Moschovakis Capital

Axon Enterprise, Inc.

AXON

EQUITY RESEARCH REPORT

September 15, 2026

CONFIDENTIAL — FOR INFORMATIONAL PURPOSES ONLY | NOT INVESTMENT ADVICE

[AXON] — Axon Enterprise, Inc.

Report Date: 2026-09-15

Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric | Value

Recommendation | AVOID

Current Price | USD 438.43 / EUR 379.59

Fair Value (Base Case, normalized earnings) | USD 365.00 / EUR 316.02

Margin of Safety | -16.8% (price sits above normalized fair value)

Return Profile | Value

Dividend Yield | 0.0%

Expected Dividend Growth | 0.0%

Expected Price Appreciation (10Y base) | 4.2% CAGR

Total Expected Return (Base) | 4.2% CAGR

Bear Case Total Return | -9.0% CAGR

Bull Case Total Return | 14.9% CAGR

Probability-Weighted Return | 3.6% CAGR

Risk Assessment | Value

Wealth Preservation Score | 26 / 100

Downside Protection Score | 35 / 100

Quality Score | 15 / 100

Risk Level | ELEVATED

Probability of >50% Loss | 12%

Recession Profile | SENSITIVE

One-Line Thesis:

This company owns a durable public-safety ecosystem and grows recurring revenue roughly 35% annually, but at USD 438.43 it offers no dividend, a base-case return below the 7% hurdle, and a bear case that loses 9% per year, which violates the wealth preservation mandate.

INVESTMENT THESIS

Axon clears the first gates. The business is understandable, it does not operate in secular decline, and the product ecosystem creates real customer stickiness. Law enforcement agencies use Axon TASER devices, body-worn cameras, in-car cameras, digital evidence software, records management, dispatch, and now AI-assisted documentation. The data confirms that stickiness. Annual recurring revenue reached USD 1.3 billion in fiscal 2025, up 35% year over year. Future contracted bookings reached USD 14.4 billion, up 43%. Net revenue retention stands at 123%, which means existing customers expand their spend rather than renew flat. That is a genuine compounding franchise.

The problem is the price you must pay for that franchise. At USD 438.43 the stock carries a trailing P/E near 183 on trailing EPS of USD 2.40 and a forward P/E near 105 on consensus 2026 EPS near USD 4.17. The company pays no dividend, so the entire total return depends on price appreciation. A 10-year base case built on 25% EPS growth and a 30x terminal multiple produces only a 4.2% annual total return. That is below the mandated hurdle of roughly 7% and below the return you could underwrite with materially less downside elsewhere. The bear case, using a 7% EPS growth rate and a 20x terminal multiple, produces a USD 170 target and a negative 9.0% annual return. The probability-weighted expected return is 3.6%, less than the 4% high-yield savings alternative before considering risk.

The wealth preservation framework rejects AXON on three absolute thresholds. The bear case total return is negative, not zero or better. The base case total return is below 7%, not above it. The probability of a greater than 50% permanent loss is roughly 12%, above the 10% limit. The stock itself demonstrates the downside in real time. It has fallen 50.5% from its 52-week high of USD 885.92 and dropped 14.3% on August 5, 2026 after a quarter in which revenue beat expectations but adjusted EPS declined year over year and free cash flow barely broke even.

The business has recession-resistant revenue. Municipal police departments do not cancel evidence-management subscriptions in a downturn. But the stock does not share that trait. A high-multiple growth security reprices violently when margin expansion stalls. Axon shows that exact profile. Fiscal 2025 operating income swung negative to minus USD 62 million, net income fell 67% year over year to USD 125 million, and TTM EBITDA sits at only USD 165 million against a market value near USD 35.6 billion. The company remains solvent and carries low-cost convertible notes, but it does not offer the balance-sheet fortress, dividend cushion, or downside protection the mandate requires.

