

# Axon (\$484, AXON)

- AXON is a play on increasing digitization and AI adoption in police and public safety, and we see many years of 20%+ revenue growth.
- Not 'just' a SaaS company: Axon has spent the last decade building a physical and digital 'walled garden,'
- AI beneficiary: Multiple product cycles over the next few years
- Potential new product cycle in enterprise market
- The market is correctly concerned on incremental EBITDA margins, especially in this risk-off environment – remains a short-term risk, we think.

Feb 2, 2026

Potential Upside: 20% IRR  
Sensible Downside: \$417(-14%)

# WHAT DOES AXON DO?



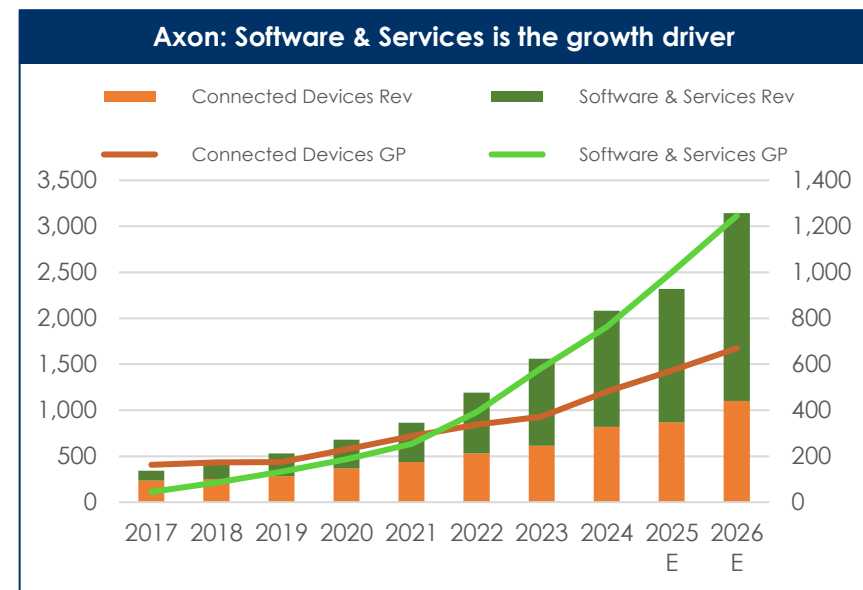
- Axon is an interconnected ecosystem where hardware (TASERS, cameras) and software (cloud evidence, records) reinforce one another. Competitors like Motorola Solutions offer similar individual products, however Axon's primary advantage is the seamless integration and the high switching costs of its platform.
- **Financial model has been shifting to recurring revenue with long contracts**
  - Axon's financial model has shifted significantly toward recurring subscriptions, **with approximately 96–97% of sales now tied to subscriptions (bundling hardware and software over 5–10 year contracts).**
  - This makes it easier for local and state police departments to spend as opex rather than capex and remain up to date with tech innovation
  - AXON growth is tied to the upsell and bundling of new products.
- **The primary customers are U.S. state and local law enforcement agencies, which are Axon's largest market.**
  - Axon focuses on the top 1,200 police agencies in the US. Even though there are 18,000 police departments, the top 1,200 have ~ 70% of users. (contracts are priced on a per user basis)
  - The customer base is diversifying :
    - **International Governments (~15%):** National police forces are a growing revenue source.
    - **Federal Government (5-10%):** Including the Department of Defense and Department of Homeland Security
    - **Commercial Enterprises (0- v.low%):** Large retailers, logistics providers, and healthcare facilities are beginning to pay for Axon's body cameras and security software to combat retail theft and protect frontline workers
      - Axon is in the process of launching a new product 1H 2026 to go after this market
- **Revenue is split between two divisions.**
  1. **Software and Services (The Growth Engine)** Gross Margins of 76.8%,
    - This is the company's fastest-growing and most profitable segment. In Q3 2025, revenue grew 41% yoy.
  2. **Connected Devices (Hardware)** Gross Margins of 52.1%.
    - These include connected devices and sensors such as body cameras, in-car video, fixed cameras, drones, etc.
    - Revenue grew 24% year-over-year in Q3 2025

## DESCRIPTION CONT.



- **Hardware acts as the data generator, particularly video**, which is monetised via high-margin software modules. We think that barriers to entry on live video harvesting from multiple sources cannot be duplicated by standalone AI companies.
  - Hence, Axon and some of MSI are closed ecosystems that are able to generate benefits from the use of AI.

