death or serious bodily injury

[SOURCE](#)

4,500,000+
USES IN THE FIELD

by officers around the world

[SOURCE](#)

100%

RESULTED IN
NO SERIOUS INJURY

in 504 field cases of TASER use*



*Additional sources for injury rates in reference section on page 11

More than 800 studies have confirmed the safety and life-saving value of TASER technology as a more safe and effective use of force.

View our research index, [here](#).

SELECTED STUDIES

WAKE FOREST STUDY

A US DOJ-funded study by the Wake Forest University Baptist Medical Center concluded that 99.75% of 1,201 field uses of TASER devices in a wide range of drug and alcohol influences, ages, and race resulted in no significant injuries, demonstrating that the TASER device is the safest intermediate use-of-force option available for police.

HOUSTON STUDY

In a longitudinal study, the Houston Police Department saw TASER devices help decrease workers' comp claims by 93%. Deploying alternative means of force has also shown to reduce suspect injuries by as much as 60%.

MACDONALD, ET AL. IN AMERICAN JOURNAL OF PUBLIC HEALTH

In a [peer-reviewed study published in the American Journal of Public Health](#), MacDonald, Kaminski, and Smith examine less-lethal weapons including conducted electrical weapons. Analyzing data from 12 police departments across 24,380 use-of-force cases involving injury to officers or civilians, this study found that **"odds of injury to civilians and officers were significantly lower when police used CED¹ weapons."** Overall, the study concluded that when law enforcement agencies responsibly employ less-lethal weapons instead of physical force, injuries can be dramatically reduced.

FERDIK, ET AL. IN POLICE QUARTERLY

Using data from a representative sample of American law enforcement agencies, [this independent study in Police Quarterly](#) shows that "less restrictive CED policies are associated with increased CED usage and **fewer fatal**

shootings by police." The results show that agencies policies which allowed wider use of CEDs were "substantially and significantly associated with decreases in the number of fatal police shootings."

US DEPARTMENT OF JUSTICE

In a [5-year study on the safety of TASER devices](#) by the US Department of Justice 'an expert panel of medical professionals concludes that the use of conducted energy devices by police officers on healthy adults does not present a high risk of death or serious injury.'

In comparing the records of 24,000+ use of force conflicts from 12 different agencies, a separate [DOJ study](#) found the risk of injury to suspects apprehended with TASER brand devices typically fell more than 60 percent compared to the risk to suspects who were arrested without the devices, when all other conditions were similar.

POLICE EXECUTIVE RESEARCH FOUNDATION

A Police Executive Research Foundation ([PERF](#)) [study](#) found that CEWs², or conducted energy weapons, led to **fewer officer injuries** and **fewer suspect injuries**. Use of TASER devices was associated with a 76% reduction in the chances of an officer being injured compared to agencies that do not use CEWs, and the odds of a suspect being injured were reduced by more than 40% in TASER device agencies compared to non-CEW agencies.

THE AMERICAN MEDICAL ASSOCIATION

The American Medical Association [assessed](#) that TASER devices are a "safe and effective tool" and "can save lives during interventions" when used appropriately.

1. CED, or Conducted Energy Devices

2. CEW, or Conducted Energy Weapons

//————— REFERENCES —————//

Eastman AL, Metzger JC, Pepe PE, et al. Conductive electrical devices: a prospective, population-based study of the medical safety of law enforcement use. The Journal of trauma. 2008;64(6):1567-1572.

Ferdik FV, Kaminski RJ, Cooney MD, Sevigny EL. The influence of agency policies on conducted energy device use and police use of lethal force. Police Quarterly. 2014;17:328-358.

Goudge S. The health effects of conducted energy weapons: The Expert Panel on the Medical and Physiological Impacts of Conducted Energy Weapons. Council of Canadian Academies, 2013 on #6

Kroll MW, Fish RM, Lakkireddy D, Luceri RM, Panescu D. Essentials of low-power electrocution: established and speculated mechanisms. IEEE EMBC Conference Proceedings. 2012;2012:5734-5740.

Kroll MW, Lakkireddy DR, Stone JR, Luceri RM. TASER electronic control devices and cardiac arrests: coincidental or causal? Circulation. 2014;129(1):93-100.

Kroll MW, Lakkireddy DR, Stone JR, Luceri RM. TASER electronic control devices and cardiac arrests: coincidental or causal? Supplement. Circulation. 2014;129(1):On Line Supplement.

MacDonald JM, Kaminski RJ, Smith MR. The Effect of Less-Lethal Weapons on Injuries in Police Use-of-Force Events. American Journal of Public Health. 2009;99(12):2268-2274.

McDaniel WC, Stratbucker RA, Nerheim M, Brewer JE. Cardiac safety of neuromuscular incapacitating defensive devices. Pacing and Clinical Electrophysiology: PACE. 2005;28 Suppl 1:S284-287.

Nanthakumar K, Billingsley IM, Masse S, et al. Cardiac electrophysiological consequences of neuromuscular incapacitating device discharges. Journal of the American College of Cardiology. 2006;48(4):798-804.

Valentino DJ, Walter RJ, Dennis AJ, et al. Taser X26 discharges in swine: ventricular rhythm capture is dependent on discharge vector. The Journal of Trauma. 2008;65(6):1478-1485; discussion 1485-1477.

Walcott GP, Kroll MW, Ideker RE. Ventricular fibrillation: are swine a sensitive species? J Interv Card Electrophysiol. 2015 Mar;42(2):83-9. doi: 10.1007/s10840-014-9964-1. Epub 2015 Jan 16.

Meyer, G. (1991). Nonlethal Weapons vs. Conventional Police Tactics: The Los Angeles Police Department Experience, Master's Thesis, California State University, Los Angeles. This was later published in Meyer, G. (2009). Conducted electrical weapons: A user's perspective. In TASER® conducted electrical weapons: Physiology, pathology, and law (pp. 1-9). Springer, Boston, MA;

Bozeman WP, Stoprya JP, Klinger DA, et al. Injuries Associated with Police Use of Force. The journal of trauma and acute care surgery (2018).

1/04

AXON INVESTMENT IN COMMUNITY SOCIAL IMPACT

Axon serves public safety, and public safety serves the community.

The widespread events of civil unrest in 2020 highlighted the need to better engage with communities as we develop products and solutions to ensure everyone gets home safe. Step one of effective engagement is not simply telling or informing, but demanding that we spend time listening to community members. We are proud to form and invest in a Community Impact Team to lead the way.