You do not need to short AXON or argue the business will fail. You only need to reject the current entry price. The correct action for wealth preservation is to hold cash at 4% and wait. A price below roughly USD 300 or a visible inflection in free cash flow and GAAP operating profitability would change the calculation. Neither condition exists today.

1. BUSINESS QUALITY ASSESSMENT

Axon operates a two-part model. The hardware side includes TASER conducted energy weapons, body-worn cameras, and in-car fleet cameras. The software side includes Axon Cloud, Evidence.com digital evidence management, records management systems, dispatch software, and newer AI tools such as Draft One, Axon Vision, and Axon 911. The company reports two segments: Connected Devices and Software and Services. This is not a generic hardware vendor selling a commodity to police departments. The devices feed data into a cloud ecosystem with high switching costs. Once an agency stores evidence, body camera footage, and records inside Axon Cloud, a migration to Motorola or a smaller rival means retraining officers, re-litigating procurement, and risking evidentiary continuity.

The data supports that moat. Annual recurring revenue grew 35% to USD 1.3 billion in fiscal 2025. Net revenue retention of 123% is an unusually strong number for enterprise software and even stronger for public-sector technology. Future contracted bookings hit USD 14.4 billion, up 43%. That booking figure gives visibility that most hardware businesses do not have. The company has also expanded beyond local law enforcement into federal agencies, corrections, international police organizations, enterprise security, and national security. International markets such as India, Southeast Asia, and Sub-Saharan Africa appear repeatedly as expansion vectors. The total addressable market is quoted as USD 129 billion in 2025, which leaves room for years of double-digit revenue growth.

That strength carries a condition. The core customer remains U.S. law enforcement. Municipal, state, and federal budget cycles still determine large orders. Premium pricing creates an opening for lower-cost rivals if Axon stops delivering product innovation. Motorola Solutions remains the most credible competitor because it can bundle its own video products with incumbent radio networks that agencies already own. Digital Ally and Wrap Technologies are too small and too financially weak to matter. Motorola is the threat.

The operational rollout also matters. Axon now depends on adoption of new products, especially Draft One and the federal market, for the next leg of growth. The integrated ecosystem makes competition difficult, but new product execution risk is real. Complex software rollouts at public agencies rarely go smoothly. A delay in Draft One adoption or a missed federal contract would not destroy the franchise, but it would pressure the stock because the valuation prices in flawless execution.

My quality verdict is favorable for the business and acceptable for the franchise. The moat is real and the revenue model is recurring. That is not enough for a wealth preservation BUY because the stock price already compensates for much of that quality. In the capital preservation framework, a premium business at a full price does not beat a discount business at a fair price over ten years when the entry multiple is too high and the return path depends on uninterrupted compounding. Axon is a high-quality operator trading at a price that leaves no room for error.

2. FINANCIAL FORTRESS ANALYSIS

The financial strength of Axon is no longer the question. The business is solvent. The question is whether the equity can protect your capital from the multiple compression the price invites.

Revenue grew from USD 681 million in fiscal 2020 to USD 2.78 billion in fiscal 2025, a 32% compound annual growth rate. TTM revenue reached USD 3.22 billion. Gross margin held near 59.7% in fiscal 2025 and 59.6% in fiscal 2024. That high gross margin confirms the software mix is real. But profitability weakened. Fiscal 2025 operating income fell to minus USD 62 million from positive USD 59 million in fiscal 2024. Net income dropped 67% from USD 377 million to USD 125 million. EPS fell from USD 4.98 to USD 1.60. The TTM figures from June 30, 2026 show some recovery with net income of USD 199.3 million and an operating margin of only 5.17%. The company reported a full-year adjusted EBITDA margin of 25.5% for fiscal 2025, which explains why non-GAAP bulls remain enthusiastic. GAAP results tell a different story.

Free cash flow is positive but thin. SignalX data gives operating cash flow of USD 408.3 million for fiscal 2024 and USD 211.3 million for fiscal 2025. Capital expenditures were USD 78.8 million and USD 136.3 million respectively. That implies free cash flow near USD 329 million in 2024 and USD 75 million in 2025. The Q2 2026 commentary that free cash flow barely broke even confirms the pressure. The company is financing growth with stock-based compensation, acquisition spend, and working capital, not with a deep cash generative engine. Axon has not proven itself as a consistent FCF compounder at the level needed to support a 180x trailing multiple.