AXON Segment Splits			
	2024		
TASER segment:			
TASER Devices (Professional)	\$	453,055	21.8 %
Cartridges		246,766	11.8
Axon Evidence and Cloud Services		54,913	2.6
Extended Warranties		37,515	1.8
Other <sup>(1)</sup>		26,424	1.3
TASER segment		818,673	39.3
Software and Sensors segment:			
Axon Evidence and Cloud Services		808,256	38.8
Axon Body Cameras and Accessories		246,855	11.9
Axon Fleet Systems		104,890	5.0
Extended Warranties		66,141	3.2
Other <sup>(2)</sup>		37,711	1.8
Software and Sensors segment		1,263,853	60.7
Total net sales	\$	2,082,526	100.0 %



- **Growth is driven by a land-and-expand strategy**, adding more software and features over time to the installed base of users.
  - Net dollar retention of 124%, is evidence of success
  - Plus entering new markets: U.S. federal, International and an emerging enterprise business.
    - **“10 years from now will look very different.... where enterprise is the biggest market we're in, followed by international, followed by U.S. state and local, followed by federal”. CEO**

# WHY THE WEAKNESS?



- **Both AXON and MSI** (the two players in the space) **have been weak**: AXON is down ~43% from recent highs, MSI -18%.
  - Government shutdowns are definitely not helping, and neither are tariff increases / threats.
  - SAAS valuation implosion is also a headwind.
    - **Our opinion: We think that AXON is protected from AI competition, if we cannot convince you that the barriers to AI competition are very high – then AXON is un-investable.**
- **Recent results were not good enough: Revenues have beaten, but Axon struggled at the EBITDA level.**
  - Axon was pressured by tariffs impacting the connected devices supply chain
- **Axon: Q3 2025, adjusted gross margins fell to 62.7% (-58 bps QoQ, -50bps YoY) due to a higher mix of lower-margin hardware and global tariffs.**
- However, the real problem was lack of operating leverage: **EBITDA and incremental margins were not good:**

## Axon EBITDA:

\$k	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25
Adjusted EBITDA	109,071	125,661	145,053	141,590	155,170	171,632	177,010
Incremental Adj Ebitda Margins	37.2%	34.7%	39.0%	34.9%	32.1%	<b>27.8%</b>	<b>19.2%</b>

- **On MSI it is a similar story:**
  - Investors were concerned about the government shutdown impact going into numbers. Motorola (MSI) confirmed the headwind as they reported a 'low' full-year earnings raise on the back of a reiterated full year revenue guidance.
  - GMs were inline/ slightly better despite tariff impacts.
  - Management guided inline with FY26 Street revenue, and highlighted that any government shutdown related spend pushed out in 2025 would be incremental to FY26.
    - **Near-term there is demand uncertainty on the product side of the business**, although 2026 still looks good, as any lost 2025 orders should just get pushed out.
  - Operating leverage: management expects >100bps y/y improvement in 2025.
    - In Q3 2025, MSI reported non-GAAP Op Margins of 30.5%, +80 bps yoy.
    - **OM expansion is expected into FY26, despite the investments the company is making into Silvus and tariffs impacting GM.**

# WHY BUY AXON?



- **The growth opportunity over the next 5 years is what attracts us to AXON. For the last four years AXON has grown revenue by >30%, we believe drivers exist for high growth to continue. The main drivers are:**

## 1. AXON is becoming a platform for law enforcement

- Bundling is the winning strategy. Innovation both organic and via acquisition is helping AXON to emerge as an integrated, connected Ecosystem.

## 2. Multiple product cycles:

- **TASER 10:** The newest device is driving a major hardware upgrade cycle. Seven of top 10 Q3 international deals were driven by TASER 10.
- **Robotics will surely play a key role in policing's future.** DEDrone and Carbyne acquisitions help Axon to build a 'Drone as First Responder' infrastructure, allowing agencies to scout scenes before officers arrive.
- Tools like **Axon Respond and Fusus provide** live-streaming capabilities from body cams and CCTV, creating huge value for dispatchers.

