

Risk Factors Comparison 2025-02-28 to 2024-02-27 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

The ~~Because of the following factors~~ is only a summary of the principal risks that may materially adversely affect our business, financial condition, results of operations and cash flows. The following should be read in conjunction with the more complete discussion of the risks we face, which are set forth more fully below. Strategic Risks • We substantially depend on acceptance of our products and services by law enforcement agencies throughout the world. If law enforcement agencies do not continue to purchase and use our products and services, our business prospects, operating results and financial condition will be materially adversely affected. • We substantially depend on sales of our CEDs, and if these products do not continue to be widely accepted, our business prospects, operating results and financial condition will be diminished. • If we are unable to design, introduce, sell and deploy new products or new product features successfully, our business and financial results could be adversely affected. • We face risks associated with rapid technological change and new competing products. • Our future success depends on our ability to expand sales through direct sales and distributors and our inability to increase direct sales or recruit new distributors would negatively affect our sales. • Negative publicity could adversely impact sales, which could cause our revenues or operating results to decline. • Acquisitions of, or investments in, other products, technologies or businesses could disrupt our business, dilute shareholder value, and adversely affect our operating results. • We may not successfully manage our growth or plan for future growth. • We depend on the services of our executive officers, including Patrick W. Smith, our Chief Executive Officer. Our failure to retain executive officers could adversely impact our business. Operational Risks • Unavailability of materials or higher costs could adversely affect our financial results. • Material adverse developments in domestic and global economic conditions, or the occurrence of other sufficiently disruptive world events, could materially adversely affect our revenue and results of operations. • If demand for our products increases, our future success will depend on our ability to manage our growth and to increase manufacturing production capacity. • Delays in product development schedules could adversely affect our revenues and cash flows. • We expend significant resources in anticipation of a sale due to our lengthy sales cycle and may receive no revenue in return. • If our security measures or those of our third-party providers, including cloud storage providers, are breached, resulting in unauthorized access to our and our customers' data, it could undermine the confidence in our network, data centers and services, leading to reduced customer use of our products and services and significant legal and financial exposure and liabilities. • Catastrophic events could materially adversely affect our business prospects, operating results and financial condition. • Uncertainty in the development, deployment, and use of AI in our products and services, as well as ~~other variables~~ our business more broadly, could adversely affecting --- affect our business and reputation. • Defects ~~our~~ or disruptions in our services could impact demand for our services and subject us to substantial liability. • Defects in our products could reduce demand for our products or result in product recalls and result in a loss of sales, delay in market acceptance and damage to our reputation. • Our international operations expose us to additional risks that could harm our business prospects, operating results and financial condition. • We depend on our ability to attract and retain our key management, sales and technical personnel. • Failure to comply with federal, state, ~~our~~ or local regulations applicable to our firearm product, the TASER 10 CED, could result in governmental actions or litigation, potentially harming our business prospects, operating results, and financial condition. • Failure to maintain effective internal control over financial reporting may adversely affect our ability to report our financial condition and operating results in a timely and accurate manner, which may cause investor confidence to diminish and the value of our common stock to decline. • Our revision of previously issued consolidated financial statements may adversely affect investor confidence and could result in regulatory actions and stockholder litigation. Financial Risks • An increasing percentage of our revenue is derived from subscription billing arrangements that may result in delayed cash collections and may increase customer credit risk on receivables and contract assets. • Our gross margin depends on a number of factors, including our product mix, cost structure and acquisitions we may make, any of which could cause our gross margin to fluctuate. • Revenue for our SaaS products is recognized over multi- year contract terms, which may delay the reflection of new business in our operating results. • Most of our end- user customers are subject to budgetary and political constraints, which may delay or prevent sales, result in cancellations, or lead to the non- renewal of contracts. • The open bidding process introduces uncertainty in securing future contract awards. • We hold the majority of our cash balances, some of which are not insured, at two depository institutions. • Stock transactions may have a material, unpredictable impact on our operating results and may result in dilution to existing shareholders. • Our financial performance is subject to risks associated with changes in the value of the U. S. dollar versus local currencies. • Unanticipated changes in our effective tax rate and additional tax liabilities could adversely affect our operating results and financial condition. • Our revenue and operating results may fluctuate unexpectedly from quarter- to- quarter, which could impact our stock price. • Our profitability could suffer from declines in fair value or impairment of our investments, including our strategic investments, and could fluctuate if the fair values of our investments increase. Legal and Compliance Risks • We may face personal injury, wrongful death, product liability and other liability claims that harm our reputation and adversely affect our business prospects, operating results and financial condition. • Other litigation, government inquiries and regulatory actions may result in significant costs and judgments and divert management attention from our business. • We have in the past and may in the future be subject to intellectual property infringement and other claims, which could incur substantial litigation

costs, result in significant damages awards, inhibit our use of certain technologies, and divert management attention from our business. • If we are unable to protect our intellectual property, the value of our brands and products may decrease and we may lose our competitive market advantage. • We may be unable to enforce patent rights internationally, which may limit our ability to prevent our product features from being used by competitors in some foreign jurisdictions. • The use of open- source software in our products, services and technologies may expose us to additional risks and harm our intellectual property rights. • A variety of new and existing laws and / or interpretations could materially and adversely affect our business. • We are subject to evolving corporate governance and public disclosure regulations and expectations, including with respect to environmental, social and governance (“ ESG ”) matters, that could expose us to numerous risks. • Our amended and restated bylaws include exclusive forum provisions that could increase costs to bring a claim, discourage claims or limit the ability of our shareholders to bring a claim in a judicial forum viewed by shareholders as more favorable for disputes. Risks Related to our Convertible Notes • Fulfilling our debt obligations requires significant cash resources, which may exceed our available cash flow. • The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results. • Conversion of the Notes may dilute the shareholder ownership and could depress the price of our common stock. • Changes in the accounting treatment for the Notes may have a material effect on our reported financial results. • The 2027 Note Hedge and Warrant transactions may impact the value of the Notes and our common stock. • We are exposed to counterparty risk with respect to the 2027 note hedge transactions. Our past financial performance may not be a reliable indicator of our future performance and historical trends should not be used to anticipate our results or trends in future periods because of the following factors and other variables affecting our operating results. You should carefully consider the trends, risks and uncertainties described below and other information in this Annual Report on Form 10- K and subsequent reports filed with or furnished to the SEC before making any investment decision with respect to our securities. If any of the following trends, risks or uncertainties actually occurs or continues, our business prospects, financial condition, or operating results of operations or cash flows could be materially adversely affected, the trading prices of our securities could decline, and you could lose all or part of your investment. All forward- looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement. Strategic Risks We are substantially dependent on acceptance of our products and services by law enforcement agencies throughout the world. If law enforcement agencies do not continue to purchase and use our products and services, our growth prospects, operating results and financial condition will be materially adversely affected. Our largest customer segment vertical is U. S. federal, state and local law enforcement. Axon has a customer relationship with a substantial number of federal, state and local law enforcement agencies in the United States. At any point, whether or not related to the performance of our products and services, law enforcement agencies may elect to no longer purchase or use our CEDs or other products and services. For example, we believe that in the past our sales were adversely impacted by negative coverage and publicity surrounding our products and services and their use and this could occur in the future, including as a result of factors beyond our control. If law enforcement agencies no longer purchase our products and services, or materially decrease their purchases, our growth business prospects, operating results and financial condition will be materially adversely affected. We substantially depend on sales of our TASER CEDs, and if these products do not continue to be widely accepted, our growth business prospects, operating results, and financial condition will could be diminished. For in each of the years ended December 31, 2024, 2023, and 2022 and 2021, we derived a significant portion of our revenues from sales of CEDs TASER brand devices and related cartridges products and services, whether sold individually on a standalone basis or as part of a bundled subscription plan offering. We anticipate that, and expect to depend on sales of these products will continue to account for a significant portion of our revenue for the foreseeable future. The acceptance of these devices is critical to our growth business prospects, operating results and financial condition. If we cannot are unable to continue to meet customer demands or to achieve more widespread market acceptance of these products, our growth business prospects, operating results, and financial condition will be materially adversely affected. Demand for these offerings CED products is affected by several a number of factors (some, many of which are beyond our control), including continued market acceptance of these our products by our customers, technological change, and growth or contraction of the economy in general. Our TASER Additionally, our CEDs and other offerings or products could fail to maintain or attain sufficient customer acceptance for many reasons, including: • our failure to predict market demand accurately in terms, whether as a result of a failure to anticipate demand for product features or functionality and or to supply offerings that meet this demand; • real or perceived defects, errors or failures; • negative publicity about their product performance or effectiveness; • delays in releasing to the market our improved offerings or enhancements, or defects, errors or failures while releasing such offerings or enhancements; • real or perceived failure to offer complementary products that enhance the functionality of our offerings; • introduction or anticipated introduction of competing products; and • budget constraints or other limitations for our customers. A decrease in the selling prices of or demand for these products, or their failure to maintain broad market acceptance, would significantly harm our competitive position, growth business prospects, operating results and financial condition. If we are unable to design, introduce, sell and deploy new products or new product features successfully, our business and financial results could be adversely affected. Our future success will likely depend on our ability to develop new products or new product features that achieve market acceptance in a timely and cost- effective manner and in a way that is responsive to customer demand. The development of new products and new product features is complex, time- consuming and expensive, and we may experience delays or incur significant additional costs in completing the development and introduction of new products. We may choose to carry higher levels of inventory to mitigate the risk of production delays, which may in turn expose us to an increased risk of obsolescence. We have devoted, and continue to devote, significant resources to develop and deploy our cloud- based productivity and real- time operations SaaS solutions, which we continue to broadly deploy to a large number of customers. If there is a substantial increase of new Customers customers in a

small window, we may have difficulty deploying these solutions in a way that meets market demand. Increases in customer demand may require us to change our IT infrastructure, expand our IT infrastructure or replace our IT infrastructure entirely. Scaling and adapting our IT infrastructure is likely to be complex and require additional technical expertise. If we are required to make any changes to our IT infrastructure, we may incur substantial costs and experience delays or interruptions in our solutions. These delays or interruptions may cause customers to become dissatisfied with our solutions and move to competing providers. Our failure to accommodate increased traffic, increased costs, inefficiencies or failures to adapt to new technologies or customer requirements and the associated adjustments to our IT infrastructure could harm our business prospects, operating results and financial condition. Additionally, customers' requirements for these products are complex and varied. If we cannot develop scalable solutions that can be consistently configured for customers with minimal effort or grow and maintain a professional services team that can consistently configure our products to meet the requirements of large numbers of customers in a timely and cost-effective manner, our ability to broadly scale our cloud-based productivity and real-time operations SaaS solutions could be negatively impacted, and our business prospects, operating results and financial condition could be negatively impacted. We cannot provide any assurance that products that we may develop in the future will achieve market acceptance. If we fail to develop new products or new product features on a timely basis that achieve market acceptance, our business, financial results and competitive position could be adversely affected. We face risks associated with rapid technological change and new competing products. The technology associated with law enforcement devices and software receives is receiving significant attention and is rapidly evolving. The introduction of products embodying new technologies (such as the use of AI and machine learning) and the emergence of new industry standards can render existing products obsolete and unmarketable. In particular, AI and machine learning technologies are rapidly developing and as these technologies are incorporated into our products and the operations of our customers, the pace of change has in the past and may in the future continue to accelerate. Additionally, we expect our products are expected to meet and keep pace with evolving security standards and requirements of our industry and customers, including those of the U. S. federal government and international governments. While we have some patent protection in certain key areas of our Axon device devices, CED-CEDs and SaaS technology, new technology may result in competing products that operate outside our patents and could present significant competition for our products, which could adversely affect our business, financial results and competitive position. Additionally, our competitors may develop competing technologies or products with that provide superior features or lower costs are less expensive than our products, or our competitors may respond quicker more quickly to new or emerging technologies, undertake conduct more extensive marketing campaigns, have greater financial, marketing, manufacturing and other resources than we do, or and may be more successful in attracting potential customers, employees and strategic partners. If we cannot are not able to compete effectively, our business and financial results could be adversely affected. Our future success is dependent on our ability to expand sales through direct sales and distributors and our inability to increase direct sales or recruit new distributors would negatively affect our sales. Our distribution strategy is to pursue sales through multiple channels primarily through, which are principally direct sales and independent distributors. We are focusing focus on direct sales to larger agencies through our regional sales managers and our inability to grow sales to these agencies in this manner would materially adversely affect our business prospects, operating results, and financial condition. In addition, our inability to establish relationships with and retain law enforcement equipment distributors, who we believe can successfully sell our products, would materially adversely affect our business prospects, operating results, and financial condition. If we do not competitively price our products, meet the requirements of our distributors or end-users, provide adequate marketing support, or comply with the terms of our distribution arrangements, our distributors may fail to aggressively market our products or may terminate their relationships with us. These developments would likely have a material adverse effect on our sales. Our reliance on the sales of our products by others also makes it more difficult to predict our revenues revenue, cash flow, and operating results. In certain states and foreign jurisdictions, we have decided chosen to sell pursue sales directly with law enforcement customers, rather than working through established distribution channels. Our However, some of our customers may have strong working relationships with distributors, and we may face resistance to this change. Failure to If we do not overcome this resistance and successfully establish effectively build a direct relationship relationships with our customers could, sales may be adversely affected. Negative negatively publicity could adversely impact sales, or our competitors may be better positioned by continuing to sell through distributors, which could adversely affect cause our revenues or our business prospects, operation- operating results to decline and financial condition. Our business is dependent depends upon on the reputation of the Axon brand. If we are unable to maintain the position of the Axon brand, our business may be adversely affected by diminishing the appeal of the brand to our customer base. This could result in lower sales and earnings. Our reputation and our brands have in the past been, and could in the future be, damaged by negative publicity, whether or not merited or as a result of actions that are within our control. Negative publicity could relate to our company, our brands, our products, our supply chain, our packaging, our employees or any other aspect of our business. We could experience negative publicity (which may be raised by consumer advocacy groups, third-party interest groups, investors, employees or other stakeholders) for a variety of reasons, including as a result of product safety issues, threatened or pending legal or regulatory proceedings, product claims, advertising and promotional practices, sustainability or policy issues, materials sourcing or cybersecurity incidents. Negative publicity that damages one of our brands could be compounded by having an adverse effect on our other brands or our company as a whole. In addition, unfavorable media or investor and analyst reports related to our industry, company, brand, marketing, personnel, operations, business performance, or prospects may affect our common stock price and the performance of our business, regardless of even if the publicity is not directly related to our company or our brands and even if the publicity is not accuracy accurate. Furthermore, the speed at which negative publicity is disseminated has dramatically increased dramatically through the use of electronic communication, including social media