The Community Impact Team helps build sustainable bridges between public safety agencies and the communities they serve and are sworn to protect. The team assists departments and their respective communities with pro bono engagement services, including educational awareness, product demonstrations, and transparent conversations around the devices and software Axon has developed to support public safety efforts and communities.

In October 2020, the team began a partnership with My90 to continue to bridge the gap between public safety and community. My90 uses surveys to assist in streamlining communication between public safety and community by collecting, analyzing, and anonymizing data. This partnership facilitates ongoing engagement to cultivate trust by improving feedback loops and generating actionable insights. We are excited to make this commitment to the communities with which we partner and look forward to continue to grow its impact.



Axon Community Impact team delivering meals to high-risk community members in Atlanta for Martin Luther King day of service.

Two Screens for Teachers

Axon employees surpassed \$10,000 in donations for [Two Screens for Teachers](#). Axon matched that \$10,000 and with Axon's contribution plus our employee donations, we were able to support over 200 classrooms (earmarked for under represented minority teachers) and 4,000 students in inner city schools.

1/05

GIVING BACK: AXON AID & MORE

Axon runs a philanthropic arm called Axon Aid through which we give back to communities in several ways.

One of Axon Aid's major efforts is to deploy an emergency response team to cities following large-scale disasters at no cost to citizens. Axon Aid consists of a team of trained Axon volunteers, equipped with drone technology and Axon Fleet vehicles, who deploy before a natural disaster hits. The first pilot program for Axon Aid launched in 2019 with the Baton Rouge Police Department (BRPD) before Hurricane Barry hit.

Following a natural disaster such as flooding, hurricanes and earthquakes, it can be difficult for a city to gain visibility into exactly where the damage has occurred and what fixes are needed to get infrastructure back up and running. The drone technology offered through the Axon Aid program assists officials in quickly gathering situational awareness through Axon's digital evidence management system, Axon Evidence. Search and rescue efforts, which are often done manually on foot, also benefit. With drone technology, the aerial livestream can help identify victims in need of help and guide first responders to bring aid more quickly.

Baton Rouge Police and the entire Baton Rouge community are thankful to have Axon's assistance during Barry's Tropical Storm. Over 900 photos that were provided to us by drone imagery before, during and after the storm were very beneficial in helping us track potential problem areas within the parish. We hope to have Axon Aid continued support during emergency situations.

Baton Rouge Police Department Chief Murphy Paul—2019



The Axon Aid team is completely self-sufficient with food, water, electricity and sleeping arrangements, and the volunteers consist of Axon employees across several departments who choose to deploy. Collectively, the team brings extensive experience in fire, emergency medical services, drone and emergency response operations.

Since inception, Axon has deployed emergency response teams to eight cities.

Other Axon Aid initiatives include:

70+ families were supported by Axon's **Fallen Officer Fund**, which was established to provide support to the families of fallen officers.

Axon Aid teams assisted the Salvation Army in their annual effort to ensure every child has a gift during the holidays. This program supported over **7,500 families** and occurred in the Central Phoenix area during the 2020 holiday season.



AXON'S FREE ADDED CUSTOMER SUPPORT IN 2020

In 2020, Axon supported public safety agencies globally through an extended period of unprecedented health, economic and public safety challenges, to be a stable and reliable partner.

Our initiatives included:

- // **Free access to Axon Citizen cloud software** to facilitate social distancing during the pandemic. As a result of this offering, we saw agency usage of Citizen climb by 35%.



Our officers were excited to hear that now, they can send the link directly to the citizen from their city-issued smartphones," said Bakersfield Police Department Sgt. Uriel Pacheco. "The implementation has not only saved our officers time, but reduced the need for interaction when collecting digital evidence."



- // **Million Masks Initiative**

A partnership with the National Police Foundation where Axon committed over \$1.7 million, plus the efforts of our operations and supply chain, in sourcing PPE, or personal protective equipment, for first responders, who faced severe PPE shortages. This effort, which allowed the public to participate, trended on social media with the hashtag, #gotyoucovered, and received a mention on Twitter from former Vice President Mike Pence.

// Over 100 employees joinedforces to hand pack and ship more than 1 million facial masks to more than 7,000 agencies in all 50 states and 5+ countries

- // **An online support center** for our customers. center: www.axon.com/covid-19-support-center



// SECTION 2

EMPLOYEE ENGAGEMENT & HUMAN CAPITAL

Axon management values open communication and transparency

with employees — and holds four formal company-wide town hall events per year, in addition to a series of recurring engagement events known as Axon Connects, and AMAs (ask me anything) that highlight a specific leader or area of the business and allow all employees to ask open-ended questions.



Axon teams in Vietnam writing their 2021 goals on poker chips during our annual company kickoff in January.

To make our social vision a reality, we live and breathe six core values that serve as guiding principles:

BE OBSESSED

Walk with the customer as you transform their world.

We never want to develop or sell something that you don't want or need. We're obsessed with creating products that solve real problems and add value. If it doesn't benefit you, then we rethink what we're doing.

AIM FAR

Think big with a long term view.

We want to reinvent the world to be a safer, better place. We've failed spectacularly a few times, but that's what you get when you aim for the stars. That's our final destination.

WIN RIGHT

Win with integrity.

We are fiercely competitive and have an unquenchable thirst to win, but we don't think winning and doing the right thing are mutually exclusive. Our challenge is to make them synonymous — and never compromise our integrity.

OWN IT

Commit, take action, and deliver.

We empower individuals to step up and take initiative. Be an owner and see things through to completion. That's the only way we've been able to succeed as a company, and it's the only way we will continue to grow.

JOIN FORCES

Act as one global team.

Creating the future is a team sport. When a company scales globally in 40 different markets with multiple technology stacks ranging from wearables and cloud to electronic weapons, you need teamwork. We're one global team committed to an audacious vision.

EXPECT CANDOR

Deliver with respect.
Assume positive intent.

Candor gets critical issues elevated and the truth on the table — it gets us to the right answer faster. How can we be the best version of ourselves and the best company we can be if we can't offer and be given critical feedback?

2/01

DIVERSITY & INCLUSION

Axon is committed to fostering an environment where employees feel a sense of community and can engage with one another on a variety of commonalities. We have committed to prioritize diversity, equity and inclusion, and, as such, created a strategic [JEDI Plan](#) to be part of our regular business decisions, processes, products, and actions.

JEDI stands for Justice, Equity, Diversity & Inclusion. In 2021, we are focusing our efforts to the foundational pieces of JEDI that will allow us to establish a baseline to measure against year over year and build a foundation to support future scale and innovation. We will continue to assess our progress, test new ideas, and have difficult conversations about complex issues.