The balance sheet is adequate, not a fortress. Total assets rose to USD 7.0 billion and equity sits near USD 3.2 billion. The company has 0.50% convertible senior notes due 2027 and has engaged in privately negotiated exchanges and a redemption notice. The low coupon is cheap capital, and no going-concern warning appears in the search results. Still, the absence of a debt-to-equity figure in the provided data prevents me from awarding the full fortress sub-score. Interest coverage is not disclosed, but fiscal 2025 operating income was negative, so coverage was not comfortable on a GAAP basis. TTM operating income near USD 166 million would likely cover a low coupon, but I cannot verify the exact interest expense.

Stress testing the model for a 30% revenue decline over two years yields a mixed result. Recurring software revenue would cushion the blow because contracts renew. Hardware device revenue would fall sharply in a

municipal budget freeze. Gross profit might hold near 58% to 60%, but operating leverage would reverse. The company would likely swing to a GAAP operating loss, free cash flow would go negative, and the stock would suffer far more than the financial statements suggest. There is no dividend to cut, so income investors face no payout cancellation. But the equity would not protect principal in that scenario. The solvency verdict is ADEQUATE, not FORTRESS. The earnings quality verdict is ACCEPTABLE with monitoring required because operating cash flow remains above net income in fiscal 2025, but free cash flow lags net income due to elevated capital expenditures and acquisition-driven obligations.

3. DIVIDEND ANALYSIS

Axon pays no dividend. The dividend-based wealth preservation sub-scores and the income cushion benefit do not apply. Total return depends entirely on price appreciation, which raises the downside risk.

4. VALUATION ANALYSIS

The current price of USD 438.43 sits inside a large valuation debate. The public.com data shows a trailing P/E of 222.87 as of September 3, 2026, but that uses a price near USD 609 and an EPS figure different from the TTM EPS of USD 2.40 I am using. At the authoritative price of USD 438.43 and TTM EPS of USD 2.40, the trailing P/E is 182.7. The sources disagree on forward earnings. MarketBeat forecasts 2026 EPS of USD 4.17, which gives a forward P/E of 105.1. Simply Wall St shows a 2026 EPS estimate near USD 3.57, which gives a forward P/E of 122.8. Either number is expensive.

The company trades at 11.1x trailing sales using the current market cap of USD 35.6 billion and TTM revenue of USD 3.22 billion. MetricSide reports 14.3x sales, likely on a different share count or revenue base. P/B runs from 12.5x to 14.8x depending on source. No reliable EV/EBITDA figure appears in the research, but using TTM EBITDA of USD 165.11 million and assuming no material net debt adjustment, the implied EV/EBITDA exceeds 200x. That is not a multiple a preservation investor pays.

The valuation framework asks whether the stock trades below its five-year average. The public.com data shows a five-year average P/E of 103.17. The current trailing P/E of 182.7 sits about 77% above that average. On relative history, AXON is expensive even after falling 50% from its high. The normalized earnings approach confirms it. Averaging fiscal 2021 through fiscal 2025 net margins gives about 7.9%. Applying that margin to the next-twelve-month revenue estimate of roughly USD 3.66 billion yields normalized net income near USD 289 million and normalized EPS near USD 3.56. At the historical average P/E of 103.17, fair value is approximately USD 365. The current price of USD 438.43 stands 16.8% above that normalized fair value.

The consensus analyst target range runs from USD 652 to USD 739, with MarketBeat reporting USD 688.38. Those targets imply 49% to 69% upside from the current price. That sounds attractive until you examine the assumptions behind the targets. They embed continued 30% revenue growth, margin expansion into the mid-teens or higher, and a terminal multiple well above the market. The stock fell 14.3% on August 5, 2026 despite beating Q2 2026 revenue and adjusted EPS because the market focused on the EPS decline and barely positive free cash flow. When a stock trades at 183x trailing earnings, beating the top line is not enough. The growth must accelerate and the profitability must inflect. The valuation does not offer a margin of safety on that outcome.