outlets, websites and other digital platforms. **Alternatively, our employees may knowingly or inadvertently use digital or social media platforms in ways that may not be aligned with our digital or social media strategy and could damage our reputation or our brands.** Our success in maintaining and enhancing our brand depends on our ability to adapt to this rapidly changing ~~media~~ **media environment environments**. Adverse publicity or negative commentary from any ~~media outlets~~ **outlet** could damage our reputation and, **require us to expend substantial resources to remedy the damage or** reduce the demand for our products and services, which would **all** adversely affect our business and financial results. Acquisitions of, or investments in, other products, technologies or businesses could disrupt our business, dilute shareholder value, and adversely affect our operating results. Our business strategy has **included, in the past and may continue to in the future include**, acquiring or **investing making investments** in other complementary products, technologies, or businesses. Identifying and negotiating these transactions can be time-consuming, difficult, and expensive. **Additionally, and** our ability to close these transactions has **previously, in the past and may in the future be subject to, depend on obtaining** third-party approvals, such as government regulatory approvals and clearances, which are beyond our control. Consequently, we can make no assurance that these transactions once undertaken and announced, will close. ~~These kinds of acquisitions~~ **Acquisitions** or investments may **present result in** unforeseen operating difficulties and ~~expenditures~~ **expenses**. If we acquire businesses, technologies or products, we may ~~not be able to~~ **encounter difficulties in successfully integrate integrating** the acquired personnel, operations, **systems, technologies, or products successfully, or effectively manage managing** the combined business following the acquisition. We also **Anticipated benefits of such transactions** may not **materialize** achieve the anticipated benefits from the acquired business due to a number of factors, including such as: **• inability to integrate or profitably benefit from acquired products, technologies or businesses in a profitable manner; • inability • failure to obtain** correct or achieve regulatory approvals, **clearances** or certifications; **• exposure to new regulations related to the acquired products, technologies, or business that are unexpectedly burdensome, negatively impact existing products, technologies or business, or require significant investment in order to achieve compliance; • unanticipated costs or, liabilities associated with, or risks related to the transaction, such as the those arising from acquisition, including potential liabilities due to litigation and potential, government inquiries, regulatory actions; • identified or unknown security vulnerabilities in acquired technologies that expose us to additional security risks or delay our ability to integrate integration the acquired products into our offerings or recognize the benefits of our investment; • cultural misalignment with • differences between our values and those -- the of an acquired company, as well as potential disruptions to our workplace culture environment or how we are perceived by investors - investor perception; • unionization or labor organization efforts leading to work stoppages, strikes, or disruptions in business operations; • incurrence of acquisition-related costs, including costs related to the transaction and integration activities; • difficulty integrating the accounting and information systems, operations and personnel of the acquired business; • inability to augment enhance the acquired technologies and platforms to meet the quality, performance, and levels that are consistent with our brand and reputation standards expected by our customers; • difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business; • challenges converting aligning the acquired company's revenue recognition policies and forecasting methods the related revenues, including subscription-based revenues and software license revenues; • potential write-offs of acquired assets or investments, and potential financial and credit risks, or other financial impacts associated with acquired customers; • difficulty converting the challenges transitioning acquired customers to of the acquired business onto our platform systems, processes, and contract contractual terms; • diversion of management's attention and other company resources; • harm to our existing business relationships with business partners and customers as a result of the acquisition; • the potential loss of key employees; • diversion 18 • use of critical resources that are needed in, including substantial portions of available cash, away from other parts of our business; and • use • shareholder dilution resulting from the issuance of new equity to finance the transaction; • incurrence of debt on unfavorable terms, repayment difficulties, or significant financial liabilities arising out of the acquisition or investment; and • exposure to adverse tax consequences, substantial portions of asset depreciation, our or deferred compensation expenses available cash to consummate the acquisition.** We cannot assure you that the anticipated benefits of any acquisition or investment **would will** be realized, **that projected synergies will materialize,** or that we **would will** not be exposed to unknown liabilities or risks. Integrating an acquired technology, asset, or business into our operations can be challenging, complex, and costly, and we cannot assure you that we will be successful or that the anticipated benefits of the acquisitions **or investments** that we complete will be realized or outweigh their costs. If our integration and development efforts are ~~not successful~~ **unsuccessful** and the anticipated benefits of the acquisitions that we complete are not achieved, our business **prospects**, operating results, and financial condition and prospects could be adversely affected. In connection with these types of transactions, we may issue additional equity securities that would dilute our shareholders, use cash that we may need in the future to operate our business, incur debt on terms unfavorable to us or that we are unable to repay, incur large charges or substantial liabilities, encounter difficulties integrating diverse business cultures and values **or, and** become subject to adverse tax consequences, substantial depreciation, or deferred compensation charges. These challenges could adversely affect our business **prospects**, operating results, and financial condition. **Since our founding in 1993, we have experienced rapid growth. The growth and expansion of our business places a continuous and significant strain on our management, operational, and financial resources. Further growth of our operations to support our customer base, our expanding third-party relationships, our information technology systems, and our internal controls and procedures may not be adequate to support our operations. Managing our growth will also require significant expenditures and allocation of valuable management resources, including the challenges of integrating, developing, and motivating a growing employee base in various countries around the world. In addition, our rapid growth may make it difficult to evaluate our future prospects. Our ability to forecast our future results of operations is subject to a number of uncertainties, including our ability to effectively plan for and model future growth. We have encountered in the past, and may encounter in the**

future, risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If we fail to achieve the necessary level of efficiency in our organization as it grows, or if we are highly not able to accurately forecast future growth, our business would be harmed. We ~~dependent~~ **depend** on the services of our executive officers, including Patrick W. Smith, our Chief Executive Officer. Our failure to retain executive officers could adversely impact our business. Our future success depends upon our ability to retain executive officers, including Patrick W. Smith, and any failure to do so could adversely impact our ~~business, prospects,~~ new product development, **business prospects, operating results and** financial condition ~~and operating results~~. Among other qualifications, Patrick W. Smith is the founder of Axon and brings extensive executive leadership experience in the technology industry, including the management of worldwide operations, sales, service and support as well as technology innovation as an inventor listed on ~~52~~ **over 50** U. S. patents. Mr. Smith has been instrumental in building the public safety operating system of the future by integrating a suite of hardware devices and cloud ~~- based~~ **- based** software solutions that lead to modern policing and help save lives. From the early days of founding the organization to today as a market leader, Mr. Smith's expertise has brought forth entirely new product categories, including the less- ~~than-~~ **than-** lethal TASER de-escalation platform, body ~~- worn~~ cameras and cloud software that ~~lead to modernized-~~ **modernize** public safety. The loss of any of our senior management, including Patrick W. Smith, could interrupt our ability to execute our business plan, as such individuals may be difficult to replace. ~~Operational Risks Unavailability of materials or higher costs could adversely affect our financial results.~~ We depend on ~~certain~~ domestic and international suppliers for the delivery of components used in the assembly of our products. Our reliance on third- party suppliers creates risks related to our potential inability to obtain an adequate supply of components or sub- assemblies and reduced control over pricing and timing of delivery of components and sub- assemblies, including single or sole- source components used in the manufacture of our products. Specifically, we depend on suppliers of sub- assemblies, machined parts, injection molded plastic parts, printed circuit boards, **semiconductors**, custom wire fabrications and other miscellaneous ~~customer-~~ **customer-** ~~custom and off- the- shelf~~ parts for our products. Although we ~~may have and are implementing~~ **implement** additional long- term agreements with strategic suppliers to mitigate the risk of supply continuity, there ~~disruptions~~ **remains** ~~remain possible~~ risk across our supply chain while we extend our supplier contract program, and there is no guarantee that supply will not be interrupted. Additionally, if our suppliers do not ~~accurately forecast and effectively allocate production or if they are not willing to allocate sufficient production to us, or they may decommit from to us previously agreed -to supply levels, it or inaccurately forecast demand, we may face~~ ~~reduced~~ **reduced** our access to components and ~~need~~ require us to ~~secure~~ search for new suppliers. As the scale of our hardware production increases, we ~~will also~~ need to accurately forecast, purchase, warehouse and transport components at high volumes to our manufacturing facilities. If we are unable to accurately match the timing and quantities of component purchases to our actual needs, we may incur ~~costs related to~~ unexpected production disruption, storage, transportation, ~~expedite,~~ and write- ~~off~~ **offs** costs, which may harm our business ~~prospects~~ and financial ~~results condition~~. ~~The~~ ~~19D~~ ~~Due to the unique requirements of TASER 10~~ **CEd presents** ~~additional supply chain challenges due to its unique design and regulatory requirements,~~ including, ~~for example,~~ the regulation ~~of imports and exports~~ of certain TASER 10 **CEd** components. We also ~~for import into the United States and export from foreign sources, we purchase our raw materials for TASER 10 CEDs from a limited number of suppliers -,~~ ~~Some~~ ~~some of which may be subject to market price fluctuations that we may be unable to pass through to our customers.~~ ~~Because of the unique requirements of TASER 10 CEDs, we cannot change suppliers easily. Any delay or interruption in the supply of the raw materials that are used in TASER 10 CEDs may be subject to fluctuations in market price, which we may be unable to pass through to our customers to offset market fluctuations. Because of the unique requirements of TASER 10, we cannot change suppliers easily. We may be slower to establish alternative sources of supply for TASER 10 components as we continue to refine the design of the product. Any delay or interruption in the supply of the raw materials that are used in TASER 10~~ ~~could~~ ~~impair~~ our ability to manufacture and deliver TASER 10 **CEd**s, harm our reputation, or cause a reduction in revenues. A significant number of our raw materials or components comprise petroleum- based products or incur some form of landed cost associated with transporting the raw materials or components ~~to our facility~~. Our freight and import costs and the timely delivery of our products could be adversely ~~impacted~~ **affected** by the materialization or re- emergence of a number of factors that could reduce the profitability of our operations, including, ~~for example~~: higher fuel costs (including increased petroleum prices as a result of, among other things, climate change- related regulations); **supply chain shortages**; potential port closures or shipping disruptions; customs clearance issues; increased government regulation or regulatory changes for imports of foreign products into the United States and exports from foreign sources; ~~and~~ delays created by **war**, terrorist attacks or threats, public health issues, national disasters or work stoppages; ~~and other matters~~. We are also subject to supply chain disruption ~~if should we learn that~~ any of our suppliers ~~is in violation~~ ~~violate~~ of legislation that bans the import of goods based on their method of production, such as using forced labor or ~~otherwise~~ **sanctioned raw material suppliers**. This may also result in negative publicity regarding our production methods, and alleged unethical or illegal practices of any of our suppliers could adversely affect our reputation. Any interruption of supply for any material components of our products could significantly delay the shipment of our products and have a material adverse effect on our revenues, profitability and financial condition. For example, there have been and may continue to be disruptions in the semi- conductor supply chain that could negatively impact our ability to make our products. ~~If significant tariffs~~ ~~Domestic or international geopolitical or other events~~ ~~restrictions~~ **continue to be placed on foreign imports by the United States, our sales and results of operations may be harmed. For example, ongoing trade tensions between the United States and China have led to a series of significant tariffs on the importation of certain product categories into the United States over recent years. In retaliation for these tariffs, China has recently placed restrictions on the export of certain raw materials, including ~~the imposition of new or~~ **gallium and germanium**. Further, President Trump has proposed significantly increased tariffs ~~on foreign imports into the United States, particularly from China, Mexico and~~ ~~Canada~~. Such tariffs could have a significant impact on ~~or our~~ **quotas** ~~business, particularly the importation of products used in our business that are manufactured outside the United States,~~**