One way we see the JEDI strategy at work is through the creation of affinity groups, such as:

			
WOMEN AT AXON MISSION Increase employee engagement by providing opportunities for its members to join forces through networking, development opportunities and community service activities, which strengthens our brand and supports Axon's strategic initiatives.	AXON ALLIES MISSION Help build awareness, provide guidance, mentorship and support for the LGBTQ+ community. Axon Allies provides professional development opportunities, networking, and social events.	AXON VETERANS MISSION Provides support and inclusion for military, military spouses/domestic partners, veterans, veteran spouses/ domestic partners, and military/veteran advocates across the organization.	MOSAIC MISSION Fosters community and connection among Axon's black and brown employees to help Axon achieve a more culturally diverse and inclusive environment.

Axon focuses on ensuring equal opportunity and diversity in the workplace. We are proud to see the following results and will continue to drive progress:

There has been a **16% year-over-year increase in women at the director level and above**. In December 2019, Axon had approximately 15% women in director-level positions and above. One year later, Axon had approximately 18% women at director level and above.
33% of Axon's full-time salaried employees identify as women

There has been a **26% year-over-year increase in people of color at the director level and above**. In December 2019, Axon had approximately 15% people of color in director-level positions and above. One year later, Axon had approximately 19% people of color at director level and above.
35% of Axon's full-time salaried employees identify as non-white

Axon is an equal opportunity employer and value diversity at our company. We do not discriminate on the basis of race, religion, color, natural origin, gender, sexual orientation, age, marital status, veteran status, or disability status.

2/02

PROFESSIONAL DEVELOPMENT & EMPLOYEE AWARDS

Axon is passionate about giving employees the resources needed to fulfill their potential by offering various programs to promote positive physical and mental wellbeing.

Axon recently rolled out **LinkedIn Learning**, a solution designed to teach new skills aimed at advancing professional development, and require that all employees complete at least two courses as part of their personal development. Axon provides a variety of resources to set employees up for success including **Rocket Lawyer** and **Quicken Loans**, and offers competitive salaries and robust benefits programs.

Axon is proud to have built an award-winning work environment, which employees have verified in anonymous third-party surveys. We continue to be named as a top place to work, and we are particularly proud of the following achievements in 2020:



TOP 5
Best Companies AZ
–
Included in **Spotlight Award for Innovation**

MOST ADMIRE COMPANIES
AZ Big Media
–
Arizona's Most Admired Companies of 2020

TOP 100
Puget Sound Business Journal
–
Best Places to Work in Washington

WORLD CHANGING IDEAS
SOCIAL JUSTICE
Fast Company
–
Virtual Reality Empathy Training

TOP 10
Phoenix Business Journal
–
Best Companies to Work

BEST LEADERS AZ 2021
CEO Rick Smith
Winner:
Tech Innovators group

BUSINESS OF PRIDE
2020 Puget Sound Business Journal
–
Honoree

TOP 5
Computerworld
–
Best Places to Work in IT 2020
(midsized companies)

BEST COMPANY FOR VETERANS
Best Companies AZ

PUBLIC MEDIUM SIZED-COMPANY GENERAL COUNSEL OF THE YEAR
2021 Arizona Corporate Counsel Award
–
Isaiah Fields

UP & COMER FOR 2020
Arizona Corporate Counsel Awards
–
Justin Powley,
Axon Intellectual Property Counsel

We recognize the importance of listening to our employees to understand where Axon excels and where we can implement positive change. Axon conducts various employee engagement surveys throughout the year and had an **80%** response rate in 2020 with an **overall satisfaction rate of 86%**. We take great pride in the fact that **90%** of our employees said they **would recommend Axon as a great place to work**, with **94%** saying they were **proud to be part of the organization**.

Importantly, we found that **78%** of Axon employees felt **comfortable giving upwards feedback**, **79%** felt the company regularly takes time to **improve processes**, and **79%** felt that **everyone was on the same team**.

To ensure we are continuously improving, Axon implemented the following:

- // Designated section in 1:1 template for managers to actively ask for feedback
- // Company-wide "Ask Me Anything" sessions with senior leadership team
- // Senior leadership conducted roundtables across teams
- // Office hours with senior leaders available to all employees
- // Monthly pulse check surveys to promote continuous employee feedback

/// 92%
of Axon employees said they felt supported during the pandemic.

Axon has taken proactive steps to ensure that employees feel supported during the pandemic, which continues to be a top priority for the company. Our surveys found that 92% of employees feel supported.

We also offer enhanced reward programs to recognize employees who do great work:

- // Our **Aspire Awards** recognize employees performing outstanding work company-wide
- // The **President's Club** provides recognition for Axon's salesforce for meeting and exceeding sales goals
- // Employees who refer new talent are eligible to receive monetary awards through our **enhanced referral program**
- // Axon provides robust manager training company-wide through a program called **Axon Elevate**

2/03

HEALTH, SAFETY & WELLNESS

Helping employees to perform at their best is important to us.

We offer the following to promote overall health and well-being:

// FAMILY-FRIENDLY LEAVE POLICIES

Axon's **family-friendly leave policies** are industry-leading—including up to 20 weeks of paid maternity leave, and 10 weeks of paid paternity leave.

// UNLIMITED PTO

Axon offers **unlimited paid time off** and **work from home flexibility**, allowing salaried employees to better manage their lives as well as their jobs.

// INCLUSIVE BUILDING DESIGN

Axon has expanded its adoption of **inclusive building design** principles across locations. Axon's Seattle leadership opened an additional private mother's room at the company's global software hub in 2019, and employed a firm to construct coverings on the open stair risers at the Scottsdale headquarters in 2019.

// ONSITE EMERGENCY RESPONSE TEAM

Axon headquarters features an **onsite emergency response team**, consisting of personnel trained in First Aid, CPR, and automated external defibrillator usage.

// PAID EMPLOYEE SALARIES—PANDEMIC

Axon **paid the full salaries of all high-health risk manufacturing employees** who needed to stay home during the pandemic.

// EMOTIONAL & MENTAL HEALTH SUPPORT

Axon pays for Ginger, a third-party service, to provide employees with **on-demand support and coaching** to foster emotional and mental health.

// COMPANY-WIDE GYMPASS

Axon pays for Gympass company-wide discounts, which provides employees with **easy access to over 40,000 gyms** and workout studios worldwide.