5. SCENARIO ANALYSIS

The scenario table below assumes no dividend, so all returns are price returns. The base case uses 2036 EPS of USD 22.00 and a terminal P/E of 30. That implies EPS growth of roughly 25% annually from the TTM base of USD 2.40, which is aggressive but within the range analysts expect for a public-safety software compounder. At 30x terminal earnings, the 2036 price target is USD 660. The annual total return is 4.2%, below the 7% hurdle.

The bear case assumes a severe growth stall and multiple compression to 20x. EPS in 2036 reaches USD 8.50, an annual growth rate of only about 13.5% from the TTM base. The target is USD 170, producing a negative 9.0% annual return over ten years. The bull case assumes 2036 EPS of USD 50.00 and a terminal P/E of 35. The target is USD 1,750, producing a 14.9% annual return.

Scenario	2036 EPS	Terminal P/E	2036 Price Target	10Y CAGR	Weight	Contribution
Bear	USD 8.50	20x	USD 170	-9.0%	25%	-2.3%
Base	USD 22.00	30x	USD 660	4.2%	50%	2.1%
Bull	USD 50.00	35x	USD 1,750	14.9%	25%	3.7%
Expected						3.6%

The bear case is the central problem for a capital preservation mandate. It does not require a zero growth business or a failed product launch. It only requires a moderate recession, a slowdown in government spending, and a de-rating from 183x trailing earnings toward something closer to a still-premium software multiple. The stock has already demonstrated a 50.5% drawdown from its 52-week high. The bear target of USD 170 would be a further 61% decline from today. At a 25% weighting, that outcome contributes a negative 2.3 percentage points to the expected return and wipes out more than half of the bull case contribution. The band between bear and base is wide, and the downside band is not acceptable.

The base case also fails the return hurdle despite producing a USD 660 target that is 51% above the current price. That apparent contradiction exists because USD 660 received ten years from now is not a 51% annual return. It is a 4.2% annual return. A preservation investor needs 7% or better to justify equity risk. The expected return of 3.6% falls below a 4% high-yield savings account before adjusting for the probability and magnitude of drawdowns. The scenario work does not support adding AXON at this price.

6. RISK ASSESSMENT

The largest risk is valuation. Axon is a good business with a poor risk-reward setup. The richness of the multiple means any stumble becomes a large loss. The evidence is current. On August 5, 2026 the stock fell 14.3% after Q2 2026 results that beat revenue and adjusted EPS but showed adjusted EPS declining 11% year over year and free cash flow barely positive. The stock has underperformed the market in percentage terms by a wide margin over the past year, according to the inkl.com datapoint that showed AXON down 21% versus an S&P 500 up 18.7%. Price volatility is the primary risk, not the collapse of the franchise.

Customer concentration compounds that risk. Axon relies heavily on U.S. law enforcement budgets. Municipal, state, and federal procurement cycles determine the timing of large domestic and international orders. A slowdown in government spending would temper growth. Premium pricing invites lower-cost competitors if product innovation stalls. Motorola Solutions can bundle its video offerings with existing radio networks. Digital Ally and Wrap Technologies are weak, but Motorola is not.

Regulatory and litigation risk is real. The fiscal 2025 10-K cites product liability, wrongful death, and personal injury claims. TASER devices are subject to ATF classification and federal, state, and local regulation. Data privacy laws such as GDPR and CCPA create compliance costs. Antitrust scrutiny appears because Axon dominates its niche. Tariffs and petroleum-based input costs create supply chain exposure. None of these are surprising for the industry, but they add downside in an expensive stock.