## 3. International and enterprise market expansion

- Increased government spending on national security and domestic safety infrastructure in the US and Europe continues to fuel the pipeline.
  - **Enterprise customers** potentially have a very large TAM and high unmet need.
  - **Axon** aims to increase international revenue from approximately 17% (2024) to over 25% by 2027. Expansion is focused on Tier 1 markets like the UK, Canada, and Australia, with newer pushes into Europe and Brazil.

## 4. The "AI Era" should drive continued upsell and thus high software growth

- **Axon is bundling new AI tools** (like *Brief One* for evidence insights and *Auto-Tagging*) into higher priced subscription tiers. AI bookings are already expected to comprise over 10% of U.S. state and local bookings.
  - **Draft One**, is an AI-powered tool automatically generates police reports from body camera audio. It has been cited as Axon's fastest-growing software product, capable of reducing report-writing time by up to 70%.
- **Axon can charge for AI as using 3<sup>rd</sup> party AI is very challenging.**

- Both AXON and MSI are consolidating their ecosystems and bundling product.
- **Recent weakness in the stock is an opportunity:** Decline is mostly because of short-term factors while the long-term story remains intact in our opinion.

# WHY BARRIERS FOR COMPETITION ARE HIGH?



- **Our conclusion is that between the camera / Taser / other fixed-camera hardware and the software there is a technological lock-in that is hard to break**, hence, AXON should be able to cross sell an AI solution to its customers.
  - Bodycams and Tasers have become standard issue and thus difficult to cut. Hence the hardware and distribution advantage remains.
  - New software and AI tools are solutions for **chronically understaffed departments**. This seems to ring true globally.
  - Plus the current competition is not cutting edge: Current infrastructure is antiquated and service levels are low e.g. long call-answer times, lack of context, English only, etc.
- **Legal ramifications for breaking the 'Chain of Custody'**
  - Public safety data is highly regulated by the FBI's Criminal Justice Information Services Division (or similar abroad), which mandates specific security protocols to ensure the information is protected throughout its lifecycle.
  - **Once evidence is captured, any break in its secure lifecycle makes it legally vulnerable**. Thus, by keeping everything in a closed loop, Axon ensures the evidence remains forensically sound and admissible in court. (from recording, any processing etc, all the way to courtroom sharing)
    - Within Axon, the audit log shows exactly when a video was recorded, when AI processed it, and who edited what at what time etc. **The forensic integrity remains intact.**
  - **The moment you export data to a third-party AI, you create a 'copy' outside the chain of custody.**
    - This creates a massive legal discovery headache for prosecutors, who now have to track multiple versions of the data across different platforms.
  - Axon's Evidence platform means that there is no legal gap for a defense lawyer to exploit.
- **Technically, a police force owns the data. Practically, however, using third-party AI to process Axon's data is an uphill battle. Hence, we believe the ecosystem is protected.**
  - A third-party AI would need to be audited on data handling before it could be used. Is the hassle worth it? Probably not.
  - Procurement is also a long and difficult process within police forces and government in general.
  - Plus, moving petabytes of data out of Axon Evidence is technically difficult and costly due to data egress costs.

# AXON'S HARDWARE PRODUCTS ARE DOMINANT



- **Taser: Axon maintains a near-monopoly in the segment**
  - Prioritises safety and de-escalation.
  - New model has a 10-probe capacity and a range up to 45 feet. Better than prior models.
  - High GMs
- **The Taser is usually the anchor product that pulls the rest of the Axon portfolio into a police force.**
  - Integrated solution: e.g. when a Taser 10 is unholstered, the Evidence platform "triggers" nearby cameras to record.
- **Cameras: Est. ~80% market share**
  - Axon Body 4: Features audio and video livestreaming. Allows dispatchers to communicate directly with officers in the field.
    - Acts as a "communications beacon," providing situational awareness and automatic activation based on triggers like siren activation or unholstering a Taser.
    - A 2025 review of the VieVu merger by the American Bar Association noted that Axon's [share of the "large metropolitan police department" market segment was ~80%.](#)
  - Axon Fleet 3 (In-Car camera System): Centralises evidence capture and Automated License Plate Recognition.
  - Axon Body Workforce (ABW) Mini: A new, lightweight camera designed for retail and healthcare workers. Launching 2H26.
    - Demand driven by retail shrink and worker abuse.
- **There is also a Network of 3rd Party Products that integrate into Axon software:**
  - Axon manages third-party integrations via Axon Fusus for real-time operations and Axon Evidence for storage and playback.
- **More data capture, more situational awareness, from multiple angles including drones, traffic cams, private cameras etc is where the segment is going.**
  - Connected cameras is a critical component. Clear network effect. 3rd party and Axon cameras. The key to unlocking this is permissions.
  - **Livestreaming is critical for the future.** [Axon CEO Presentation](#) is a useful video.