// SALARIES & BENEFITS

Axon offers **competitive salaries & robust benefits** programs.



We are a mission-driven organization, and each of us will inevitably find ourselves in certain situations in which we have to push hard to meet our goals and make personal sacrifices. Note this should be the exception not the rule ... We don't want people missing kid's birthdays or other key life events. If you have any concerns about your team's work-life balance, please reach out to your manager and/or our PeopleOps team."

Axon President Luke Larson
January 2021 email to all employees

// SECTION 3

ENVIRONMENTAL, SUSTAINABILITY, SUPPLY CHAIN, DATA PRIVACY & SECURITY

3/01

ENVIRONMENTAL & SUSTAINABILITY MEASURES

Axon continuously searches for opportunities to promote positive environmental practices, which includes sustainable management of materials during product procurement and end of life.

We allow our vendors to manage manufacturing consumables, which reduces Axon's inventory on hand and reduces the amount of expired product to be disposed.

Axon disposes of hazardous waste through the use of a Resource Conservation and Recovery Act (RCRA) permitted incinerator, or through using fuel blending in RCRA permitted kilns. These methods reduce pollution compared with traditional disposal methods.

Other sustainability measures we have adopted include:

- // Axon has introduced a wire/spool **recycling program related to TASER cartridges.**
- // Axon participates in the Travel Reduction Program sponsored by the Maricopa County Air Quality Department with the overall initiative to **reduce air pollution** in Maricopa County.
- // Axon also set a goal to **reduce employee air travel and commuting** through the use of Zoom video conferencing company-wide.

Axon also offers the following product end-of-life programs:

- // We provide our customers with the ability to recycle their product batteries through the nationwide company, **Battery Solutions**, which provides an opportunity for customers to recycle with them directly. This also eliminates the need for customers to ship the batteries back to Axon for disposal.
- // To protect customer data, returned products that are not refurbished are shredded onsite to ensure total breakdown and prevent product misuse. This also supports data privacy and security, which we discuss in more detail, below.

Axon is committed to continue enhancing our recycling programs, including a number of new initiatives regarding metals, pallet, and plastics recycling. We currently recycle cardboard and paper.

// —

3/02

SUPPLY CHAIN

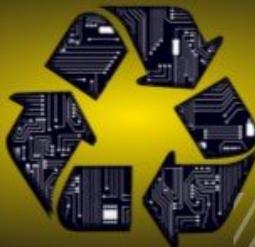
Although 2020 was a year filled with challenges, Axon took actions to ensure that we did not encounter major supply chain disruptions, a common issue among manufacturers during the pandemic. Early in 2020, we diversified our global manufacturing and supply chain footprint due to shifting tariffs and geopolitical uncertainty, which ultimately positioned us well to handle the impact of COVID-19. As a result, we enhanced our sales & operations planning processes to ensure we remain nimble and continue to be effective and efficient long-term.

One of our initial steps was to increase focus on inventory accuracy through the implementation of a warehouse management system. The system provides enhanced visibility from raw materials through finished goods with improved efficiency and accuracy, which in turn reduces waste and thereby reduces environmental impact. We also increased our purchase volumes on raw materials, which not only streamlined shipping logistics, but lowered **our carbon footprint by reducing the number of shipments.**

We also re-evaluated how we engage with vendors and suppliers. We implemented vendor scorecards, which tracked metrics including:

- // How the vendor deploys cost management to maintain pricing and minimize impact to Axon
- // How vendors continuously improve to promote partnership and collaboration on ways to streamline business operations
- // Lot rejection rate assessments to give Axon better insight into shipments containing rejected material and **reduce waste**

In 2021, Axon will continue to focus on customer fulfillment by introducing a variety of new and improved processes, internal dashboards to better track performance metrics, and scorecards to ensure we are holding ourselves, and our suppliers, to a level that ultimately leads to better relationships, shortened lead times, and more opportunity to plan for future success.

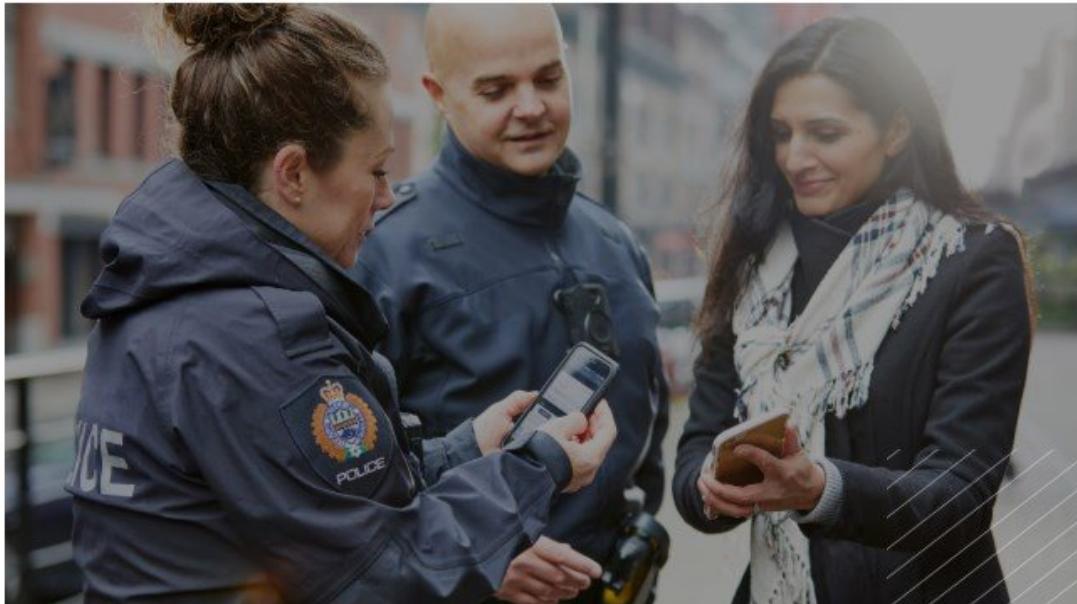


3/03

DATA PRIVACY & SECURITY

Axon recognizes the paramount importance of security and privacy to our business, and more importantly to the success of our customers and the communities they serve. Axon employs industry-leading security and privacy professionals, implements and optimizes effective security and privacy practices to handle ever-changing risks and threats, and focuses on building products with security at the foundation.

//



01 SKILLED PROFESSIONALS

Axon recruits and attracts top-level privacy and security professionals to lead our efforts to protect Axon's systems and customer data. We have dedicated and specialized teams for privacy, security compliance, security engineering, product security, and security operations. We also provide regular ongoing and comprehensive security and privacy training to every Axon employee, including rigorous phishing simulations and password strength testing.