The accounting risk is underappreciated. PitchGrade reported a negative operating margin of -3.1% while describing the company as disciplined, which makes no arithmetic sense. GAAP operating income for fiscal 2025

was negative. The company leaned on adjusted EBITDA and non-GAAP net income. Fair-value and impairment risk on the investment book adds another swing factor. Stock-based compensation and warranty reserves can move results. Free cash flow has deteriorated from roughly USD 329 million in fiscal 2024 to USD 75 million in fiscal 2025 and barely broke even in Q2 2026. A preservation investor cannot ignore that trend.

Insider selling adds a governance-level caution. The President sold USD 18 million of stock in March 2026. Joshua Isner sold shares under a Rule 10b5-1 plan at weighted prices between roughly USD 561 and USD 595 per share in August 2026. Those sales occurred above the current price. Insiders are not signaling confidence at USD 438. The company also issued and exchanged convertible notes due 2027 and engaged in heavy RSU-related Form 4 activity. None of this is dispositive, but it does not support a high-conviction wealth preservation position.

The probability of a greater than 50% permanent loss from the current price is approximately 12%, above the 10% threshold. That estimate reflects the historical 52-week drawdown, the negative free cash flow trend, the negative operating margin swing, and the possibility that the de-rating continues. The business itself would likely survive a recession. The stock may not recover for five years. Those are different questions. Wealth preservation cares about both.

7. MANAGEMENT & GOVERNANCE

The search results describe Axon as founder-led since 1993 with no controlling shareholder publicly disclosed. The provided research does not name the CEO or give compensation details. That absence prevents a full management quality assessment on the framework's preferred metrics. I can evaluate what the filings show. The company has a founder-led orientation and a clear Protect Life mission. The integrated product strategy from TASER through cloud evidence and AI is coherent. Execution on revenue growth has been strong, with four consecutive revenue beats per Investing.com and a raised 2026 revenue growth guide of 30% to 32%.

Capital allocation history is not disclosed in the provided data. There are no buyback, dividend, R&D, or capex totals for the five-year window. What exists is a pattern of acquisitions and strategic investments, with Carbyne in February 2026 standing as the most recent named transaction. The Carbyne deal produced Axon 911 and integrated cloud-native emergency calling into the ecosystem. That is strategically sensible but unproven financially without deal terms.

Insider activity is notable. The President sold USD 18 million of stock in March 2026. Joshua Isner filed a Form 144 for 16,775 shares at an aggregate value above USD 10 million in August 2026 and a trust sold 34,000 shares for USD 16.6 million in June 2026. The sales appear to follow RSU vesting, including 67,910 performance-based XSUs granted under the 2024 eXponential Stock Plan. This is routine for a high-growth company with equity-heavy compensation, but it weakens the alignment signal a preservation investor wants.

No restatement, executive turnover, related-party transaction, or guidance withdrawal appears in the research. The SEC filing summary states no significant risk factor changes or auditor warnings were noted. I would call management goodwill positive and execution capable, but the governance picture remains incomplete because the framework cannot score ownership, CEO compensation, or long-term dilution with the available data. For a stock this expensive, that gap argues for monitoring rather than immediate capital deployment.

8. PEER COMPARISON

Dimension	AXON	Motorola Solutions (MSI)	Digital Ally / Wrap
Revenue growth	30-35% YoY	High single digit	Weak

Dimension	AXON	Motorola Solutions (MSI)	Digital Ally / Wrap
Recurring revenue	ARR USD 1.3B, +35%	Not provided	Minimal
Net revenue retention	123%	Not provided	Not provided
GAAP operating margin	5.17% TTM; -2.2% FY2025	Not provided	Not provided
Dividend	None	Not provided	None
Balance sheet	Adequate	Not provided	Weak
Valuation	TTM P/E ~183	Not provided	Not provided
Competitive position	Dominant niche	Formidable bundler	Not credible

The table is intentionally sparse because the provided research does not contain full peer financials. That does not prevent a ranking. Axon grows faster than Motorola and possesses a stronger cloud software component. Motorola remains the more mature, likely more profitable incumbent with the ability to bundle video into existing radio contracts. For a wealth preservation mandate, Motorola typically offers the characteristics Axon lacks: a dividend, established free cash flow, and a less extreme multiple. Without peer financials I cannot assign Motorola a WP score, but the comparative risk profile is directionally better for a preservation portfolio.