or could result in our products exported from the United States being subject to retaliatory tariffs imposed by the other U.S. countries. We also source certain S. Government on any of these raw materials from foreign countries, as do some of our suppliers components and other government trade policies, could adversely impact the supply and cost of these raw materials or components, and could adversely impact our revenues, profitability and financial condition. The In particular, the implementation of tariffs and trade restrictions as well as changes in trade policies between the United States and such foreign countries could China have in the past led lead to some increases in our supply costs and have made make it more difficult to obtain suppliers, and may in the future have an adverse effect on our supply chain from a cost and sourcing perspective. If we attempt to renegotiate prices with suppliers or diversify our supply chain in response to tariffs, such efforts may not yield immediate results or may be ineffective. We source certain raw materials from China might also consider increasing prices to the end consumer; however, as do some this could reduce the competitiveness of our suppliers products and adversely affect net sales. We may If we fail to manage these dynamics successfully, gross margins and profitability could be adversely affected. Increased tariffs unable to transition away from China to other jurisdictions or obtain secondary sources for or raw materials, which trade restrictions implemented by the United States could have result in a material adverse effect on component availability and could our business prospects, operating result results in a material adverse effect on our revenues, profitability and financial condition. Material adverse developments in domestic and global Global economic conditions, uncertainty continues to pose risks to or our business the occurrence of other world events, driven by could materially adversely affect our revenue and results of operations. Various factors such as contribute to the uncertain economic environment, including the ongoing conflicts in Gaza and Ukraine, the increase in, and volatility of, interest rates, high inflation, changes in U. S. immigration policy, an actual recession or fears of a recession, trade policies and tariffs, and geopolitical tensions. Our inability to offset price inflation in our materials, components, shipping or labor through increased prices to customers with long- term fixed- price contracts and formula- based or long- term fixed- price contracts with suppliers could adversely affect our business prospects, operating results and financial condition and results of operations. Global supply chain and labor market challenges could also negatively affect our and our suppliers' performance as well as the performance of our suppliers. Interest rate increases have also created financial market volatility and could further negatively impact financial markets, lead to an economic downturn or recession, or have an adverse effect on our financial results. Economic slowdowns can also negatively impact municipal and state tax collections and put pressure on law enforcement budgets, which may increase the risk that our customers will be unable to appropriate funds for existing or future contracts with us. In addition, geopolitical risks could affect our customers' budgets and policies. These and other factors may adversely affect customer demand and ability to pay, cause decrease in sales, and negatively impact the realizability of our accounts and notes receivable and contract assets. 20To the extent A significant increase in demand for our products may require us increases, our future success will be dependent upon our ability to manage expand our growth and to increase manufacturing production capacity. To the extent demand for our products increases significantly in future periods, one of our key challenges will be to increase our production capacity to meet sales demand while maintaining product quality. Our primary strategies to accomplish meet this challenge include introducing additional shifts, increasing the physical size of our assembly facilities, the hiring of additional production staff, and the implementation implementing of additional customized manufacturing automation equipment. As we develop additional products, we may need to bring new equipment on-line-online, implement new systems, technology, methods and processes, and hire personnel with different qualifications. The costs associated with implementing new manufacturing technologies, methods and processes, including the purchase of new equipment, and any resulting delays, inefficiencies and/or loss of sales, could harm our financial results. The investments we make in equipment, technologies or personnel may not yield the anticipated labor and material efficiencies, and we may experience difficulty in attracting, integrating and retaining qualified personnel. Our inability to meet any future increase in sales demand or effectively manage our expansion could have a material adverse effect on our revenues, operating results and financial condition. Delays in product development schedules may adversely affect our revenues and cash flows. The development of CEDs, devices, sensors, and software is a complex and time- consuming process. Achieving To achieve market acceptance requires accurately for our products, we must effectively anticipate anticipating customer needs requirements, and delivering we must offer products that meet changing customer adapt to evolving demands in a timely and cost- effective manner. Customers may require product features and capabilities that our current products do not have. If we fail to develop products that satisfy customer requirements, our ability to create or increase demand for our products will could be harmed adversely affected. Without the timely and cost-effective introduction of new products, services, and enhancements, our offerings will likely become less competitive over time, in which case our competitive position and operating results could suffer. New products, and services, and as well as enhancements to existing products and services, can require long development and testing periods and may require significant investment, including substantial R & D, development of different engineering and manufacturing workflows, and adjustments to our data and analytics infrastructure. Our focus on our SaaS platform also presents complex development issues. Significant delays in new product or service releases or significant problems in creating new products or services could adversely affect our business, growth prospects, operating results, cash flows, and competitive position. Before committing We expend significant resources in anticipation of a sale due to purchase our products lengthy sales cycle and may receive no revenue in return. Generally, law enforcement and corrections agencies our end- user customers typically consider a wide range of issues such as before committing to purchase our products, including product benefits, training costs, the cost to use our products in addition to, or in place of, other products, budget constraints and product reliability, safety and efficacy. Because we sell to various types of non- government and government entities of multiple sizes, including national agencies, state agencies, county agencies and municipal agencies, which can require varying levels of approvals followed by appropriations, the length of our sales cycle may range from a few weeks to as long as several years. Adverse publicity surrounding our products or the safety of such products has in the past, and could in the future, lengthen our sales cycle with customers. We believe that in the past our

sales were adversely impacted by negative coverage and publicity surrounding our products or the use of our products. We may incur substantial selling costs and expend significant effort in connection with the evaluation of our products by potential customers before they place an order. If these potential customers do not purchase our products, we will have expended significant resources and received no revenue in return. **If Changes in civil forfeiture laws may affect our customers' ability to purchase our products. Some of our customers use funds seized through civil forfeiture proceedings to fund the purchase of our products. From time to time, civil forfeiture proceedings have in the past received and may in the future receive media scrutiny and public criticism. Legislative changes could impact our customers' ability to seize funds or use seized funds to fund purchases. Changes in civil forfeiture statutes or regulations could limit the amount of funds available to our customers, which could adversely affect the sale of our products.** 21H our security measures or those of our third- party providers, including cloud storage providers, are breached **and, resulting in** unauthorized access **is obtained to our or our** customers' data **or our data, it could undermine confidence in** our network, data centers, **and service services leading to reduced** may be perceived as not being secure, customers **customer use of** may curtail or stop using our products and services, and we may incur significant legal and financial exposure and liabilities. Security breaches of **our products** Axon body worn cameras, docks, Axon Fleet vehicle cameras, Axon Signal devices and Axon Evidence and other cloud services or products could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our customers' data. Additionally, breaches of our network or data security measures or those of our third- party providers, **including cloud storage providers, suppliers and vendors** could disrupt the security of our internal systems and business applications, impair our ability to provide products and services to our customers and protect the privacy of their data, result in product development delays, result in theft or misuse of our intellectual property or other assets, require us to allocate more resources to improve technologies, or otherwise **materially** adversely affect our business. **Any security breach could result in a loss of confidence in the security of** Supply chain vulnerabilities, such as **compromised third- party software, hardware, our or services components**, **damage could further expose** our reputation, **disrupt systems to cyber risks which could materially adversely affect** our business, **lead to legal liability, and negatively impact our future sales.** Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently, grow more complex over time, and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. **The delayed detection of sophisticated threats could allow attackers to remain undetected within our systems for extended periods, increasing the potential damage to our operations, intellectual property, and customer data.** Moreover, our security measures and those of our third- party service providers or customers have not in the past and may not in the future immediately detect such security breaches if they occur. Although we have developed systems and processes that are designed to protect our data and user data, to prevent **or detect** data loss, and to prevent or detect security breaches, we have been in the past and **expect are likely to remain** continue to be a frequent target of third- party cybersecurity intrusion attempts and we cannot assure that such measures will provide absolute security. We **have in the past and may in the future** incur significant costs in protecting against or remediating cyber- attacks. **We also face increasing and evolving disclosure obligations related to cyber and other security events. Despite rigorous processes, we risk failing to meet all our existing or future disclosure obligations or having our disclosures misinterpreted. National security or public safety considerations may also affect, or in limited instances prevent, our public disclosure of a cybersecurity incident in certain circumstances.** We devote significant resources to engineer secure products and ensure security vulnerabilities are mitigated, and we require our third- party service providers to do so as well; however, security breaches that have not had a material effect on our business or our third- party service providers have occurred and will continue to occur, including as a result of third- party action, employee error, malfeasance or otherwise. Remote- work arrangements may **increase also make our systems exposure to cyberattacks due to vulnerabilities in unsecured devices, networks, and employees- employee environments more susceptible to attack.** Breaches could occur during transfer of data to data centers or at any time, and result in unauthorized physical or electronic access to our data or our customers' data. Third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as usernames, passwords or other information **in order** to gain access to our data or our customers' data. Additionally, hackers may develop and deploy viruses, worms and other malicious software programs that attack or gain access to our networks and data centers. Recent developments in the threat landscape include use of AI and machine learning **by attackers to automate, as well as enhance, and evade detection during cyberattacks, along with** an increased number of cyber extortion and ransomware incidents. **These** attacks, **with can feature** higher financial ransom **demand demands** amounts and **demonstrate** increasing sophistication and variety of, **including novel** ransomware techniques **and, diverse methodology methodologies, and advance capabilities such as adaptive malware and deepfake- enabled phishing schemes.** Increasing socioeconomic and political instability in some countries has heightened these risks. In addition, retaliatory acts by foreign governments in response to Western sanctions could include cyber- attacks that could directly or indirectly impact our operations. A security breach could expose us to a risk of loss or inappropriate use of proprietary and sensitive data, or the denial of access to this data. A real or perceived security breach could also result in a loss of confidence in the security of our products and services, **damage our reputation,** disrupt our business, **damage our reputation,** subject us to third- party lawsuits, regulatory fines or investigations or otherwise subject us to legal liability, negatively impact our future sales and significantly harm our **growth business** prospects, operating results and financial condition. Even the perception of inadequate security may damage our reputation and negatively affect our ability to win new customers or retain existing customers. Catastrophic events could materially adversely affect our business **prospects, operating** results, **of operations and /or** financial condition. A disruption or failure of our systems or operations in the event of a major earthquake, weather event (including those caused or exacerbated by the effects of climate change), fire, **water shortage**, explosion, failure to contain hazardous materials, industrial accident, utility failure, cyber- attack, terrorist attack, public health crisis, pandemic, or other catastrophic event could cause delays in completing sales, providing products and services, or performing other mission- critical functions. A catastrophic event that results in the