02 EFFECTIVE SECURITY & PRIVACY PRACTICES

Axon not only follows established security best practices, but also remains agile to adjust practices and protection techniques as the threat-landscape evolves. We stand ready to prove ourselves through the widely-accepted external certifications, and government authorizations our customers demand, such as ISO/IEC 27001:2013, SOC2+, Cloud Security Alliance STAR (Level Two), FedRAMP Authorization, the U.S. FBI CJIS Security Policy, and several others. Axon also operates a formal privacy program that works seamlessly with our security efforts to ensure we are aligned with global privacy expectations (such as GDPR) and provide transparency to customers and their communities about our data privacy practices.

Some of the key practices and capabilities are:

// ACCESS CONTROL

Axon products include robust access control capabilities, including strong authentication (with multi-factor authentication), flexible authorization and permission management, deep audit, user action, chain-of-evidence reporting, and secure sharing capabilities. We recognize that our customers have varying risk profiles and different security needs. Many of our access control features can be enabled or disabled by customers as needed, or can be changed to meet a specific level of risk. The default settings for these security features were chosen to provide a strong level of security, while still maintaining flexibility and convenience.

// SECURITY MONITORING & RESPONSE

Axon employs a dedicated Security Operations team to monitor the security of Axon cloud services and corporate systems. The team is equipped to immediately respond to threats and malicious actors. Incident Management policies and procedures are regularly tested and included in our external evaluations, such as ISO/IEC 27001:2013, SOC2+, Cloud Security Alliance STAR (Level Two), FedRAMP Authorization, and the U.S. FBI CJIS Security Policy. Learn more about Axon's approach to incident handling in the [Axon Cloud Services Security Incident Handling and Response Statement](#).

// ADVANCED PROTECTIONS

By having a laser focus on security and aggressively investing to maintain such security, Axon deploys and manages advanced security tools and threat prevention solutions. For example, we have finely tuned web application firewalls, leverage security intelligence tools for continuous monitoring and quick response, use strong encryption, and deploy layers of defense to detect and react to malicious activity.

// DATA PRIVACY

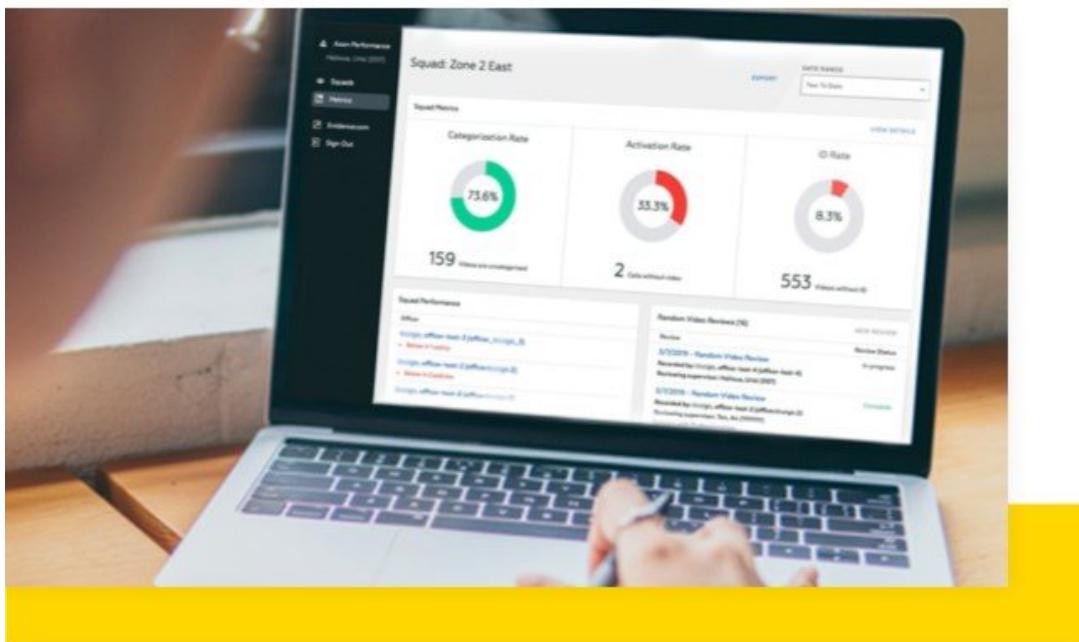
Axon recognizes that customers place great trust in the company's ability to secure and protect their data. We know our customers and the communities they serve care deeply about the security and privacy of data stored within Axon's systems. We are committed to maintain this trust.

Importantly, **our customers own their own data**. Axon contractually commits that customers control and own all rights, title, and interest in and to their customer content. Axon obtains no rights to such content and commits to not accessing customer data without explicit authorization from the customer. The only exception to accessing customer data without explicit authorization would be in the event of a system emergency where access may be utilized to ensure the operability and continuity of the service. Only a small team of Axon system administrators have the potential to execute such access and must use multi-factor authentication to gain system access. These system administrators have undergone and are continually subject to background check procedures and system usage monitoring. Any customer data access by Axon personnel is closely logged, monitored and correlated to appropriate business needs.

To continuously improve and produce impactful products, Axon may also leverage customer content from customers who are enrolled and share data with Axon as part of the Axon AI Data Sharing Program, which has been reviewed by the AI Ethics Board. Additional details about the Axon AI Data Sharing program is available here: [Data Sharing Reference Guide](#)

With the global adoption and trending focus on expansive data protection and privacy regulation, Axon believes the need for **secure and thoughtful data collection, management, and sharing** functionality within public safety has never been stronger. Axon operates a dedicated Privacy Program to ensure governance over the collection, handling, management and sharing of data across the Axon ecosystem. These efforts are supported by [Axon's Compliance programs](#), including our ISO 27018:2014 certification (code of practice for protection of personally identifiable information (PII) in public clouds).

Learn more here. <https://www.axon.com/privacy>.



03 SECURE PRODUCTS

All Axon products undergo rigorous security analysis and assessments during development and throughout their lifecycle. Our cloud products are built on the foundation of security-focused features such as hash verification, and audit-trails to ensure strict data integrity. We also use formal threat modeling, code testing and reviews, and regular external penetration tests to ensure the highest security standards during product development. Additionally, Axon operates a bug bounty program and regularly interfaces with the security researcher community to stay ahead of the latest attack techniques and mitigation strategies.