Digital Ally and Wrap Technologies do not warrant deep analysis. The research characterizes them as too small and financially weak to pose a credible threat. Their presence does not improve Axon's downside protection because the real competition is Motorola. The peer comparison reinforces the conclusion that Axon is the growth asset, not the wealth preservation asset.

9. KEY METRICS SUMMARY

Category	Metric	Value	Source/Period
Valuation	Price	USD 438.43 / EUR 379.59	Live 2026-09-15
Valuation	Trailing P/E	182.7	TTM EPS USD 2.40
Valuation	Forward P/E	105.1 to 122.8	2026 EPS USD 3.57-4.17
Valuation	P/S	11.1x to 14.3x	TTM revenue USD 3.22B
Valuation	P/B	12.5x to 14.8x	Multiple sources
Profitability	FY2025 Revenue	USD 2.78B	Trefis/Filings
Profitability	FY2025 Net Income	USD 125M	Trefis
Profitability	FY2025 Operating Income	-USD 62M	Trefis
Profitability	TTM Net Income	USD 199.3M	Yahoo, Jun 2026
Profitability	TTM Operating Margin	5.17%	Yahoo
Growth	ARR	USD 1.3B, +35%	FY2025
Growth	Future Contracted Bookings	USD 14.4B, +43%	FY2025
Growth	Net Revenue Retention	123%	Yahoo
Cash Flow	FY2024 FCF	~USD 329M	OpCF 408.3M - capex 78.8M

Category	Metric	Value	Source/Period
Cash Flow	FY2025 FCF	~USD 75M	OpCF 211.3M - capex 136.3M
Balance Sheet	Total Assets	USD 7.0B	SignalX
Balance Sheet	Equity	~USD 3.2B	SignalX
Balance Sheet	Convertible Notes	0.50% due 2027	8-K theme

10. MONITORING CHECKLIST

Item	Trigger	Frequency
Revenue growth	FY2026 guide remains 30-32%; Q3 2026 revenue > USD 850M	Quarterly
ARR growth	Quarterly ARR growth >25%	Quarterly
Gross margin	Quarterly gross margin >57%	Quarterly
Adjusted EBITDA margin	Quarterly adjusted EBITDA margin >20%	Quarterly
Free cash flow	FY2026 FCF turns positive and >USD 100M	Quarterly
Bookings	Future contracted bookings growth >35%	Quarterly
Insider sales	New insider sales >USD 10M in one quarter	Continuous
Price level	Breaks below USD 339 on volume	Continuous
Motorola competition	Major Axon incumbent contract lost	Continuous
Regulatory	ATF or product-liability adverse action	Continuous

11. MARKET EXPECTATIONS & CONSENSUS

The current price embeds an implied annual revenue growth rate near 28% to 29%, according to the search summary and the Simply Wall St analyst narrative. Company guidance has moved slightly ahead of that number. Axon raised full-year 2026 guidance to 30% to 32% revenue growth from 27% to 30%. The valuation math shows how demanding the setup is. Investing.com quotes the stock at 211x earnings at a price near USD 525, while a Simply Wall St narrative cites a future P/E near 140.9x and a fair value near USD 662. The spread in those multiples reflects different EPS estimates and snapshot dates.

The consensus bull case rests on the platform flywheel. RBC describes Axon as a compounder and carries a USD 735 target. The bull story emphasizes AI tools, premium SaaS bundles, global deals across Africa, Europe, Latin America, and Asia, and higher public safety spending on non-lethal and digital infrastructure. Bulls expect margin improvement and a lower future P/E as earnings scale. That logic is coherent but requires uninterrupted execution for a decade. The consensus bear case focuses on sector multiple pressure, margins, heavy government exposure, regulation, and competition. The August 6, 2026 price action supports the bear framing. The stock fell 14.3% after Q2 2026 despite beating revenue and adjusted EPS because earnings declined versus the prior year and free cash flow barely broke even. The stock has declined 21% over the past year versus an 18.7% S&P 500 gain, per the inkl.com datapoint.

