



Letter from the CEO

2023–2024

The big picture

Axon is 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, and where everyone has access to a fair and effective justice system.





Fellow Shareholders,

I write to you following another year marked by profound humanitarian crisis and global challenges, scarred by war and violence. My job as a leader is to find motivation in this reality, seeking ways to change our trajectory with the impact that Axon and our technology, innovation and ambitious goals can have to address these challenges.

We can only hope that these outbreaks of global violence these past two years are perhaps the spasms at the end of an age. I believe we are strongest when we use lethality most sparingly; when we use all other tools at our disposal to reduce the loss of life wherever possible.

I realize that politics alone won't change the course of history. Our ability to imagine and invent new solutions is our greatest hope. We have suffered from a lack of imagination in exploring how new technological approaches might give our national leaders more effective tools to protect the people of their nations.

I see it as our mission to bring our imagination to bear on these problems. We seek to use technology to fight violence, to find new ways to stop violence, and to reduce the effects of violence where it does occur. We also seek to hold those who commit violence to account—technology can give us new solutions that elevate the goals of every human and every society to live in safety and security. I share these insights to highlight the enormous problem we seek to address, far larger in scale than the markets we address today.

Axon is Finding Another Way

As we focus on our established, yet growing business today, the same imagination and spirit of innovation that set Axon on its current trajectory continues to guide our efforts. Our technology enhances law enforcement capabilities and fosters safer interactions between officers and the communities they serve. Just over a year ago, we introduced our moonshot goal to cut gun-related deaths between police and the public in the United States by 50% over 10 years. We chose this audacious goal because we can clearly see the tools that will make it possible. This moonshot is not the end, but the beginning, as a means to prove that we can reduce violence in one key area and set the stage to expand our mission from there.

Technology, training, and data are the three key pillars that form our moonshot strategy, and over the last year we have made major strides in each of these areas since announcing our goal.

In the **technology** pillar, we have launched the new TASER 10, a game changing weapon with effectively three times the usable range at 45 feet and a 10-shot magazine. We also acquired Sky-Hero, one of the leading providers of tactical drones and robots. Robots can be used to extend time and distance between officers and potential danger, enabling more situational awareness and better decision making. Based on our analysis of officer-involved shootings, we believe that approximately 70% of today's fatal incidents could be resolved without lethal force through the use of advanced, longer-range TASER weapons, together with drones and robots in the future.

To achieve such significant results, we must also help improve human performance through more effective **training**. We have recently begun shipping our Virtual Reality (VR) TASER Firing Range, enabling high repetition training in the skills to effectively deploy TASER 10. In 2024, we will extend our VR system to include realistic scenarios that enable training and complex decision making. VR is a game changer in developing high performing officers.

The third pillar of our strategy is to improve our access to the **data** we need to understand the dynamics of use-of-force incidents, enabling us to measure results and impact outcomes. In 2023, we launched the Axon National Gun Fatality Database, an initiative we sponsor at the Institute for Intergovernmental Research. We have also launched our TASER Research and Development (TREND) program where we are collaborating much more closely with agencies who agree to share back key data on TASER incidents. In addition, we are launching the Apollo Alliance—this is our first cohort of partner agencies that are deploying our TASER 10, VR and data sharing programs. We will be monitoring their gun-related deaths in a pre vs. post study. Our goal is to demonstrate that we can reduce gun deaths through this pilot program and with a closer study of law enforcement interaction in elevated situations. Once we have proven the formula, we will focus on scaling the program nationally to hit our full goal by 2033.

The Next Phase: Expanding the Ecosystem

In the first phase of our business, we took TASER from a science fiction concept to a formidable company. That brought our Company from a small start-up to an established strategy, earning hundreds of millions of dollars in revenue. In the second phase, we extended to create the body camera space, deterring unnecessary escalations and holding all parties accountable to the truth. To enable body cameras, we created what is now the largest cloud software business in public safety.

Today, our Software and Sensors business has grown larger than our TASER business and we often see our customers purchasing into our ecosystem across all of our products on unified subscription plans. Our Company went from the hundreds of millions of dollars in revenue to billions of dollars in revenue. Next, we are going to drive advancements in new areas that challenge the conventional thinking and solve problems in ways fit for a new age. We believe this will be the driver of tens of billions of dollars in revenue for the Company. We will continue to grow our core offerings while expanding into new categories, developing advanced robotics, revolutionizing real time operations, and leveraging Artificial Intelligence (AI) across our products to augment human capacity, while retaining human control and accountability. As we think about future strategies, I find it helpful to break down complexity into simple concepts. Every critical incident requires three simple phases: observe, communicate, and act. Our future strategy is designed to allow both individuals and organizations to do these three simple things at ever higher performance levels.

Our extensive networks of cameras and sensors can all now live stream, allowing an entire agency to observe what is happening. Until now, agencies have relied on voice audio over push-to-talk radio networks,



which have been functionally unchanged by technology for 50 years. We are empowering agencies to have much greater visibility into real-time events, both to capture critical images and to provide accurate information to make the best-informed decisions.

We are also enabling new modes of **communication**. Whether it's using AI to handle the task of reading license plates and alerting human operators when there's a hit, allowing individualized voice communications to body camera users, freeing up the shared radio spectrum, or sending an alert when a TASER or gun is drawn from a holster, we are enabling new modalities of communication to make the entire enterprise smarter and truly connected.

When it's time to act, we are giving agencies both new capabilities and next level training to improve human performance under pressure in high stakes events. We will continue to provide capabilities to act from greater distances with more intelligence to lead to better outcomes.

Setting the Stage for a New Age

In 2023, Axon achieved record revenue of \$1.56 billion and net income of \$174 million (11.1% net income margin), supporting Adjusted EBITDA of \$329 million (21.1% Adjusted EBITDA margin). This was our fifth consecutive year growing above 25% — and we aim to deliver similar growth in the years to come.

Our Axon Cloud and Services revenue grew 52% in 2023, accelerating from 50% growth the year before, and making up an increasing share of our business. Our new products fueled 15% growth in our TASER business and 34% growth in Sensors. We delivered this growth while continuing to ramp our investments in our business. Looking forward, our efforts are focused on continuing to deliver strong financial results while we drive towards our moonshot. Our initial outlook for 2024 contemplates another strong year, with over 20% revenue growth and Adjusted EBITDA margin expansion, and we've shared that we continue to target a 20% or greater compound annual growth rate over the longer term.

As we work our hearts out to move further on our journey, we thank you for your unrelenting support and empowerment.

Let us all land this mission, together.

–Rick





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