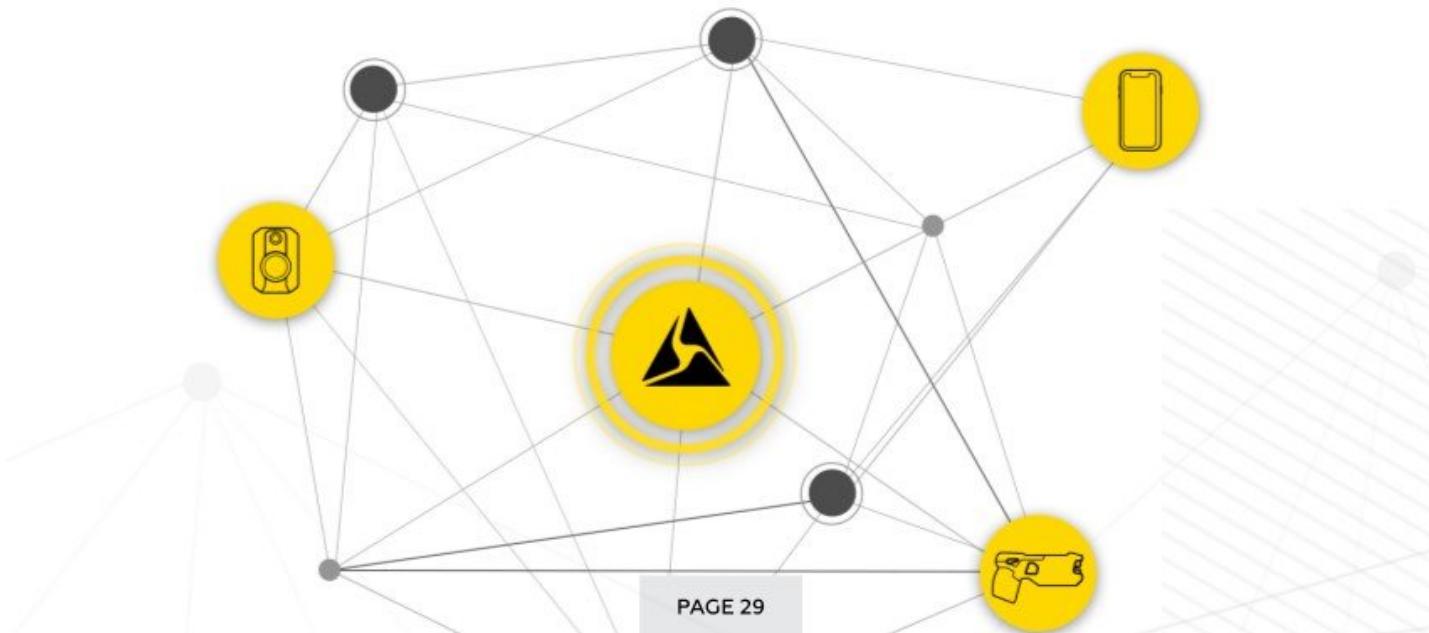
VULNERABILITY IDENTIFICATION AND REMEDIATION

Axon conducts regular vulnerability assessments to improve Axon products, security controls and processes. This includes frequent vulnerability scans and scheduled penetration tests performed by independent firms and contractors. All identified vulnerabilities are evaluated by the Axon Information Security team, assigned clear remediation time frames and tracked through remediation. To maximize our visibility into potential vulnerabilities in our products, Axon operates a Bug Bounty program and supports and encourages responsible security research and vulnerability disclosure.

Learn more here: [Penetration Testing and Vulnerability Disclosure Guidelines](#)

SECURITY UPDATES & PATCHING

Because attackers move fast to take advantage of newly disclosed vulnerabilities, Axon regularly and aggressively applies vendor provided security patches. Importantly, Axon's fully integrated ecosystem allows for security updates and upgrades that rarely require customer interaction, and are automatically deployed to all Axon customers.



3/04

M&A & PARTNERSHIPS

Axon holds a high bar for strategic investments, acquisitions and partnerships. We only pursue opportunities that align with our mission and the solutions offered enhance our products to further protect the communities we serve. We maintain a rigorous due diligence process that includes but is not limited to ensuring we hold our partners to the same values by which Axon abides, and aligning with partners that offer a strong cultural fit with our organization.

A few of Axon's strategic partnerships include:



FLOCK SAFETY

Axon is making it easier and more cost effective for police departments to deploy a network of fixed and mobile automated license plate reader (ALPR) capabilities by offering Flock Safety's industry-leading fixed ALPR solution alongside Axon's upcoming Axon Fleet 3 in-car video and mobile ALPR solution.



We've designed Flock Safety's ALPR with ethics and privacy in mind, and we are proud to join Axon in its commitment to these ideals.



//
Flock CEO & Founder
Garrett Langley



CANADA BEYOND THE BLUE

This partnership is designed to support Canada BTB's mission of bolstering officer well-being and mental health by coordinating resources that aid in offering education, training and practical tools to law enforcement families and fostering a community of support.



With Axon's support, Canada BTB will continue to advocate for mental health and wellness resources for police families across Canada. We look forward to working together on one of our largest national campaigns—May Mental Health Awareness Month — where alongside Axon we will strive to normalize the conversations around police mental health and well-being.



//
Canada BTB President
Dilnaz Garda

// SECTION 4

ETHICS, GOVERNANCE & SHAREHOLDER ENGAGEMENT

4/01

MEET AXON'S BOARD OF DIRECTORS

Axon's board is
STRONG,
ENGAGED &
INDEPENDENT.



Michael Garnreiter
CHAIRMAN OF THE BOARD

RingCentral, AUTHENTICATION, MAIN STREET



Julie Anne Cullivan
DIRECTOR

Forescout, AUTODESK, FIREYE



Hadi Partovi
DIRECTOR

GOOG, Microsoft, iLike, Telstra



Caitlin Kalinowski
DIRECTOR

Apple, aculus, facebook



Dr. Richard Carmona
DIRECTOR

SAFMS, CANYONRANCH



Adriane Brown
DIRECTOR

eBay, Washington Research Foundation



Dr. Matthew R. McBrady
DIRECTOR

Sterling Capital, BLACKROCK, BainCapital



Mark W. Kroll, PhD
DIRECTOR

HAEMONETICS, St. Jude Medical

Axon boasts a strong, engaged and independent board of directors. Maintaining strong relationships with shareholders, as well as exhibiting good corporate governance, is a priority for Axon's management and board of directors. To demonstrate Axon's commitment to strong corporate governance, and further align the interests of our board of directors and executive officers with the interests of our shareholders, Axon's board has implemented stock ownership and board tenure guidelines as follows:

► Directors should hold a minimum of 8,000 Shares

(Shares being defined as Axon common stock plus vested and unvested Axon stock options and restricted stock units), after receiving sufficient grants to add up to 8,000 Shares.

