REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Axon Enterprise, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Axon Enterprise, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule included under Item 15(a) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated February 27, 2020 expressed an unqualified opinion thereon.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition - Bundled Arrangements with Multiple Performance Obligations
As described further in Notes 1 and 2 to the consolidated financial statements, the Company derives revenue from two primary sources: the sale of physical products (including conducted energy devices (CEDs), cameras, corresponding hardware extended warranties, and related accessories), and subscriptions to the Axon Evidence digital evidence

management software as a service and support. To a lesser extent, the Company also recognizes revenue related to training, professional services and other software services. Many of the Company's products are sold on a standalone basis, however, the Company also bundles its hardware products and services together and sells them to customers as part of a single transaction. For contracts with multiple performance obligations, the Company allocates the contract transaction price to each performance obligation using its estimate of the standalone selling price of each distinct good or service in the contract. Further, performance obligations can be satisfied at a point in time when the Company ships the product, or over time as the customer receives and consumes the benefit of services over a stated period of time. In addition, the Company will, on occasion, agree to terms that amend the performance obligations in an existing contract. We consider the identification of performance obligations, the determination of the standalone selling price and allocation of the transaction price to multiple performance obligations, including the determination as to whether any amendments to an existing contract result in a modification, to be a critical audit matter.

Identifying performance obligations in each contract involves identifying all promises in the contract and determining whether such promises are limited to explicit goods or services or whether they may be implied. In addition, determining whether the customer can benefit from the promised goods or services on their own or whether the contract promises to deliver goods or services on a combined basis impacts whether such performance obligations should be accounted for separately or together with other performance obligations. Judgment is also required to determine the standalone selling price for each distinct performance obligation, which serves as a basis for allocating the transaction price amongst products and services when sold together. Estimates of standalone selling price involve the use of observable data and can include selling prices for each performance obligation when sold separately, a market assessment of what the customer would be willing to pay for each performance obligation, or an estimate of the expected cost plus an appropriate estimated margin of the performance obligation. In addition, amendments to existing contracts require additional judgment since they involve an assessment of whether a modification occurred. The related audit effort to test these items was extensive and required a high degree of auditor judgment.

Our audit procedures related to the revenue recognition of bundled arrangements with multiple performance obligations included the following, among others.

We tested the design and operating effectiveness of controls over the Company's contract review process, including those over the identification of all material terms and promises included in the initial or amended contract, and the establishment and monitoring of standalone selling prices.

For a sample of contracts, we compared the identified performance obligations in the allocation to the underlying contract, recalculated the allocation of the total transaction price to each performance obligation, and, if applicable, reviewed contract amendments and management's assessment of the amendments for appropriate accounting treatment. We also evaluated the reasonableness of management's estimate of standalone selling prices for products and services that are not sold separately. For sample selections where revenue was recognized at a point in time, we inspected shipping documents and contract terms to evaluate whether control transferred to the customer. For sample selections where revenue was recognized over time, we traced the term of the revenue recognition period to the contract and recalculated the expected revenue recognized during the period.

Stock Based Compensation - Initial Measurement of Fair Value
As described further in Notes 1 and 12 to the consolidated financial statements, the Company's stockholders approved the eXponential Stock Performance Plan ("XSPP ") during the year ended December 31, 2019. Under the terms of the XSPP the Company's employees were granted eXponential Stock Units ("XSUs") which vest in 12 tranches with a vesting schedule based entirely on the attainment of both operational and market capitalization goals. To estimate the grant date fair value of the awards, the Company utilized a Monte Carlo simulation to simulate a range of possible future market capitalizations for the Company over the term of the XSUs and assigned a value to each market capitalization tranche. We consider the determination of grant date fair value for the XSUs to be a critical audit matter.

The Company's determination of the grant date fair value of the XSUs required complex modeling and significant judgment related to inputs and assumptions used in the Monte Carlo simulation. Such assumptions include determining an estimate of volatility associated with achieving the Company's market capitalization, the expected impact of dilution resulting from the XSPP, a risk free interest rate associated with the term of the XSPP and a discount rate associated with the holding period required as part of the XSPP. Auditing the initial measurement of fair value also requires the use of valuation specialists.