## Axon Hardware

### TASER DE-ESCALATION & TRAINING



### CONNECTED VIDEO & SENSORS



### DRONES & ROBOTIC SECURITY





# AXON EVIDENCE IS BUNDLING AI MODULES



- Throughout 2025, Axon's narrative shifted from individual product excellence to the creation of an integrated "Nervous System" for public safety.

Axon Software		
DIGITAL EVIDENCE MANAGEMENT	REAL-TIME OPERATIONS	AI & PRODUCTIVITY
<b>Axon Evidence</b> is used in every state in the U.S. and 90 countries worldwide. Axon Evidence is a secure, cloud-based platform that enables law enforcement and enterprises to efficiently store, manage and share critical evidence while ensuring chain of custody and compliance.	<b>Axon Respond and Fusus</b> is a real-time operations platform that enhances situational awareness by enabling live video streaming, interactive mapping and critical alerts to help first responders make faster, more informed decisions.	Our <b>AI solutions and productivity suite</b> harnesses the power of artificial intelligence to transform public safety by boosting efficiency and increasing decision-making, while empowering officers and safeguarding communities.

- Axon is currently ahead of competitors in field-ready AI.**
  - AI is the primary driver of the new "AI Era" bundles, which are expected to contribute 10%+ of 2025 bookings.
- E.g.:
  - Axon Fusus: Real-time cloud based operations platform that **unifies live feeds from body cams, drones, and private business cameras (opt-in) into one map for dispatchers.**
    - Axon is integrating Fusus directly into its new 911 suite to provide dispatchers with "visual intelligence" the second a call is answered.
  - Axon 911 suite**
    - A new segment formed by the acquisitions of Prepared (AI overlay for existing 911) and Carbyne (cloud-native 911). **It allows 911 callers to share live video and GPS with dispatchers instantly.**
    - Directly enters the territory of Tyler Technologies and MSI.
  - Domain expertise is needed?
    - E.g. Axon has calibrated *Draft One, report writing*, to have Zero Creativity. If a detail isn't clearly in the audio transcript, the AI is programmed to leave it out or flag it. Time will tell if this is a tight enough boundary condition.



# BUNDLING ADVANTAGE



- **AXON has built a broadening product portfolio, however very few forces use all the Axon features.**
- **Approximately 70% of Axon's U.S. user base is on basic entry-level plans. Upsell/ cross-sell is the key to growth.**
  - Integration and ease of use is what AXON is selling. Time saving and bundling, all on a unified platform is why Axon wins. Layer on new software products to this data generating network.

## USER PLAN PRICING DETAILS

### OFFICER SAFETY PLANS

#### OSP 10 \$210

- TASER 10
- Extended Warranty
- Unlimited E.com
- Third-Party Storage
- Signal Sidearm
- Respond
- Standards
- Fusus Tier 1

#### OSP 10+ \$310

- OSP 10 Plan
- VR
- Records
- Channel Service
- Redaction Assistant
- Performance
- Auto-Tagging
- Community Request
- Fusus Tier 2
- Dedrone UAS Sensor

#### OSP 10 PREMIUM \$350

- OSP 10+ Plan
- Unlimited Third-Party Storage
- My90
- Fusus Tier 3
- Drone as First Responder Dock