Short interest is low with minimal days to cover, according to the search summary. No numeric short interest figure appears in the underlying results, so I cannot quantify the squeeze risk. Analyst consensus is Moderate Buy, with 13 buy ratings, 3 holds, and no sells, and a consensus target near USD 688.38. That target implies

meaningful upside from USD 438.43, but it also implies no margin of safety failure and a continued premium multiple.

What would validate the consensus bull case: bookings growth of 30% or higher, ARR growth above 35%, sustained gross margin above 59%, and a return to positive free cash flow above USD 200 million on an annual basis. What would disappoint: a guidance cut below 27% revenue growth, ARR deceleration below 25%, adjusted EBITDA margin below 20%, or another quarter of negative free cash flow. The forward valuation table below uses the available sources.

Metric	Value	vs. Sector Avg	Assessment
Fwd P/E	~105.1 (using USD 4.17 consensus)	Not provided	Expensive
PEG	12.39 (MarketBeat)	Not provided	Very expensive
EV/EBITDA	~215.7x (TTM EBITDA USD 165.0M)	Not provided	Extreme
Beta	Not provided	Not provided	High volatility inferred from 52-week rang

12. KEY BUSINESS DRIVERS

Driver 1: Annual recurring revenue growth.

Why it matters: ARR measures the recurring software and service base that provides visibility and de-risks hardware cyclicality.

Current level: USD 1.3 billion, up 35% year over year.

Bull threshold: Quarterly ARR growth above 35%.

Bear threshold: Quarterly ARR growth below 25%.

Next data point: Q3 2026 earnings on November 10, 2026.

Driver 2: Future contracted bookings.

Why it matters: Bookings lead reported revenue and show whether agencies are committing capital years ahead.

Current level: USD 14.4 billion, up 43%.

Bull threshold: Bookings growth above 40%.

Bear threshold: Bookings growth below 30%.

Next data point: Quarterly earnings release.

Driver 3: Gross margin.

Why it matters: Gross margin reflects the mix shift toward software and the company's pricing power on devices.

Current level: 59.7% for fiscal 2025; 57.9% in Q4 2025, down 220 basis points year over year.

Bull threshold: Gross margin above 60%.

Bear threshold: Gross margin below 57%.

Next data point: Quarterly earnings release.

Driver 4: Adjusted EBITDA margin.

Why it matters: This is the profitability metric Axon emphasizes and the one supporting the high multiple.

Current level: 25.5% for fiscal 2025.

Bull threshold: Sustained above 25%.

Bear threshold: Falls below 20%.

Next data point: Quarterly earnings release.

Driver 5: Free cash flow.

Why it matters: Free cash flow determines whether the company can fund growth without dilution and whether the non-GAAP story converts to real cash.

Current level: Approximately USD 75 million in fiscal 2025; barely positive in Q2 2026.

Bull threshold: Annual free cash flow above USD 200 million.

Bear threshold: Negative free cash flow for two consecutive quarters.

Next data point: Q3 2026 earnings release.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker/Symbol	Relationship	Signal
iShares U.S. Aerospace & Defense ETF	ITA	Sector risk appetite	Bullish if ITA holds above 200-day MA; be
Motorola Solutions	MSI	Competitor bundling pressure	Bullish for AXON if MSI loses share; bear
10-Year U.S. Treasury Yield	US10Y	Discount-rate pressure on high multiples	Bearish if yield rises above 4.5%; support
Nasdaq 100 ETF	QQQ	High-beta growth sentiment	Bullish if QQQ trends up; bearish if QQQ

Monitoring rule: If ITA closes below its 200-day moving average and AXON closes below USD 339, re-evaluate the thesis within five days.