► Named Executive Officers should hold a minimum of 50,000 Shares

(Shares being defined as Axon common stock plus vested and unvested Axon stock options and restricted stock units, including unvested performance-based restricted stock units), after receiving sufficient grants to add up to 50,000 Shares.

► Board Tenure

Each non-Executive Director of the Company shall submit a letter of resignation from the board of directors upon reaching 20 continuous years of service as a Director of the Company or age 72, whichever occurs first, and each year thereafter, which letter of resignation may be accepted or rejected by the board of directors at its sole discretion.

// BOARD DIVERSITY

At Axon, we honor and celebrate the diversity of human experiences and identities, which, when put together for a common purpose, make us stronger and more resilient. First and foremost, we have a highly qualified board with diverse professional qualifications and areas of expertise.

Among the specific qualifications, attributes, skills and experience represented, our board members bring technology expertise, medical and scientific expertise, high levels of financial literacy, relevant political backgrounds, law enforcement and military expertise, and expertise in risk oversight and management.

While recognizing that any group of people is more than the sum of its parts, that biography does not always define identity and that attempting to quantify diversity is an imperfect exercise in a world of unique individuals, we also acknowledge and celebrate that our board intentionally reflects a wide range of human experiences and identities.

On our board, **five** identify as men and **three** identify as women, **one** identifies as Iranian-American, **one** identifies as Black, **three** identify as White or Caucasian, **one** identifies as a member of the LGBTQ+ community, **one** is a combat decorated and disabled U.S. Army Special Forces Veteran and decorated police officer, **five** were born in the United States, **one** was born in Iran, **two** have relied on government-provided public assistance over the course of their lifetime and at least **four** religions and faith practices are represented by our board.

4/02

SHAREHOLDER ENGAGEMENT

Maintaining strong relationships with shareholders, as well as exhibiting good corporate governance, is a priority for Axon's management and board of directors. Axon strives to be as helpful as possible to its shareholders – regularly discussing our financial and operating performance, helping investors to understand the products we are developing and our customer segment, discussing the competitive landscape and seeking feedback on executive compensation matters. We value shareholder feedback tremendously and strive to align employee interests with that of shareholders, and all stakeholders.

In 2020, Axon published four in-depth shareholder letters to outline management's strategy and augment our quarterly filings with the SEC, and hosted four investor earnings conference calls and made the transcripts available on [investor.axon.com](#), so all shareholders and interested investors can access the content at no cost. In May 2020, Axon began hosting earnings calls using Zoom video teleconferencing technology, allowing shareholders to see Axon's management team live on screen via webinar.



AXON'S INSTITUTIONAL INVESTOR™ MIDCAP AWARDS

- / "Most honored" among mid-cap companies for "corporate leadership & IR expertise"
- / Best investor relations (2nd place)
- / Best CEO (1st place)
- / Best CFO (1st place)
- / Best IR Team (2nd place)
- / Best investor day (2nd place)
- / Best ESG disclosures (1st place)
- / Best Covid-19 communication & strategy (2nd place)

Axon actively maintains [investor.axon.com](#) with a calendar of events and easy access to all relevant documentation, and maintains special FAQ pages for topics about which investors might have questions.

In 2020, Axon hosted several investor events including inviting investors to the virtual Axon Accelerate user conference in August, and hosting a virtual Annual Meeting of Shareholders in May. Over the course of the year, Axon participated in over 100 investor events directly interacting with more than 50% of shareholders.

In designing its 2019 executive and employee stock-based compensation plan, Axon engaged in dialogue with the analysts, portfolio managers, and corporate governance stewards at our largest shareholders, who each provided feedback that informed the ultimate design of the plan. The board's compensation committee gathered feedback from Axon's largest shareholders and also applied careful consideration and judgment around issues shareholders cared about, ultimately adopting several shareholder friendly provisions in the plan, including an anti-dilution provision.

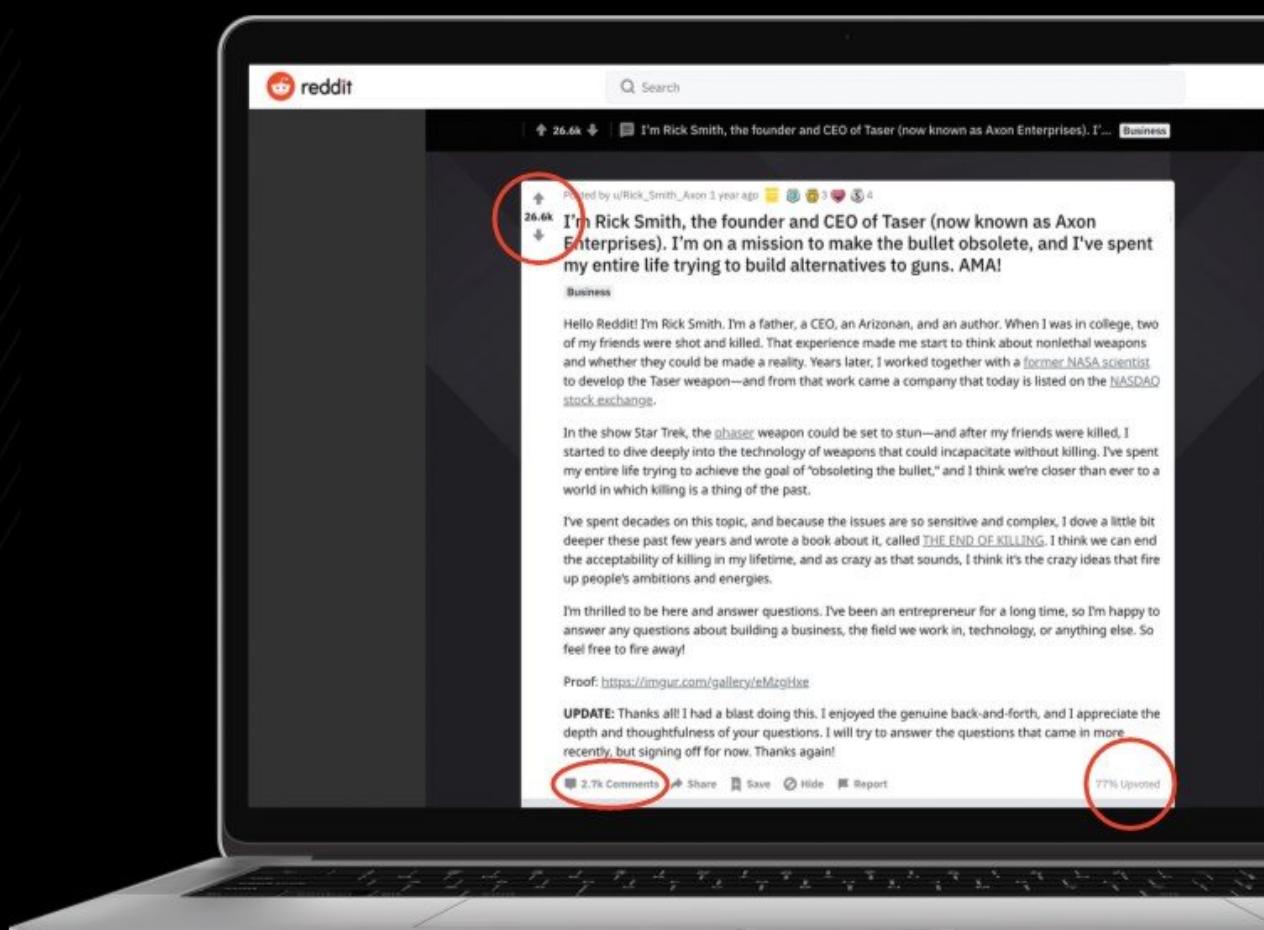
//
**AXON VALUES
TRANSPARENCY
FOR ALL TYPES
OF INVESTORS –
NO MATTER HOW
BIG OR SMALL.**