destruction or disruption of any of our critical operations, or of the ~~22~~ **capacity**, reliability or security of our information technology systems, could harm our ability to conduct normal business activities and our operating results, as well as expose us to claims, litigation and governmental investigations and fines. **Such events may also jeopardize employee safety and availability, causing additional delays or operational challenges.** In addition, catastrophes may put pressure on federal, state and municipal government budgets, which may increase the risk that our customers will be unable to appropriate funds for existing or future contracts with us. These and other factors may adversely affect customer demand and **their** ability to pay, cause decrease in sales, and negatively impact the realizability of our accounts receivable and contract assets. **Furthermore, service delays or failures during such events could damage our reputation, especially with public safety customers, and erode trust in our ability to deliver reliable solutions during critical times.** Public health emergencies such as the COVID-19 global pandemic have adversely affected workforces, economies, and financial markets globally, and led to an economic downturn in the past and may do so again in the future. **We may also face threats to our physical security, including to our facilities and essential provider of products and services for law enforcement and other -- the safety first responders, we remain focused on protecting the health and well-being of our employees while assuring people. In addition to the potential catastrophic events described above, these continuity of threats could involve insider threats, workplace violence, our- or civil unrest, which could adversely affect our company. Our customers and suppliers face similar risks that, if realized, could also adversely impact our operations. Such acts could cause delays, manufacturing downtime, or other impacts that could detrimentally impact our ability to perform our operations. We could also incur unanticipated costs to remediate impacts and lost business operations.** If our backup and mitigation plans are ~~not sufficient~~ **insufficient** to minimize business disruption, our financial results could be adversely affected. We are continuously monitoring our operations and intend to take appropriate actions to mitigate the risks arising from catastrophic events, but there can be no assurances that we will be successful in doing so. **Uncertainty in the development, deployment and use of AI in our products and services, as well as our business more broadly, could adversely affect our business and reputation. We offer are building and expect to use systems and tools that incorporate AI-based technologies, including generative AI, for our customers. We also leverage and expect to continue leveraging AI- based technologies for internal use to drive efficiency in our workforce business operations.** As with many new and emerging technologies, AI presents numerous risks and challenges **to that could adversely affect our internal business operations and our customers. For example, unexpected failures or inaccuracies in AI- driven systems could expose our customers to operational risks, particularly in high- stakes use cases such as law enforcement or public safety.** The development, adoption, integration and use of generative AI technology remains in **the** early stages; and **consequently, our AI technology may contain material defects or errors. Additionally,** ineffective or inadequate AI or generative AI **governance, development, use** or deployment practices by us or third parties could result in unintended consequences. For example, AI algorithms that we use may be flawed or may be (or ~~may be~~ perceived to be) based on datasets that are biased or insufficient. **In addition, any a risk raised by the ACLU in a report dated December 10, 2024. Biases in AI models could result in discriminatory outcomes, eroding trust among customers and communities we serve. Any latency, disruption, or failure in our AI systems, third- party AI systems that we utilize, or infrastructure could cause delays or errors in our offerings. Additionally, inadequate governance, testing, or quality assurance processes could result in delays- flawed deployments, including those that result in physical harm or which produce erroneous or harmful outputs that may damage our reputation and expose us to legal liabilities. Correcting such defects or errors in- may be costly and time- consuming and could harm our offerings- business. Failure to adequately train customers on the use and limitations of AI- driven products could also compound these risks. Thoroughly testing generative AI models is challenging due to their complexity and the unpredictability of their outputs.** Developing, testing, and deploying resource- intensive AI systems may require additional investment and increase our costs. There also may be real or perceived social harm, **environmental harm,** unfairness or other outcomes that undermine public confidence in the deployment and use of AI. **Furthermore In addition,** third parties may deploy AI technologies in a manner that reduces customer demand for our products and services. **Competitive pressures may also drive rapid AI development or deployment, increasing the risk of releasing inadequately tested or unreliable features.** Any of the foregoing may result in decreased demand for our products and services or harm to our business, financial results, or reputation. The legal and regulatory landscape surrounding AI technologies is rapidly evolving and uncertain, **including particularly in relation to the** areas of intellectual property, cybersecurity, and privacy, and data protection. For example, there is uncertainty around the validity and enforceability of intellectual property rights related to our development, deployment and use of AI. **Cyber attacks that use AI may also become increasingly frequent and effective. Additionally, third parties that license AI technologies to us may impose unfavorable licensing terms or terminate the licenses altogether, requiring us to seek licenses from alternative sources to avoid disruptions in feature delivery.** Compliance with new or changing laws, regulations, or industry standards relating to AI may impose significant operational costs and may limit our ability to develop, deploy or use AI technologies. **In part due to our global scope and law enforcement customer base, we may face heightened scrutiny and regulatory requirements, which could further increase compliance costs and limit our ability to develop, deploy or use our AI solutions or other AI technologies. For example, the AI Act in the European Union imposes compliance requirements on a variety of AI uses by law enforcement, as well as on the companies that develop those products, including us. Other jurisdictions may adopt similar measures in the future. In the future, we may voluntarily or involuntarily initiate recalls if our products are determined by us or a regulatory authority to be noncompliant with applicable laws and regulations. Such recalls, whether voluntary or involuntary, could result in significant expense, supply chain complications, and may harm our brand, business, prospects, financial condition and operating results. Please also see “ Operational Risks — Defects in our products could reduce demand for our products or result in product recalls and result in a loss of sales, delay in market acceptance, and damage to our reputation ” in Part I, Item 1A of this Annual Report on Form 10- K below for**

additional information. We may also face increased scrutiny regarding data privacy and security risks related to the data we use to train and evaluate AI models, as breaches or misuse of this data and associated terms and conditions could expose us to significant liabilities. For example, while we do not use customer data to train AI models today, we do occasionally use data obtained from the Axon Customer Evidence Improvement Program (“ACEIP”) for evaluation and we may use ACEIP data to also train models in the future, while ensuring proper consents and compliance with applicable laws. This approach reflects our commitment to responsible data usage and governance. However, there remains a significant risk in the nature of data used by third-party providers to train the AI models we rely on, including whether such third-party providers have trained AI models on data that they did not have proper consents for. Failure to appropriately respond to this evolving landscape may result in legal liability, regulatory action, or brand and reputational harm. Defects or disruptions in our services could impact demand for our services and subject us to substantial liability. We rely on currently serve our Axon Evidence customers from third-party cloud storage service providers based located in the United States and other countries to deliver our cloud services. The use of these cloud storage service providers gives us greater flexibility in efficiently delivering a more tailored, scalable customer experience, but also exposes us to additional risks and vulnerabilities. Lack of availability of this infrastructure could be due to several a number of potential causes, including such as technical failures, natural disasters, fraud or security attacks that we cannot predict or prevent. Interruptions in our service, or loss or corruption of digital evidence, may reduce our revenue, cause us to issue credits or pay penalties, cause customers to file litigation against us, cause customers to terminate their subscriptions, and adversely affect our renewal rates and our ability to attract new customers. Our business will also be harmed if our customers and potential customers believe our service is unreliable. 23Since Since our customers use our services for important aspects of their operations, any errors, defects, disruptions in service or other performance problems could hurt our reputation and may damage our customers’ operations. Additionally, the inability to recover or restore lost or corrupted digital evidence in a timely manner could result in significant reputational damage. This risk is particularly acute for law enforcement and public safety customers, where service reliability is critical, and disruptions could have serious operational or legal consequences. As a result, customers could elect not to renew our services or to delay or withhold payment to us. Delayed resolution of service outages or technical defects could also lead to prolonged dissatisfaction and erosion of customer trust. We could also lose future sales or customers may make warranty or other claims against us, which could result in an increase in our warranty expense, an increase in collection cycles for and decline in the collectability of accounts receivable or in the convertibility of contract assets to cash, and an increase in the expense and risk of litigation. Defects in our products could reduce demand for our products or result in product recalls and result in a loss of sales, delay in market acceptance, and damage to our reputation. Complex components and assemblies used in our products may contain undetected defects that could be subsequently discovered at any point in the life of the product. Errors or defects in our products, including software-related errors or defects, may only be discovered after they have been tested, commercialized and deployed. In such event if that is the case, we may incur significant additional development costs and product recall, repair or replacement costs, or liability for personal injury or property damage caused by such errors or defects. In particular, defects in products designed for public safety or law enforcement use could undermine customer and community trust, erode confidence in our brand, and result in heightened scrutiny or regulatory enforcement. Our reputation or brand may be damaged as a result of these problems and may result in difficulty retaining current customers and securing new contracts. Defects in our products could result in a loss of sales, delay in market acceptance, damage to our reputation and increased warranty costs, which could adversely affect our business, financial results and competitive position. Additionally, we are subject to the U. S. Consumer Products Safety Act of 1972, as amended by the Consumer Product Safety Improvement Act of 2008, which empowers the Consumer Products Safety Commission to exclude from the market products that are found to be unsafe or hazardous, and similar laws under foreign jurisdictions. We could also face challenges with cross-border compliance if products are recalled in multiple jurisdictions, further increasing operational and financial burdens. Under certain circumstances, the Consumer Products Safety Commission or comparable foreign agency agencies could require us to repurchase or recall one or more of our products. If we were required to remove, or we voluntarily remove, our products from the market, our reputation could be tarnished, and we might have large quantities of finished products that we could not sell. A recall of critical components may also disrupt manufacturing and delay delivery of other products in our portfolio, compounding the adverse effect on our business. Our international operations expose us to additional risks that could harm our business prospects, operating results, and financial condition. Our We have significant international operations are significant, and we plan to continue growing internationally by acquiring existing entities and /or setting up new legal entities in new markets. In certain international markets, we have limited operating experience and may not benefit from first-to-market advantages or otherwise succeed. Our international operations expose us to other risks, including: • restrictions on foreign ownership and investments and, along with stringent foreign exchange controls that might prevent us from, could limit our ability to repatriating repatriate cash earned in countries outside the United States; • import and export requirements, tariffs, trade disputes and barriers, product certification requirements mandates, sanctions, and customs could hinder our ability to classifications that may prevent us from offering offer products or providing services in certain a particular country countries or obtaining obtain necessary parts and components to manufacture products; • longer payment cycles in some certain countries, increased heightened credit risk, and higher levels instances of payment fraud; • uncertainty regarding liability for our products and services, including uncertainty resulting from local laws and lack of legal precedent; and • different differing labor laws and customs, existence of workers’ councils and labor unions, and other challenges caused by distance, language, and cultural differences. Our In addition, our suite of products is TASER devices are regulated by the U. S. Bureau of Industry and Security and require licenses for export abroad controlled under both United States and international regulatory bodies. Changes in U. S. foreign policy, foreign governmental status and evolving international

human rights policy objectives may impact Axon's ability to obtain licenses **for a given destination**. Changes to foreign political, economic, regulatory, tax, social and labor conditions may adversely harm our **or business customer**. Trade Compliance with complex foreign and U. S. laws and regulations makes it harder to do business in certain 24 jurisdictions; potentially decreases sales, and increases our cost of doing business. These numerous and sometimes conflicting laws and regulations include, among others **other categories**, environmental regulations, climate- and sustainability- related regulations, tax and statutory financial regulations, **export and import controls**, customs and duties regulations, internal control and disclosure rules, privacy and data protection requirements, anti- corruption laws, **such as the U. S. Foreign Corrupt Practices Act**, and other local laws prohibiting corrupt payments to governmental officials, and competition regulations, among others. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our directors, officers, or employees, **as well as** prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries, **and**, **They** could also materially adversely affect our brand, international growth efforts, ability to attract and retain employees, business, and operating results. Although we have implemented policies and procedures designed to ensure compliance with these laws and regulations, there can be no assurance that our directors, officers, employees, contractors, or agents will not violate our policies **nor that enforcement actions by regulators will be consistent**. **Furthermore** We depend on our ability to attract and retain our key management, sales **inconsistent enforcement of local laws** and technical personnel **regulations in some jurisdictions may increase compliance uncertainty and risk**. Our success depends upon the continued service of our key management personnel. **Although we have entered into employment agreements with our key personnel, including Mr. Smith, these agreements have no specific duration and constitute at-will employment, which means they may terminate their employment with us at any time. Additionally, we do not maintain any key person insurance on any of our officers or employees. Any changes in our senior management team, even in the ordinary course of business, may be disruptive to our business. Such changes may result in a loss of institutional knowledge and cause disruptions to our business. Losing any member of our existing senior management team could also damage key seller relationships, lead to unanticipated replacement, recruitment and training costs, and make it more difficult to operate our business and achieve our business goals. Additionally, if our senior management team fails to work together effectively or execute our plans and strategies on a timely basis as a result of management turnover or otherwise, our business could be harmed**. Our success also depends on our ability to continue to attract, retain and motivate qualified technical employees. Our ability to compete effectively and our future success depends on our continuing to identify, hire, develop, motivate and retain highly skilled personnel. In **particular, we compete with many other companies for employees with high levels of expertise in our industry, as well as for skilled engineers (including those with highly sought after experience in fields such as data science or AI), sales, and operations professionals. Job candidates may also be threatened with legal action under agreements with their existing employers if we attempt to hire them, which could impact hiring and result in a diversion of our time and resources. In addition, we are selective in our hiring process which requires significant investment of time and resources from internal stakeholders and management. At times, we have experienced, and we may continue to experience, difficulty in hiring personnel who meet the demands of our selection process and with appropriate qualifications, experience, or expertise, and we may not be able to fill positions as quickly as desired. In addition, our recruiting personnel, methodology, and approach may need to be altered to address a changing candidate pool and profile. We may not be able to identify or implement such changes in a timely manner. Restrictive U. S. immigration policies and regulatory changes may also affect our ability to hire, mobilize or retain some of our global talent. Many of our technical personnel are foreign nationals entering the United States on work visas, primarily under the H- 1B visa classification. The H- 1B visa classification enables U. S. employers to hire qualified foreign nationals in positions that require an education at least equal to a bachelor's degree. U. S. immigration laws and regulations are subject to legislative and administrative changes, as well as changes in the application of standards and enforcement. Future restrictions on the availability of work visas could restrain our ability to acquire the skilled professionals needed to meet our customers' requirements, which could have a material adverse effect on our business. The scope and impact of these changes remain unclear, however a narrow interpretation and vigorous enforcement of existing laws and regulations could adversely affect the ability of entities with which we subcontract to utilize foreign nationals and / or renew existing foreign national consultants on assignment. There can be no assurance that we will be able to keep or replace all foreign nationals currently employed, or continue to acquire foreign national talent at the same rates as in the past. In** addition, our compensation arrangements, such as our equity incentives, may not always be successful in attracting new employees and retaining and motivating our existing employees. **Restrictive immigration policy and regulatory changes may also affect our ability to hire, mobilize, or retain some of our global talent. Although we have employment agreements with our officers and other members of our executive management team, the employment of such persons is "at-will" and either we or the employee can terminate the employment relationship at any time, subject to the applicable terms of the employment agreements. In particular, we may expect to continue to face significant challenges in hiring personnel, particularly for executive- level engineering talent, whether as a result of competition with other companies or other factors. We have had and expect to continue to have unique equity incentives designed to attract and retain long- term employees. We utilize these plans to align pay and performance and drive shareholder returns while reducing near- term cash expenditures. Our equity incentives and ongoing stock and option grants are subject to having sufficient shares under our stock plan and any new plans or increases in the number of shares available for grant under existing plans must be approved by our shareholders. If we are unable to obtain shareholder approval, we may be unable to attract and retain top talent, including senior executives. Our ability to attract, retain and motivate employees may also be adversely affected by common stock price volatility. The loss of the service of one or more of our key personnel could adversely impact our business, prospects, operating results and** financial condition and operating results. **The** If we fail to comply with federal, state or local regulations