EXIT TRIGGERS

- A cut in full-year 2026 revenue guidance below 27% triggers an immediate re-review.
- Quarterly ARR growth below 25% for two consecutive quarters triggers a re-review of the terminal multiple.
- Negative free cash flow for two consecutive quarters triggers a downgrade of the quality score.
- A break below the 52-week low of USD 339 on above-average volume triggers a sell review for any held position.
- Motorola winning a major incumbent Axon agency contract triggers a competitive-position review.
- New insider sales above USD 10 million in a single quarter trigger a governance review.
- A GAAP operating margin below zero for a full fiscal year with no clear recovery path triggers an automatic AVOID refresh.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

The business is a high-quality compounder with real recurring revenue, high net retention, and a defensible ecosystem. The current price of USD 438.43 does not meet the wealth preservation mandate. The base case total return is 4.2% annually, below the 7% hurdle. The bear case loses 9.0% annually. The probability-weighted expected return is 3.6%, below the 4% high-yield cash alternative before accounting for drawdown risk. The Wealth Preservation Score is 26 out of 100. The probability of a greater than 50% permanent loss is approximately 12%, above the 10% limit. The financial fortress is adequate but not strong enough to support a

183x trailing multiple. No dividend cushions the ride. The correct action is to hold cash and wait for a price near USD 300 or a visible free cash flow and GAAP profitability inflection.

ANALYST NOTES

Key Assumptions:

- Shares outstanding of 81,237,415 as of August 31, 2026.
- No dividend paid, so total return equals price return only.
- Base case 2036 EPS of USD 22.00 and terminal P/E of 30x.
- Bear case 2036 EPS of USD 8.50 and terminal P/E of 20x.
- Bull case 2036 EPS of USD 50.00 and terminal P/E of 35x.
- Normalized fair value uses a 7.9% average net margin and a 103.17 average historical P/E.

Limitations:

- The provided research lacks a debt-to-equity figure, full free cash flow series, beta, EV/EBITDA, and peer financials.
- EPS forecast sources disagree materially, from USD 3.57 to USD 4.17 for 2026.
- The CEO name, compensation data, and insider ownership percentage are not disclosed in the provided results.
- The Q4 fiscal 2025 EPS conflict between TipRanks and the MetricDuck shareholder-letter data could not be reconciled.

Confidence Level: MEDIUM

The qualitative call that the business is durable is high confidence. The quantitative rejection is high confidence because the valuation and downside math are extreme. The exact bear case target and permanent loss probability carry medium confidence due to missing financial detail. The recommendation would not change unless the price fell materially or free cash flow inflected decisively.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

CONTINUE THE RESEARCH

This report is one of over 120 equity research analyses published by Moschovakis Capital. Each covers valuation, scenario modelling and risk in the same format as the report you have just read.

Full equity research archive

Latest published research

Enquiries and coverage requests

moschovakiscapital.com

IMPORTANT DISCLOSURES

This report has been prepared by Moschovakis Capital for informational purposes only and does not constitute investment advice, a solicitation, or an offer to buy or sell any security. The information contained herein is based on sources believed to be reliable but is not guaranteed as to accuracy or completeness. Past performance is not indicative of future results. Investing involves risk, including the possible loss of principal. Moschovakis Capital and its affiliates may hold positions in the securities discussed. This document is confidential and intended solely for the recipient. Any reproduction or distribution without prior written consent is prohibited.

EXECUTION INFRASTRUCTURE

For the execution of positions discussed in our research, we use the following platforms for their regulatory standing, liquidity and reliability.

eToro	Equity execution — regulated, social trading infrastructure
Revolut	Multi-currency banking and FX
Interactive Brokers	Institutional-grade brokerage
Vantage	MT4/MT5 execution
Binance	Digital asset infrastructure
Hostinger	Web infrastructure

Referral links: Moschovakis Capital may receive a commission or bonus if you open an account. It does not affect our research.