As another example, Axon CEO Rick Smith has hosted "Ask Me Anything," or AMA, sessions on Reddit in 2019:

[2019 Rick Smith, Reddit AMA](#)

and 2021:

[2021 Rick Smith, Reddit AMA](#)



4/03

AI ETHICS BOARD



Danielle Citron
Cyber Civil Rights
Initiative Professor
at Boston University



Mecole Jordan
Police Reform Racial
Equity Community
Leader



Christy Lopez
DOJ
Civil Rights Division



Jeremy Gillula
EFF
Google



Wael Abd-Almageed
USC—Researches
debasement, deep fakes,
and digital forensics



Chris Harris
Texas Appleseed
Social Justice
Non-Profit



Dr. Rebekah Delsol
Sr. Team Manager,
Dismantling Structural
Racism Project,
Open Society Justice
Initiative



Miles Brundage
AO Ethicist: Oxford's
Future of Humanity
Institute & OpenAI



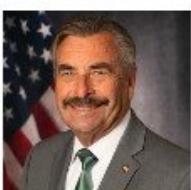
Barry Friedman
NYU
The Policing Project



Giles Herdale
Independent Digital
Investigation,
Ethics Advisor



Warren Stanley
Retired California
Highway Patrol
Commissioner



Charlie Beck
Former Chief of Po-
lice for LAPD, Former
Interim Superintendent
of Chicago Police



Carmen Best
Former Chief of Police
for Seattle Police



I am excited to join the AXON
AI Ethics Board because it is so
important to support organizations
that are taking a leadership role in
ensuring technology used for public
safety is fair and equitable. I am
committed to staying involved in
innovation and technology in the
public safety field and the AXON
board is a perfect opportunity.

Former Seattle Chief of Police Carmen Best
on joining Axon's AI Ethic's Board

Axon's governance does not stop at its formal boardroom.

Axon is proud to be developing products that address some of society's most profound and entrenched problems. As a leading technology company focused on public safety, we believe we have the obligation to do so in a responsible way—one that **promotes transparency**, with **built in mechanisms for accountability**. Thus, we have assembled an **Axon AI Ethics Board** that provides expert guidance to Axon on the development of its AI products and services, paying particular attention to its impact on communities. This **diverse board** includes leaders in the industry as well as some of the nation's most well-known thought leaders and legal scholars regarding policing, police reform, technology, racial equity and civil liberties.

Read more about them, here: <https://www.axon.com/axon-ai-and-policing-technology-ethics>

In June 2019, the company made national news when Axon said we would not embed facial recognition technology in our body cameras at this time because the technology is not sufficiently reliable for widespread use.

And in October 2019, Axon again made headlines when we announced we would launch the industry's first AI-powered Automated License Plate Recognition (ALPR) system built from the ground up using an **ethical design and privacy-centric framework**.

Also in 2019, Smith published **The End of Killing**, a book intended to provide thought leadership on how to build a safer society. Smith's critical and creative thinking about solving challenges represents Axon's mission and **raison d'être**.

We're excited by our progress and look forward to providing updates throughout the year. **Thank you to our shareholders, our customers and our employees** for joining us on this journey.

We have not, and will not ever sell public safety data. We believe the data is owned by public safety agencies and the communities they serve, and should not be resold to private entities whose interests may not be aligned with the public good.

Axon CEO and founder
Rick Smith

// LEGAL AND TRADEMARK

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// FORWARD LOOKING STATEMENTS

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are subject to risks and uncertainties. In some cases, you can identify these statements by forward-looking words such as "may," "might," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue," the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business. Examples of forward-looking statements include, without limitation, statements regarding: the impact of the COVID-19 pandemic; proposed products and services and related development efforts and activities; expectations about the market for our current and future products and services; our outlook for 2021 with respect to revenue; trends relating to subscription plan programs and revenues; expected trends, including the benefits of, research and development investments; the sufficiency of our liquidity and financial resources; expectations about customer behavior; statements concerning projections, predictions, expectations, estimates or forecasts as to our business, financial and operational results and future economic performance;

and statements of management's strategies, goals and objectives and other similar expressions.

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Such forward-looking statements included in this presentation are based on information available to us as of the date hereof and our current expectations about future events, which are inherently subject to change and involve risks and uncertainties. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including those factors discussed under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as well as under the heading "Risk Factors" in the prospectus supplement related to the proposed common stock offering.

We do not undertake any obligation to update any forward-looking statements included in this report, whether as a result of new information, future events or otherwise, except as required by law. All such forward-looking statements should be read as of the time the statements were made and with the recognition that these forward-looking statements may not be complete or accurate at a later date.



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Investors who have questions about Axon's ESG efforts
should reach out to

//
Angel Ambrosio

Senior Manager of Investor Relations and ESG
ir@axon.com

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