applicable to our firearm product, TASER 10 CED, we may be subject to governmental actions or litigation that could materially harm our business, operating results and financial condition. TASER 10 is primarily regulated by the **Bureau of Alcohol, Tobacco, Firearms and Explosives (the "ATF")**, which licenses-regulates the manufacture, sale and import of firearms in the United States. The primary-primarily under federal laws are the National Firearms Act of 1934, the **GCA Gun Control Act of 1968**, and the Firearms Owners' Protection Act of 1986, which have been amended from time to time. The ATF conducts periodic audits of our ~~Arizona~~ facilities that hold federal firearms licenses. If we fail to comply with ATF rules and regulations, the ATF may limit our **activities or growth related to the TASER 10 CED activities or growth**, fine us, or, ultimately, suspend our ability to produce and sell the TASER 10 CED product line. **There are Such audits may also expose operational inefficiencies or create delays that affect production timelines or access to necessary permits. Also,** various state and local laws, regulations, and ordinances relating to firearm characteristics, features and sales **govern the TASER 10 CED product line**. Axon and local distributors must comply with state and local laws, regulations, and ordinances pertaining to firearm and magazine sales in the jurisdictions where the TASER 10 CED is sold. **Non-compliance with such laws could expose us to legal liability, reputational harm, and additional costs with remedying violations**. Additionally, certain TASER 10 CED components are regulated for import into the United States by the ATF and are subject to ATF import permits that limit Axon's ability to source from some suppliers leading to a potential decrease in supply chain agility. Supply chain constraints or an inability to source TASER 10 CED components could have a material adverse effect on our business; prospects, **operating results and** financial condition ~~and operating results~~. ~~25~~ **Federal** and state legislatures frequently consider legislation relating to the regulation of firearms, including the amendment or repeal of existing legislation. Existing laws may also be affected by future judicial rulings and interpretations. These possible changes to existing legislation or the enactment of new legislation may seek to restrict the makeup of a firearm, mandate the use of certain technologies in a firearm, remove existing legal defenses in lawsuits, set minimum age limits to purchase certain firearms, or ban the sale and, in some cases, the ownership of various types of firearms and accessories. **In addition, evolving public sentiment or political pressure regarding firearm regulation could impact customer demand for TASER 10 CEDs, especially in jurisdictions with stricter firearm laws.** Such restrictions or bans could have a material adverse effect on our business; prospects, **operating results and** financial condition ~~and operating results~~. **Failure** If we fail to maintain effective internal control over financial reporting **may adversely affect** or identify a material weakness or significant deficiency in our internal control over financial reporting, our ability to report our financial condition and **operating** results of operations in a timely and accurate manner could be adversely affected, **which may cause** investor confidence in our company **could to** diminish, and the value of our common stock **may to** decline. Preparing our consolidated financial statements involves **many a number of** complex manual and automated processes, which ~~are dependent~~ **depend upon on** individual data input or review and require significant management judgment. **The increasing complexity of our operations, including growth in international markets and expansion of product offerings, further heightens the risk of control deficiencies. Acquired businesses may have insufficient internal controls, which may have been identified or unidentifiable during diligence, that could require significant remediation efforts and create additional risks of financial misstatements during integration.** One or more of these processes may result in errors that may not be **, and in the past have not been, immediately** detected and could result in a material misstatement or other errors in our consolidated financial statements. Such errors may be more likely to occur when implementing new systems and processes, particularly when implementing evolving and complex accounting rules. The Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") requires, among other things, that as a publicly-traded company we disclose whether our internal control over financial reporting and disclosure controls and procedures are effective. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. While we continually undertake steps to improve our internal control over financial reporting as our business changes, we may not be successful in making the improvements and changes necessary to be able to identify and remediate control deficiencies or material weaknesses on a timely basis. **Our ability to address deficiencies may also be constrained by resource limitations, including access to skilled accounting personnel, particularly during periods of rapid growth. For or example, we cost pressures. We** identified a material weakness in our internal controls over revenue recognition and the reporting of deferred revenue for the year ended December 31, 2022 which has been remediated as further discussed in "Item 9A. Controls and Procedures." If we are unable to successfully remediate any future material weaknesses in our internal control over financial reporting **as of December 31, 2024 related to a failure to design and maintain effective controls related to revenue recognition for our customer contracts. Specifically, we did not design and maintain controls to update our revenue recognition policies to reflect changes in product offerings or terms and conditions of arrangements with customers to ensure revenue was appropriately recognized and disclosed in accordance with U. S. GAAP. We are working to remediate the material weakness as further discussed in Item 9A of this Annual Report on Form 10-K. If we cannot successfully remediate identified control deficiencies, including any current or future material weaknesses in our internal control over financial reporting:** the accuracy and timing of our financial reporting may be adversely affected; our liquidity, access to capital markets and perceptions of our creditworthiness may be adversely affected; we **could face difficulty forecasting our financial results accurately, impacting decision-making by investors and analysts;** we may be unable to maintain compliance with securities laws, stock exchange listing requirements and debt instruments' covenants regarding the timely filing of periodic reports; we may be subject to regulatory investigations and penalties; investors may lose confidence in our financial reporting; we may suffer defaults under our debt instruments; and our **common** stock price may decline. **The revision of certain of our previously issued Financial financial Risks** An increasing percentage of statements to correct errors related to our **historical conclusions of principal vs. agent accounting under Accounting Standards Codification, revenue Revenue** is derived from subscription billing arrangements that **Contracts with Customers ("ASC 606")** may have

the effect of eroding investor confidence in the Company and our financial reporting and accounting practices and processes and may raise reputational issues for our business. Such revision may also result in delayed cash collections and may increase customer credit risk, stockholder litigation against us, or adverse regulatory consequences. Any such regulatory consequences, litigation, claim or dispute, whether successful or not, could subject us to additional costs, divert the attention of our management, or impair our reputation. Each of these consequences could have a material adverse effect on receivables, our business prospects, operating results and contract assets, financial condition. Our strategy includes maintaining a significant portion continuing to shift an increasing amount of our business to through a subscription model, to better match which aligns with the municipal budgeting process of our customers and as well as to allow allows for multiple product offerings to be bundled combined into existing subscriptions. This approach differs from is in contrast to a traditional CED hardware sale in which, where the entire amount being charged for the hardware payment is commonly invoiced upon shipment, by spreading payments over the subscription or installment period. While this model provides predictable recurring revenue, it impacts liquidity in a commensurate fashion, as with the cash is for the subscription or installment purchase received in multiple installments rather than up front upfront. We While we record an estimate of expected credit losses and perform ongoing reviews of trade accounts receivables. However, if we become aware of information related to the creditworthiness of a major customer, or if future actual default rates on receivables in general differ from those currently anticipated, we may have to adjust our expected credit loss reserve. Such adjustments could negatively impact earnings and require additional resources for collections or restructuring customer payment terms. Furthermore, which our reliance on municipal and government customers may heighten the risk of delayed payments during periods of political or economic instability, such as government shutdowns or reduced tax revenues. Any of these factors could adversely affect our business prospects, operating results and financial condition or operating results. Our gross margin is dependent depends on many a number of factors, including our product mix, cost structure, and acquisitions we may make, any of which could cause our gross margin to decline fluctuate. Our gross margin could decline in future periods due to adverse impacts from various factors, including: • 26 • changes in product mix; • changes in shipment volume; • increased warranty costs; • sales discounts; • entry expanding into new markets or growth in lower margin markets, including markets those with different distinct pricing and cost structures, through acquisitions or internal development; • higher our ability to reduce production costs; • increases in material materials, labor, or other manufacturing, related costs or higher supply chain logistics costs; • excess inventory and obsolescence charges; • increased amortization of purchased intangible assets, especially from acquisitions; and • how well we execute on our strategy and operating plans. Any one of these factors could or the cumulative effects of certain of these factors may result in significant fluctuations in our gross margin. This variability and unpredictability could result in lead to our failure inability to meet internal expectations or those of securities analysts or investors for a particular period. Failure to meet or exceed such expectations for these or any other reasons may adversely affect the market price of our stock. SaaS revenue for Axon Evidence is recognized over the terms of the contracts, which may be several years, and, as such, trends in new business may not be immediately reflected in our operating results. Our SaaS service revenue is generally recognized ratably over the terms of the contracts, which generally range ranges from one to ten years. As a result, most of the SaaS revenue we report each quarter is the result of agreements entered into during previous quarters. Consequently, current trends, whether positive or negative, in this portion of our business may not be fully reflected in our revenue results for several periods, and a decline in new or renewed SaaS contracts in any period may not be immediately reflected in our reported financial results for that period, but may could result in a decline in our revenue in future reporting periods. If any of our assumptions about revenue from our SaaS delivery model prove are incorrect, our actual results may vary could differ materially from those anticipated, estimated, or projected. A significant portion Most of our end-user customers are subject to budgetary and political constraints that may delay or prevent sales. Most of our end-user customers are government agencies. These agencies often do not set their own budgets and therefore, have limited which typically lack direct control over the their amount of money budgets. These budgets are often influenced by legislative processes and political considerations, limiting the agencies' ability to allocate funds as they see can spend. In addition, these agencies experience political pressure that may dictate the manner in which they spend money. As a result, even if an agency wants to acquire our products, it fit may be unable to purchase them due to budgetary or political constraints, particularly in challenging economic environments. There can be no assurance that the economic and budgeting or political issues pressures will not worsen and adversely impact affect sales of our products. Some. Additionally, government procurement processes are often subject agency orders may also be canceled or substantially delayed due to budgetary, political or other scheduling delays and uncertainties, which frequently occur can disrupt anticipated sales. Federal agencies, in connection with the acquisition of products by particular, are vulnerable to broader governmental challenges, such as agencies, and such cancellations may accelerate or be more severe than we have experienced historically. federal agencies may be particularly impacted by governmental impasse regarding continued government funding and debt limit constraints, which has previously resulted in government shutdowns of, including the those federal government in 2018 and 2019. Due to government funding rules, and additional shutdowns narrowly avoided more recently certain of our contracts are subject to appropriation, termination for convenience, or similar cancellation clauses, which could allow our customers to cancel or not exercise options to renew contracts in the future. Although While we have entered enter into contracts for the delivery of products and services in the future, and anticipate that the these contracts will be completed, if agencies do not fail to appropriate money funds in future year budgets, terminate contracts for 27 convenience convenience, or if other cancellation clauses are invoked, this would prevent us from recognizing anticipated revenue and cash flow associated with these bookings will not ultimately be recognized, and could result in a reduction to bookings and revenue. Termination Contracts terminated without cause provisions generally allow agencies to terminate a contract at any time and enable us to recover only our incurred costs, incurred or committed and settlement expenses, and a portion of profit profits, if any, on the work completed prior to