#### OSP 7 \$205

Replace TASER 10 with  
TASER 7 in above plan

#### OSP 7+ \$305

Replace TASER 10 with  
TASER 7 in above plan

#### OSP 7 PREMIUM \$335

Replace TASER 10 with  
TASER 7 in above plan

### FLEET PLANS

#### FLEET 3 BASIC \$149

- Unlimited Storage
- Camera Kit
- Axon Signal Vehicle

#### FLEET 3 ADVANCED \$235

- Fleet 3 Basic Plan
- Camera Refresh
- Respond
- Automated License Plate Reader

### TASER PLANS

#### T10 CERT \$80

- TASER 10
- TASER E.com License
- Axon Academy Online Training

#### T10 CERT PRO \$100

- TASER 10
- TASER E.com License
- VR Package
- Axon Academy Online Training

#### T7 CERT \$74

Replace TASER 10 with  
TASER 7 in above plan

### ENTERPRISE PLANS

#### ENTERPRISE T7 \$90

- TASER 7
- Extended Warranty
- Pro E.com License

#### ENTERPRISE PRO+ \$154

- Body Worn Camera
- Unlimited Storage
- Pro E.com License
- Redaction Assistant
- Third Party Video Service
- Performance
- Community Request
- Auto Transcribe

#### FIRE/EMS \$134

- Body-Worn Camera
- Unlimited Storage
- Pro E.com License
- Redaction Assistant
- Respond
- Auto Transcribe
- Draft One

#### JUSTICE \$149

- Pro E.com License
- Redaction Assistant
- Community Request
- Investigate
- Unlimited Storage

#### AI ERA PLAN \$199

- Transcription
- Draft One
- Live Translation
- CAD Q&A
- Policy Chat
- & more

### CAMERA PLANS

#### UNLIMITED \$145

- Unlimited E.com License
- Third-Party Storage
- Signal Sidearm
- Respond
- Standards
- Fusus Tier 1

#### UNLIMITED + VR \$255

- Unlimited Plan
- Virtual Reality
- Records
- Channel Service
- Redaction Assistant
- Performance
- Auto-Tagging
- Fusus Tier 2
- Dedrone UAS Sensor

#### UNLIMITED PREMIUM \$295

- Unlimited + VR Plan
- Unlimited Third-Party Storage
- My90
- Fusus Tier 3
- Drone as First Responder Dock

# SOFTWARE UPSELL = ASP TAILWIND



- **The upgrade of software and solutions used by the public sector will continue for decades.**
  - Most government departments are running antiquated systems.
- Land and expand strategy, moving customers from basic camera or TASER plans to comprehensive, platform memberships.

- The "AI Era" Plan launched in late 2024, this plan includes all current and future AI features, such as Draft One and Real-Time Translation.
  - It is often sold as a \$199/month add-on to an existing OSP 10 premium.
- **A few years ago, the maximum per-officer spend was less than \$300. Today, that "ceiling" has doubled to \$550+**
  - **Today's entry-level OSP bundle is priced at \$200/officer,**
- **AI Era Plan is the fastest-booked software product in company history.**
  - Some of AXON'S deals are approaching the \$600 per user per month level,
  - ***"In Q3, we broke that threshold [\$600] with two of our top 10 deals in our state and local base, each representing major upgrades with Axon."***
  - AI bookings to contribute over 10% of US state and local bookings in 2026

- **The upgrade cycle should be long and steady (ish).**
  - **Long contract cycles, with most upgrades occurring at renewal (every 5–10 years).** Does not happen before this as a force going back through "procurement" is a massive pain.
- **Axon is increasingly signing larger, multi-product deals, which are causing some bookings lumpiness.** E.g. 4Q25 outlook.
  - Management has reiterated its commitment to track above the "Rule of 40," targeting the mid-50s range (in line with recent performance).