Our audit procedures related to the grant date fair value of the XSUs included the following procedures, among others.

We evaluated the expertise and experience of the valuation specialists who determined the fair value measurements on behalf of the Company. We reviewed the methodologies employed by the specialists in determining the value of the XSUs and determined whether the use of a Monte Carlo simulation was reasonable. We reviewed the key assumptions utilized in the valuation, including volatility, the expected impact of dilution, the risk-free rate, and discounts for illiquidity by comparing them to the terms of the XSU awards, historical information and market data. We also used a specialist to develop an independent model to assist us in evaluating the appropriateness and reasonableness of the Monte Carlo simulation.

Stock Based Compensation - Ongoing Assessment of Vesting Probabilities
As described further in Notes 1 and 12 to the consolidated financial statements, the Company's stockholders approved the CEO Performance Award during the year ended December 31, 2018 and the XSPP during the year ended December 31, 2019. The CEO Performance Award provides for the granting of stock options to the Company's CEO and the XSPP provides for the granting of eXponential Stock Units (XSUs) to the Company's employees. Both the stock options and XSUs vest in 12 tranches with a vesting schedule based entirely on the attainment of both operational and market capitalization goals. Each of the 12 tranches for both the CEO Performance Award and the XSPP will vest upon the achievement of market capitalization and operational goals. Stock-based compensation expense associated with the awards is recognized beginning at the point in time when the relevant operational goal is considered probable of being met. We consider the probability assessment of achieving the operational goals to be a critical audit matter.

At the grant date and continuing on an ongoing basis over the term of the award, the Company must determine the number of operational goals that are probable to be achieved, and the expected point in time the goals will be met. The probability of meeting an operational goal and the expected achievement point in time for meeting a probable operational goal are based on a subjective assessment of the Company's forward-looking financial projections, taking into consideration statistical analysis. The probability assessments require management to estimate the successful development and market acceptance of future product introductions, future sales targets and operating performance. Changes in the subjective probability-based assumptions can materially affect the amount and timing of the recognition of stock based compensation expense.

Our audit procedures related to the ongoing assessment of vesting probabilities included the following procedures, among others.

We evaluated the expertise and experience of the valuation specialists who prepared the statistical analysis considered by the Company in determining the probability assessments for the operation goals. We reviewed the statistical analysis employed by the specialists in determining the projected achievement of each operational goal and determined whether such assessment was reasonable. We evaluated the reasonableness of management's forecasts as an input into the model by comparing management's previous forecasts to actual results to assess management's ability to accurately forecast actual results. We also evaluated the impact of market and industry trends on management's forecast and used a specialist to develop an independent model to assist us in evaluating the appropriateness and reasonableness of the Company's statistical analysis.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2005.

Phoenix, Arizona
February 27, 2020

Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Attached as exhibits to this Form 10-K are certifications of the Chief Executive Officer (as the principal executive officer) and Chief Financial Officer (as the principal financial and accounting officer), which are required in accordance with Rule 13a-14 of the Exchange Act. This “Controls and Procedures” section includes information concerning the controls and controls evaluation referred to in the certifications. This section should be read in conjunction with the certifications and the Grant Thornton LLP attestation report for a more complete understanding of the topics presented. Grant Thornton LLP has independently assessed the effectiveness of our internal control over financial reporting and its report is included below.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer are responsible for the evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Our disclosure controls and procedures are designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that as of December 31, 2019 our disclosure controls and procedures were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2019 based on criteria set forth in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). As a result of this assessment, management concluded that, as of December 31, 2019, our internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Grant Thornton LLP has independently assessed the effectiveness of our internal control over financial reporting and its report is included below.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the fiscal quarter ended December 31, 2019, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Axon Enterprise, Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Axon Enterprise, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2019, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2019, and our report dated February 27, 2020 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting ("Management's Report"). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Phoenix, Arizona
February 27, 2020