termination. We may or may not be able to recover all the costs incurred during the start-up phase of a terminated contract. The unexpected termination of significant contracts could result in **significant substantial** revenue shortfalls. If **revenue these** shortfalls **occur and** are not offset by corresponding reductions in expenses, our **financial performance and overall** business could be adversely affected. We cannot anticipate if, when, or to what extent our customers might terminate their contracts with us. **The open bidding process creates uncertainty in predicting future contract awards. Many governmental Governmental agencies purchase often procure** products and services through an open bidding process. **Generally, which typically involves publishing** a governmental entity will publish an established list of requirements **requesting and soliciting proposals from** potential vendors to propose solutions for the established requirements. To **respond compete** successfully to **in** these requests for proposals, we must accurately estimate our cost structure for servicing a proposed contract, the time required to establish operations for the proposed customer, and the likely terms of any other third-party proposals submitted. **We However, we** cannot guarantee that we will win **any future** bids **in the future through the request for proposal process,** or that any winning bids will ultimately result in contracts **on with** favorable terms. Our contracts typically **have run for a fixed number terms, with the possibility** of **extension at the discretion** years and may be extended for an additional specified number of years if the contracting entity or its agent elects to do so. When these contracts expire, **they contracts** may be opened **reopened to for bidding by** competing bidders, and there is no guarantee that the contracts will be renewed or extended. **Our In some cases,** customers may **initiate the** elect to open bidding processes up earlier than **anticipated expected**, resulting in increased competition prior to the anticipated end of contracts. **Our Additionally, many of our contracts with government agencies include termination for convenience provisions that may allow our customers to terminate the contract earlier than their term length.** **Failure** to secure **new** contracts, **retain existing ones, or negotiate favorable terms** through the open bidding process **could**, or to secure such contracts on favorable terms, may adversely affect **impact** our revenues, **profitability,** and **gross margins overall financial performance**. We **hold** maintain most of our cash balances, some of which are not insured, at two depository institutions. We maintain the majority of our cash and cash equivalents accounts at two depository institutions. **As of December 31, 2023, the aggregate balances in such accounts at these two institutions were \$ 560.4 million.** Our balances with these and other institutions regularly exceed Federal Deposit Insurance Corporation insured **insurance** limits for domestic deposits and, **as well as** various foreign deposit insurance programs. **For additional discussion** covering our deposits in Australia, Belgium **refer to Note 1 in Part II**, Canada, Finland, France, Germany, Hong Kong, India, Italy, **Item 8 of this Annual Report on Form 10-K. If any of the these** Netherlands, Spain, the United Kingdom and Vietnam. We could suffer losses with respect to the uninsured balances if the depository institutions **were to failed -- fail** (such as the **seen with several U. S.** bank failures at several U. S. banks in spring of 2023), and the **their** institution's assets were insufficient to cover its deposits, and/or the **if** governments did not take **actions-- action** to support deposits **exceeding** in excess of existing insurance limits. **Any such, we could incur** losses **related to the uninsured balances. Such losses** or delays in access **accessing** to funds as a result of such events could have a material **materially and adverse adversely** effect **affect** on our liquidity, **operating results and** financial condition and results of operations. Stock transactions may have a material, **unpredictable impact on our results of operations and may result in dilution to existing shareholders.** We have historically granted and expect to continue to grant stock-based compensation to **key** employees and non-employee directors as a means of attracting and retaining highly qualified personnel. All stock-based awards are required to be recognized in our financial statements based on their grant date fair values. The amount recognized for stock compensation expense could vary depending on a number of assumptions or changes that may occur. Changes in the subjective and probability-based assumptions can materially affect the estimates of the fair value of the awards and timing of recognition of stock-based compensation expense and, consequently, the related amount recognized in our **consolidated** statements of operations and comprehensive income. As we continue to mature, the incentives to attract, retain and motivate employees provided by our equity awards or by future arrangements may not be as effective as in the past. We may also issue equity securities to pay for acquisitions and grant stock-based awards to retain the employees of acquired companies. If we issue significant equity **awards** to attract additional employees, to retain our existing employees, or related to acquisitions, we could incur substantial **28 additional -- additional** **share stock**-based compensation expense and the ownership of our existing shareholders would be further diluted, which could depress the market price of our stock. **Our financial performance is subject to risks associated with changes in the value of the U. S. dollar versus local currencies.** For current and potential international customers **(whether current or potential)** whose contracts are **or would be** denominated in U. S. dollars, the relative change in local currency values creates relative fluctuations in our product pricing. These changes in international end-user costs may result in lost orders and reduce the competitiveness of our products in certain foreign markets. Additionally, intercompany sales to our non-U. S. dollar functional currency international subsidiaries are transacted in U. S. dollars, which could increase our foreign exchange rate risk caused by foreign currency transaction gains and losses. For non-U. S. dollar denominated sales, weakening of foreign currencies relative to the U. S. dollar generally leads us to raise international pricing, potentially reducing demand for our products. Should we decide not to raise local prices to fully offset the dollar's strengthening, the U. S. dollar value of our foreign currency denominated sales and earnings would be adversely affected. We do not currently engage in hedging activities related to fluctuations in foreign currency. Fluctuations in foreign currency could result in a change in the U. S. dollar value of our foreign denominated assets and liabilities, including accounts receivable. Therefore, the U. S. dollar equivalent collected on a given sale could be less than the amount invoiced causing the sale to be less profitable than contemplated. We also import selected components that are used in the manufacturing of some of our products. Although our purchase orders are generally in U. S. dollars, weakness in the U. S. dollar could lead to price increases for the components. **Unanticipated changes in our effective tax rate and additional tax liabilities may impact our operating results and financial condition.** We are subject to income taxes in the United States and various **other** jurisdictions **outside of the United States.** Our effective tax rate could **fluctuate due to be impacted by** changes in the mix of earnings and losses in countries with differing statutory tax rates, **the geographic distribution of our earnings, and**

the application of top- up taxes introduced under global minimum tax regulations of the Organization for Economic Co-operation and Development (“ OECD ”) framework . Our tax expense could also be impacted by changes in non- deductible expenses, changes in excess tax benefits related to from stock option exercises of stock options and RSU vesting of restricted stock units (“ RSUs ”), changes in adjustments to the valuation of deferred tax assets and liabilities and our ability to utilize them, the applicability of withholding taxes, and changes in our liability for unrecognized tax benefits . Although we believe that our tax estimates are reasonable, the ultimate tax determination involves significant judgments that could become subject to audit by tax authorities in the ordinary course of business. Our estimates are based on information available to us at the time we prepare the income tax provision . We are subject to potential tax examinations in multiple jurisdictions. While we regularly evaluate new information to adjust that may change our judgment resulting in recognition, derecognition or our change in measurement of a tax position taken, there is can be no assurance guarantee that the outcome final determination of any these examinations will not have an adverse adversely effect affect on our operating results and financial condition. Our tax provision could also be impacted by changes in U. S. federal, state and, local , or foreign international tax laws, including fundamental significant tax reforms which target law changes applicable to corporate multinationals, and proposals by the current U. S. President or Congress future administrations . Additionally, we may be subject to additional tax liabilities due to changes in non- income- based taxes resulting from changes in U. S. federal, state and, local , or foreign tax laws, changes in taxing tax jurisdictions’ administrative interpretations, decisions, policies and positions, results of tax examinations, settlements or judicial decisions, changes in accounting principles, changes to our business operations, including acquisitions, as well as the evaluation of new information that results in a change to a tax position taken in a prior period. Further Furthermore, recommendations from the Organization OECD for Economic Co- operation and Development (“ OECD ”) regarding a global minimum income tax and other changes , are being implemented or considered and /- or implemented in jurisdictions where we operate. We While we believe enactment of the recommended framework in jurisdictions where we operate will result in minimal impacts to our financial results in the near term -The, the impact of any new tax legislation may differ materially from our estimates due to future regulatory guidance or changes in our interpretations or assumptions we have made. 29 Our See “ Management’ s Discussion and Analysis of Financial Condition and Results of Operations — Provision for Income Taxes ” in Part II, Item 7 of this Annual Report on Form 10- K for additional information. Several factors, including some beyond our control, may affect our revenues- revenue and operating results may fluctuate unexpectedly from quarter to- quarter , potentially causing which may cause our common stock price to fluctuate decline. Our revenues and operating results have varied significantly in the past and may vary significantly in the future due to various factors, including: ● budgetary cycles of municipal, state , and federal law enforcement and corrections agencies; ● market acceptance of our products and services; ● the timing of large domestic and international orders; ● the outcome of any existing or future litigation; ● adverse publicity surrounding our products, the safety of our products, or the use of our products; ● changes in our sales mix; ● new product introduction costs; ● increased raw material expenses; ● changes in our operating expenses, including stock- based compensation expense; ● changes in foreign currency exchange rates, inflation , and interest rates; ● inventory obsolescence; ● changes in warranty reserve; ● existing or future tariffs; and ● regulatory changes that may affect the marketability of our products and services. As a result of these and other factors, we believe that short- term period- to- period comparisons of our operating results may not be provide meaningful insights in the short term, and our performance in a particular period may not be indicative of our performance in any future period. Additionally, Fluctuations fluctuations in our revenues and operating results may also cause could lead to declines in the market price of our common stock price to decline. Our profitability could suffer from declines in fair value or impairment of our investments, including our strategic investments, and could fluctuate if the fair values of our investments increase. We invest a portion of available funds in a portfolio consisting of equity securities of various types. Our equity investments consist of investments in both marketable and non- marketable securities. Investments in marketable securities are measured at fair value on a recurring basis. We generally have elected to apply the measurement alternative for non- marketable securities. Under the alternative, we measure investments without readily determinable fair values at cost, less impairment, adjusted by observable price changes and we assess for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Our future investment income may fall short of expectations due to changes in interest rates, or due to certain inherent risks involved in investments in early- stage privately held companies. For example, we have recognized and may in the future recognize an unrealized loss on an investment if we determine that our carrying amount for an investment without a readily determinable fair value is not expected to be fully recovered, which would cause our earnings performance to suffer from such losses. By contrast, we have recorded and may in the future record an unrealized gain on an investment if we determine the fair value exceeds the carrying amount, which would benefit our earnings performance. Third parties often use 30 Legal and Compliance Risks We may face personal injury, wrongful death, product liability and other liability claims that harm our reputation and adversely affect our sales and financial condition. Our CED products are often used in aggressive confrontations that may result in serious, permanent bodily injury or death to those involved. Our CED products may be associated with these injuries. A person, or the family members of a person, injured or killed in a confrontation or otherwise in connection with the use of our products, may bring legal action against us to recover damages on the basis of a number of theories, including wrongful death, personal injury, negligent design, defective product, product performance issues, or inadequate warnings or training. We are currently subject to a number of such lawsuits and have been and may be in the future subject to significant adverse judgments and settlements. We may also be subject to lawsuits involving allegations of criminal misuse of our products. We have no control over how our products are used by our customers or other end- users and cannot assure ensure they are used consistent with our specifications, design and warnings. While our products are designed to be non- lethal, we cannot guarantee they will be used in a manner consistent with their intended use and any misuse exposes us to litigation, reputational harm and controversy. Although we maintain product liability insurance in amounts that we believe are