OSP 1.0 (2017)	OSP 10 PREMIUM	OSP 10 PREMIUM WITH AI ERA PLAN
<b>\$99</b>	<b>\$350</b>	<b>\$549</b>
Package includes ... <ul style="list-style-type: none"><li>✓ TASER</li><li>✓ Body camera</li><li>✓ Digital evidence management</li></ul>	Everything in OSP 1.0 plus ... <ul style="list-style-type: none"><li>✓ VR training</li><li>✓ Respond</li><li>✓ Performance</li><li>✓ Auto-tagging</li><li>✓ Redaction</li><li>✓ Citizen</li><li>✓ Records</li><li>✓ Standards</li><li>✓ My90</li><li>✓ Fusus</li><li>✓ Dedrone</li></ul>	Everything in OSP 10 + Premium plus ... <ul style="list-style-type: none"><li>✓ Transcription</li><li>✓ Draft One</li><li>✓ Live translation</li><li>✓ CAD Q&amp;A</li><li>✓ Policy chat</li><li>✓ and more...</li></ul>
<b>124%</b> net revenue retention* retention*	<b>60+</b> net promoter score	<b>95%+</b> of revenue tied to customers on subscription plans

## | The Competition: MSI

# MOTOROLA SOLUTIONS (MSI) DESCRIPTION



- Motorola Solutions (MSI) is a broader business than Axon.
  - Public Safety is 70% of revenues.
    - Made up of State and Local 62%, 12% Federal.
    - 28% of revs is international.
  - Around 36% of revenue is from software & services.**
- Mission Critical Networks is MSI's core business. **MSI has a almost monopoly position on Land Mobile Radio (LMR) networks for public safety in North America.**
  - These are the physical towers and hand-held devices that work when cell towers fail.**
  - Once a city installs an MSI LMR network they are effectively tied to Motorola for 20+ years.
- MSI bundles hardware refreshes with software maintenance and upgrade agreements.**
  - Instead of a one-time purchase, agencies pay a recurring fee to ensure their hardware always has the latest encryption and cloud-connectivity features.



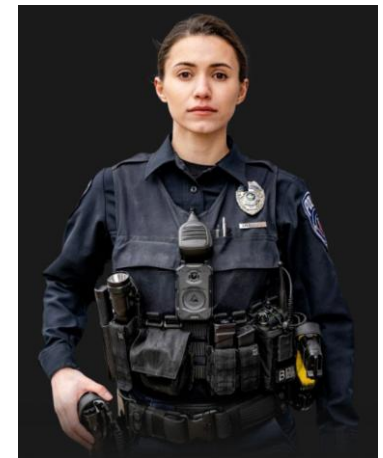
- MSI also owns CommandCentral suite, which is in ~65% of 911 call centres in the US.**
  - Specifically, VESTA 911 software, which is part of the CommandCentral ecosystem.
- Underlying demand remains good heading into 2026, led by strong product cycles, improving mix.
- Software growth is the focus, just like Axon.

# MSI'S SOLUTION HAS IMPROVED



- **MSI's hardware has finally reached feature parity with Axon.**
  - Does it work as well? Comparing the products is really hard, and depends on many factors, including sunk costs. Hence it was not possible for us to reach a firm conclusion on this.
  - Our way of thinking about it was backlog growth and revenue growth is showing product strength.
    - **Axon has been winning with ~30% growth rates.** MSI backlog software growth has been ~11%. So far, Axon has better market traction.
- **Motorola is taking all the pieces it offers and wrapping them in a single, cohesive package, plus they are pricing it to gain share:**
  - **Bundling body cameras, digital evidence management, and cloud-based support for \$49 per user, making it an attractive option for budget-constrained agencies. (most of them?)**
  - For roughly \$49/month, MSI provides the V300 Body Camera, a subscription to CommandCentral Evidence (digital evidence management), and unlimited cloud storage.
  - Axon's premium "Officer Safety Plan" bundles are often in the ~\$200+ per month per user range.
    - The challenge being that Axon has ~80% share in the bodycam market, and rip and replace is unlikely.
- **A key selling point is automated triggers. (for both Axon and MSI)**
  - **We think this type of automation is an important driver of both companies ASP growth.**
- For example, when an officer presses the "emergency" button on a MSI radio, it automatically activates their body camera and pulls up a live feed of the nearest street camera for the dispatcher.
  - **This type of workflow is why MSI and Axon are hard to disrupt:**
    - The radio trigger sends a signal to the officer's V300 Body Camera. Even if the officer forgets to hit "record," the camera starts filming instantly (often including "pre-buffer" video of the 30 seconds *before* the button was pressed).
    - In the dispatch centre, the CommandCentral screen flashes red. A live video feed from that officer's camera automatically appears on the dispatcher's main monitor.
    - The system identifies the nearest fixed street camera (via. Avigilon another MSI product) and points it toward the officer's GPS coordinates.
      - The system automatically creates a "case folder" in CommandCentral Vault.
      - The radio audio and the video feeds are linked to that specific incident ID without any manual data entry.