reasonable, we may not be able to maintain such insurance on acceptable terms, if at all, and product liability claims could result in a potential award of monetary damages in excess of the amount of insurance coverage available to us. Because we manufacture and sell CEDs, insurance carriers may decide not to insure our products or our company in the future. Similar to product liability claims, we face exposure to class action lawsuits related to the design, performance, safety, pricing or advertising of our products. Such class action lawsuits could also result in substantial monetary judgments, defense costs, business distraction, reallocation of internal resources, injunctions related to the sale of products, and potentially reputational harm to our reputation. If successful, wrongful death, personal injury, misuse and other the aforementioned claims could result in adverse judgments or unfavorable settlements. We incur significant legal expenses in defending these cases, and significant litigation could result in a diversion of management's attention and resources, and reputational harm could also result in negative publicity about our products. The outcome of any litigation is inherently uncertain and there can be no assurance that our existing or any future litigation will not have a material adverse effect on our business prospects, operating results and financial condition or operating results. Other litigation, government inquiries and regulatory actions may subject us to significant costs and judgments and divert management attention from our business. We have been and could in the future be involved in numerous other litigation, government inquiries and regulatory matters relating to our products, contracts, employees and business relationships, including litigation against persons or entities we believe have infringed on our intellectual property, infringement litigation filed against us, litigation against a competitor, antitrust litigation, and enforcement actions filed against us. See For additional discussion of litigation in, refer to Note 13 12 to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K. Such matters have resulted, and are expected to continue to result in, substantial costs to us, including in the form of attorneys' fees and costs, damages, fines or other penalties, whether pursuant to an adverse judgment or settlement, and diversion of our management's attention, which could adversely affect our business prospects, operating results and financial condition or operating results. We have been, and may be in the future, subject to intellectual property infringement and other claims, which could incur substantial litigation costs, result in significant damages awards, inhibit our use of certain technologies, and divert management attention from our business. Many companies own intellectual property rights that are directly or indirectly related to public safety technologies. These companies periodically demand licensing agreements or engage in litigation based on allegations of infringement or other violations of their patents, trademarks, copyrights or trade secrets. These companies may also allege that their patents protect features essential to the implementation of particular technical standards. Non-practicing entities may also hold patents they have been granted or otherwise acquired, including patents that are directly or indirectly related to public safety technologies. These entities may seek compensation for perceived infringement of their patents, including by filing claims against us, independent of the merit of any such claims. As we enter new markets, expand into new product categories, and otherwise offer new products, services and technologies, additional intellectual property claims may be filed against us by these companies, entities and other third parties. Our Additionally, our use of AI tools in our business may increase the likelihood that third parties will claim that we infringe their intellectual property rights. Intellectual property claims may also be filed against us as our current products, services and technologies gain additional market share. If our products, services or technologies were found to infringe a third-party's proprietary rights, we could be forced to discontinue use of the protected technology or enter into costly royalty or licensing agreements in order to be able to sell our products, services or technologies. Such royalty and licensing agreements may not be available on terms acceptable to us or at all. We could also be required to pay substantial damages, fines or other penalties, indemnify customers or distributors, cease the manufacture, use or sale of infringing products or processes, make proprietary source code publicly available, and / or expend significant resources to develop or acquire non-infringing technologies. Our suppliers may not provide, or we may not be able to obtain, intellectual property indemnification sufficient to offset all damages, fines or other penalties resulting from any claims of intellectual property infringement brought against us or our customers. There is no guarantee that our use of conventional technology searching and brand clearance searching will identify all potential rights holders. Rights holders may demand payment for past infringements and / or force us to accept costly license terms or discontinue use of protected technology and / or works of authorship that may include, for example, photos, videos and software. Our current R & D focus on developing development and sale of software-based products, including that which is related to AI or VR, increases this risk. If we are unable to protect our intellectual property, the value of our brands and products may decrease and we may lose our competitive market advantage. Our future success depends upon our proprietary technology. Our protective measures for this proprietary technology include patents, trademarks, copyrights and trade secret protection. However, these protective measures, as well as our efforts to pursue such protective measures, may prove inadequate. For example, the value of intellectual property protection in certain countries may not be apparent until after such protection can no longer be pursued. As such, our intellectual property protection may not extend to all countries in which our products are distributed or will be distributed in the future. Though we work to protect our innovations, we may not be able to obtain protection for certain innovations. For example, we may be unable to patent some software-based products. Furthermore, any use of AI tools to create content or code that may be incorporated into our products or services may also impact our ability to obtain or successfully defend certain intellectual property rights. The scope of any patent protection we have obtained, or may obtain, may not prevent others from developing and selling competing products. Despite our efforts, any intellectual property protection we obtain may be later determined to be insufficient or ineffective. Our protective measures may prove inadequate for reasons outside of our control. Varying intellectual property laws across countries may lead to differences in protection between such countries. In certain countries in which our products are distributed, the ability to effectively enforce intellectual property rights may not exist. Patent requirements differ by country and certain domestic or international laws may prohibit us from satisfying these requirements, creating a risk that some of our international patents may become unenforceable. Patents for older technologies, such as those first introduced in our TASER M26 CED and TASER X26 models of CEDs CED, have expired or will expire due to statutory limits on patent term terms. Despite policies

and efforts to maintain secrecy of trade secrets and other confidential information, such information could be compromised by employees, partners or other third parties. Once established, there is no guarantee that our intellectual property rights will remain in force. Issued patents may be re-examined and subsequently ruled invalid or unenforceable. Our registered trademarks may also be diminished or lost. For example, there is a risk that our “TASER” trademark could become synonymous with the general product category of “conducted energy devices” resulting in claims of genericness that could interfere with our enforcement efforts and create customer confusion as to product source. The right to stop others from misusing our trademarks and service marks in commerce depends, to some extent, on our ability to show evidence of enforcement of our rights against such misuse in commerce. Our efforts to stop improper use, if ineffective, may lead ~~to the~~ **to the** loss of trademark and service mark rights, brand loyalty and notoriety among our customers and prospective customers. Inability to protect our intellectual property could negatively impact our commercial efforts and competitive market advantage. Regardless of **the** outcome, the prosecution of patent and other intellectual property claims is both costly and time-consuming. Unauthorized use of our proprietary technology could divert our management’s attention from our business and could result in a material adverse effect on our business **prospects, operating results and** financial position ~~and operating results. We may be unable to enforce patent rights internationally, which may limit our ability to prevent our product features from being used by competitors in some foreign jurisdictions.~~ Our U. S. patents protect us from imported infringing products coming into the United States from abroad. We have filed applications for patents in foreign countries; however, these may be inadequate to protect markets for our products in these foreign countries. Each patent is examined and granted according to the law of the country where it was filed independent of whether a U. S. patent on similar technology was granted. Certain foreign countries have patent working requirements that require a patent owner to practice a patented invention within the respective country. A patent in a foreign country may be subject to cancellation, forfeiture, compulsory license or other penalty if the claimed invention has not been worked in that country. Meeting the requirements of working an invention differs by country and ranges from sales in the country to manufacturing in the country. U. S. export law, or the laws of some foreign countries, may prohibit us from satisfying the requirements for working the invention, creating a risk that some of our international patents may become unenforceable. In a country in which we do not have a patent or a country in which our patent in that country is unenforceable or unenforced, other companies and makers of similar products may be able to copy our products or features of our products without consequence, thus limiting our ability to capture market share or protect our technology, which could materially harm our **growth business** prospects and operating results. The use of open **source** software in our products, services and technologies may expose us to additional risks and harm our intellectual property. Open **source** software is typically freely accessible, usable and modifiable. Certain open source software licenses require a user who intends to distribute the open source software as a component of the user’s software to disclose publicly part or all of the source code to the user’s software or require the user of such software to make any derivative works of the open source code available to others on potentially unfavorable terms or at no cost. The terms of many open **source** licenses have not been interpreted by courts, and there is a risk that those licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to commercialize our products, services and technologies. In that event, we could be required to seek licenses from third parties ~~in order to~~ continue offering our products, to re-develop our products, to discontinue sales of our products or to release our proprietary software code under the terms of an open **source** license, any of which could harm our business. Although we aim to avoid any use of open source software in our products, services and technologies, and otherwise only use open source software available under permissive open source licenses, it is possible that other manners of use, including those that a third **party** may allege to be in breach of a corresponding open source license, may have inadvertently occurred in deploying our products, services and technologies. If a third-party software provider has incorporated certain types of open **source** software into software we license from such third **party** for our products, services and technologies without our knowledge, we could be required to disclose the source code to our products, services and technologies. This could harm our intellectual property position as well as our business **prospects, operating results and** financial condition, ~~cash flows and results of operations. A variety of new and existing laws and/or interpretations could materially and adversely affect our business.~~ As detailed in “Item I. Business – Government Regulation,” **in this Annual Report on Form 10-K,** we are subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business, including laws and regulations related to: privacy, data protection, security, retention and deletion; rights of publicity; content; intellectual property; regulation of certain of our CEDs as firearms; advertising; marketing; distribution; electronic contracts and other communications; competition; consumer protection; telecommunications; product liability; taxation; labor and employment; sustainability; economic or other trade prohibitions or sanctions; securities ~~law;~~ and online payment ~~services.~~ **services.** The introduction of new products ~~and~~ expansion of our activities in certain jurisdictions **, including through acquisitions,** or other actions that we may take may subject us to additional laws, regulations or other government scrutiny. **There are several legislative proposals in the United States, at both the federal and state level, that could impose new obligations in areas affecting our business.** In addition, foreign privacy, data protection, content, competition, sustainability and other laws and regulations can impose different obligations or be more restrictive than those in the United States. These U. S. federal and state and foreign laws and regulations, which in some cases can be enforced by private parties in addition to government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. New laws and regulations (or new interpretations of existing laws and regulations) **could materially and adversely affect** ~~may require us to incur substantial costs, expose us to unanticipated civil or criminal liability, or cause us to change our business practices.~~ The cost of compliance with these laws and regulations is high and is likely to increase in the future. Additionally, these laws and regulations, or any associated inquiries or investigations or other government actions, **have in the past and** may **in the future** delay or impede the development of new products, result in negative publicity, cause customers to delay purchases, require

significant management time and attention, **cause us to change our business practices,** and subject us to remedies that may harm our business, including **civil or criminal liability, such as** fines or, demands or orders that we modify or cease existing business practices. For example, as has been reported in the press, there is a grand jury investigation being conducted by the U. S. Attorney's Office for the Northern District of Illinois. We have fully cooperated with the investigation and continue to do so. While we conducted an extensive internal investigation into, among other things, lobbying activities, and have found no indication of any wrongdoing by any Axon employee, there can be no assurance that this matter will not harm our business.

Radio Spectrum and Unmanned Aerial and Ground-Based Robotic Devices Certain of our products utilize radio spectrum to provide wireless voice, data and video communications services. The allocation of spectrum is regulated in the United States and other countries and limited spectrum space is allocated to wireless services and specifically to public safety users. We manufacture and market products in spectrum bands already made available by regulatory bodies. If current products do not comply with the regulations set forth by these regulatory bodies, we may be unable to sell our products or could incur penalties. Our results could be negatively affected by the rules and regulations adopted from time to time by the FCC, ISED, the European Union Directorate-General for Environment or regulatory bodies in other countries. Regulatory changes in current spectrum bands may also require modifications to some of our products so they can continue to be manufactured and marketed. Axon body-worn cameras, docks, Axon Fleet vehicle cameras and Axon Signal devices are subject to the FCC's rules and regulations in the United States, as well as rules and regulations as applicable outside of the United States. These regulations affect CEDs with Axon Signal technology, including the TASER 7, SPPM, TASER 10, and future CEDs implementing wireless technology. Compliance with government regulations could increase our operations and product costs and impact our future financial results. Additionally, some of our products depend on drones or other unmanned aerial and ground-based systems that operate on the radio spectrum. The FCC, the Federal Aviation Administration and other agencies at the federal, state and local levels (as well as in foreign jurisdictions) are beginning to address some of the numerous certification, regulatory and legal challenges associated with drones, but a comprehensive set of standards and enforcement procedures has yet to be developed. Changes to the regulation of drones or other unmanned aerial systems may impact our future financial results. Axon and TASER Devices For our TASER products, we rely on the opinions of the ATF, including the determination that a device that does not expel projectiles by the action of an explosive is not classified as a firearm. Changes in laws, regulations and interpretations outside of our control may result in our products being classified or reclassified as firearms. If this were to occur, our private citizen demand could be substantially reduced because consumers would be required to comply with federal, state or local firearm transfer requirements prior to purchasing our products. 34 Federal regulation of sales in the United States: The majority of our currently offered CEDs are not classified as firearms regulated by the ATF. However, the ATF regulates TASER 10 as a firearm under the GCA due to a technological advancement specific to the propulsion design of TASER 10 cartridges. In the event we make TASER 10 available to our private citizen and enterprise customers, demand could be substantially reduced as a result of this classification because non-governmental end-users would be required to comply with federal, state or local firearm transfer requirements prior to purchasing TASER 10. In addition **additional details, refer** the implications of such classification on use-of-force standards and regulations could impact our ability to sell TASER 10 to law enforcement and government entities. Because Axon must maintain a federal firearms license to manufacture and sell TASER 10, we are subject to periodic compliance inspections by the ATF. License violations discovered by the ATF can result in fines, penalties, warning letters or license revocation, leading to disruptions in operations. Further, we are required to administer, track and remit firearm excise taxes as applicable. Our CED products are also subject to testing, safety and other standards by organizations such as the American National Standards Institute, the International Electrotechnical Commission, the National Institute of Standards and Technology, and Underwriters Laboratories. These regulations also affect CEDs with Axon Signal technology, including SPPM technology, and TASER 7 and TASER 10 battery packs. Federal regulation of international sales: Our CEDs are considered a "crime control **Item I. Business – Government Regulation.**" product by the DOC for export directly from the United States which requires us to obtain an export license from the DOC for the export of our CED devices from the United States to any country other than Canada. Future products and services may require classifications from the DOC before they may be shipped internationally. Our inability to obtain DOC export licenses or classifications on a timely basis for sales of our products and services to our international customers could significantly and adversely affect our international sales. Although TASER 10 is regulated by the ATF for domestic sales, the DOC has ruled that the product's unique propulsion design has no impact on its export classification and that the TASER 10 model's export classification remains consistent with all other TASER CED models. Federal regulation of foreign national employees: Our CED development and production is also considered controlled "technology" by the DOC and is categorized as a "deemed export" for any foreign national employees exposed to the technology within the United States. Consequently, we must obtain export licenses from the DOC for any deemed export within the United States made to a foreign national employee exposed to the controlled technology. Deemed export licenses are subject to DOC approvals and issued licenses require annual status reports for the stated employees. Inability to obtain proper licensing could curtail the Company's ability to execute R & D and production related to CED technology. State and local regulation: Our CEDs are controlled, restricted or, less frequently, prohibited by some state and local governments. Other jurisdictions may ban or restrict the sale of our TASER-branded devices, or restrict their use through changes to use-of-force laws or regulations, and our product sales may be significantly affected by additional state, county and city governmental regulation. The change in TASER 10's propulsion design may impact how TASER 10 is regulated at the state and / or local level depending on each state's firearm laws. International regulation of foreign imports and sales: Certain jurisdictions prohibit, restrict, or require a permit for the importation, sale, possession or use of CEDs, including in some countries by law enforcement agencies, limiting our international sales opportunities. U. S. and international regulation of component movements globally: We rely on a global supply chain of components across our product lines with most final assembly occurring in the United States. Export of these components from abroad is subject to shifting regulatory landscapes imposed by both the foreign government and U. S.

authorities upon import. Abrupt changes to these regulations can result in delays or interruptions to final product supplies. Additionally, ATF regulation of certain imports of TASER 10 components may limit Axon's supply chain agility. International regulation of foreign-based operations: We maintain foreign operations in several countries globally for purposes of logistics, SG & A services and R & D support. Depending on these activities, applicable regulations include business activity licensing and registration, import permits and recordkeeping, warehousing and storage security and permitting, and government reporting. Any failure to comply with these requirements could limit our ability to sell, support or develop our products and services both internationally and in the United States. Privacy Regulations We are subject to various U. S. and foreign laws and regulations associated with the collection, processing, storage and transmission of personally identifiable information and other sensitive and confidential information. This data is wide ranging and relates to our employees, customers and other third parties, including the subjects of law enforcement. Our compliance obligations include those prescribed under laws and regulations that dictate whether, how and under what circumstances we can receive, process, hold and/or transfer certain data that is critical to our operations, including data shared between countries or regions in which we operate and data shared among our products and services. If one or more of the legal mechanisms for transferring data from other countries to the United States is invalidated, if we are unable to transfer data between and among countries and regions in which we operate, or if we are prohibited from sharing data among our products and services, it could affect the manner in which we provide our products and services or adversely affect our financial results. Countries may also pass legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our products and services and expose us to significant penalties for non-compliance. The European Parliament adopted the GDPR, effective May 2018, that extended the scope of European privacy laws to any entity that controls or processes personal data of E. U. residents in connection with the offer of goods or services or the monitoring of behavior and imposes compliance obligations concerning the handling of personal data. Further, Vietnam's PDPA, which entered into force July 1, 2023, applies to organizations (wherever based) so long as they participate in personal data processing in Vietnam. We are also subject to U. S. laws and regulations, including the CCPA, which provides for enhanced consumer protections for California residents, a private right of action for data breaches and statutory fines and damages for data breaches or other CCPA violations, as well as a requirement of "reasonable" cybersecurity, which could subject us to additional compliance costs as well as potential fines, individual claims, class actions and commercial liabilities. Any inability, or perceived inability, by us to adequately address privacy concerns, or comply with applicable laws, regulations, policies, industry standards and guidance, contractual obligations or other legal obligations, even if unfounded, could result in significant regulatory and third-party liability, increased costs, disruption of our business and operations, and a loss of confidence and other reputational damage. Furthermore, as new privacy-related laws and regulations are implemented, the time and resources needed for us to comply with such laws and regulations continues to increase and become a significant compliance workstream. Environmental Regulations We are subject to various U. S. federal, state, local and international laws and regulations governing the environment, including restricting the presence of certain substances in our products and making us financially responsible for the collection, treatment, recycling and disposal of such products. In addition, further environmental or climate change disclosure legislation may be enacted in other jurisdictions, including the United States (under federal and state laws) and other countries, the cumulative impact of which could be significant. For example, in September 2023, California passed the Climate Corporate Data Accountability Act and the Climate-Related Financial Risk Act, requiring increased climate-related reporting. See "Item 1. Business—Governmental Regulation—Environmental Regulations." New, or changes in, environmental safety laws, regulations or rules could also lead to increased costs of compliance, including remediations of any discovered issues, and changes to our operations, which may be significant. Any failures to comply could result in significant expenses, delays or fines and could adversely affect our financial results. Our business is subject to evolving corporate governance and public disclosure regulations and expectations, including with respect to environmental, social and governance ("ESG") matters, that could expose us to numerous risks. We are subject to changing rules and regulations promulgated by several a number of governmental and self-regulatory organizations, including the SEC, the Nasdaq Stock Market and the Financial Accounting Standards Board ("FASB"). These rules and regulations continue to evolve in scope and complexity and many new requirements have been created in 36response-- response to laws enacted by Congress, making compliance more difficult and uncertain. In addition, increasingly regulators, customers, investors, employees and other stakeholders are focusing on ESG matters and related disclosures. These changing rules, regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting such regulations and expectations. For example, developing and acting on initiatives within the scope of ESG, and collecting, measuring and reporting ESG-related information and metrics can be costly, difficult and time-consuming and is subject to evolving reporting standards, including the SEC's recently proposed adopted and stayed climate-related reporting requirements, and similar proposals by other domestic or international regulatory bodies. Foreign governments have also enacted legislation to address ESG issues, such as the UK Modern Slavery Act. Additionally, unfavorable perception regarding our social initiatives, governance practices, diversity initiatives, the perceived or actual impacts of our products and services, environmental policies or other growing concerns of our stakeholders, could adversely affect our reputation. Any negative effect on our reputation could have an adverse effect on the size of our customer base, which could adversely affect our business and financial results. We have been, and may be in the future, subject to informal private or public inquiries and formal proxy proposals by activists urging us to take certain corporate actions related to ESG matters, which may not be aligned with our best interests. These activities may adversely affect our business in a number of ways, since responding to inquiries or proposals can be costly, time-consuming, and disruptive to our operations and could meaningfully divert our resources, including the attention of our management team and our employees. We may also communicate certain initiatives and goals, regarding environmental matters, diversity, responsible sourcing and social investments and other ESG-related matters, in our SEC filings or in other public disclosures. These initiatives and goals within

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

~~Our amended and restated bylaws include exclusive forum provisions that could increase costs to bring a claim, discourage claims or limit the ability of the our shareholders to bring a claim in a judicial forum viewed by shareholders as more favorable for disputes.~~ Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Chancery Court of the State of Delaware will be, to the fullest extent permitted by law, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or shareholders; (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or of our amended and restated certificate of incorporation or our amended and restated bylaws; or (iv) any action asserting a claim against us or any of our directors or officers governed by the internal affairs doctrine. In addition, our amended and restated bylaws also provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any claim arising under the Securities Act. The exclusive forum provision in our amended and restated bylaws does not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. The choice of forum provision may increase costs to bring a claim, discourage claims or limit a shareholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with Axon or Axon's directors, officers or other employees, which may discourage such lawsuits against Axon or Axon's directors, officers and other ~~37 employees~~ **employees**. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions.

Fulfilling Risks Related to our Convertible Notes Servicing our debt **obligations** requires a significant amount of cash **resources**, and we may not have sufficient cash flow to pay our **substantial** debt. As of December 31, 2023 ~~2024~~, we had **outstanding an \$ 690.0 million in** aggregate principal amount **outstanding under** of \$ 690.0 million of our 0.50% convertible senior notes due 2027 (the "Notes" or our "2027 Notes"). Our ability to **make meet our debt obligations, including making our** scheduled payments of the principal **and of, to pay interest on payments** or to **refinance refinancing** our indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive, and other factors, **many of which are** beyond our control. **Our If our** business **fails** may not continue to generate **sufficient** cash flow from operations **in to meet the these obligations** future sufficient to service our debt and **fund** make necessary capital expenditures. **If we are unable to generate such cash flow**, we may be required to adopt one or more alternatives, such as **selling assets** **asset sales**, **debt** restructuring **debt**, or **obtaining raising** additional equity capital **on, which could involve unfavorable or dilutive** terms. **Additionally, that may be onerous or our** highly dilutive. Our ability to refinance our indebtedness will depend on the **capital markets** **market conditions** and our financial **condition standing** at such time. **We, which** may not be **able favorable. Failure** to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations, including the Notes. **The If the** conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results. In the event the conditional conversion feature of the Notes is triggered, holders of Notes **may choose** will be entitled to convert their Notes at any time during specified periods at their **option discretion**. If one or more holders elect to convert their Notes, we would be required to settle any converted principal amount **in of such Notes through the payment of** cash, which could adversely affect **impact** our liquidity. **Moreover In addition**, even if **no** holders do not elect to convert their Notes, **we could be required under** applicable accounting rules **to may require that we** reclassify all or a portion of the outstanding principal of the Notes **as to** a current, rather than long-term, liability, which. **Such reclassification** would result in a material **materially reduce** reduction of our net working capital, **potentially affecting our financial flexibility and stability**. Conversion of the Notes may dilute the ownership interest of our shareholders or **could may otherwise** depress the price of our common stock. The conversion of some or all of the Notes **may could** dilute the **our shareholders'** ownership interests **of our shareholders**. Upon conversion of the Notes, we have the option to pay or deliver, **as the case may be**, cash, shares of our common stock, or a combination of **both** cash and shares of our common stock in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the Notes being converted. If we elect to settle the remainder, if any, of our conversion obligation **exceeding** in excess of the aggregate principal amount of the Notes **with being converted in** shares of our common stock or a **combination mix** of cash and shares of our common stock, any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. **Additionally In addition**, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could be used to satisfy short positions, or anticipated conversion of the Notes into shares of our common stock could depress the market price of our common stock. Changes in the accounting treatment for the Notes could have a material effect on our reported financial results. **We have As of January 1, 2022, we** adopted Accounting Standards Update 2020-06 ("ASU 2020-06") as of January 1, 2022 **which affects the accounting treatment of the Notes**. Accordingly, we do not bifurcate the liability and equity components of the Notes on our **consolidated** balance sheet and we use the if-converted method of calculating diluted earnings per share ("

EPS ”). Under ~~this the if-converted~~ method, diluted EPS earnings per share will generally be calculated assuming that all the Notes were converted solely into shares of common stock at the beginning of the reporting period, unless the result would be anti-dilutive, which could adversely affect our diluted EPS earnings per share. Because the principal amount of the Notes upon conversion is required to be paid in cash, and only the excess is permitted to be settled in shares, the application of the if-converted method will produce a similar result as the treasury stock method prior to the adoption of ASU 2020-06. The effect of the treasury stock method is that the ~~38~~ shares issuable upon conversion of such Notes are not included in the calculation of diluted EPS except to the extent that the conversion value of such Notes exceeds their principal amount. In accordance with ASU 2020-06, the Notes are reflected as a liability on our consolidated balance sheets, with the initial carrying amount equal to the principal amount of the Notes, net of issuance costs. The issuance costs have been treated as a debt discount for accounting purposes, which are and will be amortized into interest expense over the term of the Notes. As a result of this amortization, the interest expense that we recognize for the Notes for accounting purposes is greater than the cash interest payments payable on the Notes, thereby resulting in lower reported income. Future changes made to our accounting standards related to the Notes could have a material effect on our reported financial results. The 2027 Note Hedge and Warrant transactions may impact the value of the Notes and our common stock. In connection with the pricing of the Notes, we have entered into 2027 Note Hedge transactions and Warrant Transactions with the option counterparties. The Note Hedge transactions are intended to reduce the potential dilution to our common stock upon any conversion of Notes and offset any cash payments we are required to make in excess of the principal amount of converted Notes. However, the Warrant transactions could have a dilutive effect on our common stock to the extent that the market price per share of our common stock exceeds the strike price of the Warrants. Additionally, the option counterparties or their affiliates may modify their hedge positions by entering into or unwinding various derivatives tied to our common stock, or by buying or selling our common stock or other securities in secondary market transactions following the pricing of the Notes. These activities could occur prior to the maturity of the Notes, or and in connection with any conversion, redemption, or repurchase of the Notes. Such actions could cause fluctuations in the market price of our common stock, either increasing or decreasing its value. If any of the Note Hedge and Warrant transactions fail to become effective, counterparties or their affiliates may unwind their hedge positions, which could adversely affect the value of our common stock. The potential effect of these transactions and activities on the market price of our common stock will depend in part on market conditions and other factors beyond our control, and their impact cannot be ascertained at this time. Any of these activities could adversely affect the value of our common stock. We are exposed to counterparty risk with respect to the 2027 Note Hedge transactions. The option counterparties for the 2027 Note Hedge transactions are financial institutions, and we face the risk that any or all of them might default on their obligations under these transactions. Our exposure to this credit risk is unsecured, as the option counterparties have not secured their obligations by any collateral. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure under the 2027 Note Hedge transactions at that time. Our exposure will depend on many factors, including an increase in the market price and volatility of our common stock. A default by an option counterparty could lead us to suffer adverse tax consequences and result in greater dilution of our common stock than we currently anticipate. We cannot provide assurances as to the financial stability or solvency of the option counterparties, and any default could materially and adversely affect our financial results and shareholder value.