- **MSI now seems to now have all the tools to compete with AXON**, which is part of the bear thesis on Axon, however, rip and replace is unlikely to happen.
- **APX Next:** Flagship Smart Radio.
  - APX Next is not just a radio, it is a platform with LTE, GPS, and a touchscreen.
  - Large agencies are in a **multi-year refresh cycle**, moving from legacy APX 6000/8000 models to the 'Next' series.
    - In general, devices are replaced every 6-8 years
  - Growing from 200k units (end 2025) to 300k units (end 2026)
  - MSI generates an average of \$300 per device annually in recurring revenue from APX NEXT app subscriptions. (Q1 25)
- **SVX**, launched in April 2025,
  - SVX is a converged device that replaces the traditional shoulder microphone with a unit that contains a high-definition body camera and AI processors.
  - **Solving "Gear Overload": Officers are tired of carrying a radio, a separate body camera, and a microphone. SVX combines the mic and the camera into one.**
- Traditionally, an agency might buy Motorola radios but use **Axon** for body cameras and evidence storage.
  - By selling the **SVX** (a radio accessory), MSI gets their camera onto the officer's chest. Once the SVX is capturing video, the path of least resistance for the agency is to store that video in **MSI's DEMS** rather than paying to integrate it with a competitor's cloud.
- **Converging the incident workflow from APX NEXT through CommandCenter enhances productivity and drives software attachment opportunity for MSI**
  - **E.g. Digital Evidence Management System (DEMS)**, is designed to centralize the collection, storage, management, and sharing of all digital media related to public safety incidents.



# MOTOROLA SOLUTIONS VS AXON



- **Our opinion is that both companies are positioned to remain a duopoly.**
  - MSI is lower growth, less innovative, more of a follower, however still well positioned as the market transitions from voice to integrated data/video/voice.

	Motorola Solutions	Axon
Core Hardware Strength	Mission-Critical LMR Radios, Fixed Video Security	Body-Worn Cameras, TASER.
Software Hub	CommandCentral Suite (CAD, RMS, 911, Aware).	Axon Evidence, Axon Records.
Market Approach	Leverage deep incumbency in LMR and command center to upsell video and AI software.	Leverage dominance in body cams and TASERs to sell cloud software and AI subscriptions.
Key AI Features (we assume these will converge over time)	Live 911 transcription, ViQi voice assistant, Assist Chat, automated dispatch, Avigilon analytics.	Draft One report writing, auto-transcription, automated redaction, real-time translation.

- Axon does have a very dominant position in body cameras, but MSI's SVX launch (April 2025) is important for MSI and clearly increases the competition.
  - The next few years will show Motorola's success in **converting its radio base into "Safety Ecosystem" subscribers.**
  - Axon is not standing still, bundling an increasing number of elements and is coming after MSI's CommandCentre and 911 businesses.



# ACQUISITIONS: M&A TO BUILD BROADER BUSINESSES



- **Both MSI and Axon have done significant recent acquisitions.**
- **Axon deals have been to add product and expand software offerings on the Axon platform, increasing competition for parts of MSI's software portfolio.**
- Carbyne acquisition (closes in Q1 2026) adds to Axon's Integrated 911 solution.
  - Carbyne allows Axon to bypass MSI's hardware-heavy legacy systems, moving the 911 centre to the cloud.
    - Historically, Motorola Solutions owned the 911 centre because they owned Vesta (Call Handling) and PremierOne (Dispatch) software.
    - Motorola's Vesta traditionally requires on-site maintenance and hardware refreshes. SAAS vs. on prem argument.
  - Carbyne has a 94 NPS.
  - SAAS wins over time (MSI also has a SAAS upgrade solution)
    - Too early to have much data on entrenched solution upgrades vs. new competitor, in terms of who will be dominant. It probably remains a duopoly.
- **MSI's \$4.4bn acquisition of Silvus Technologies in late 2025 is to capture One Big Beautiful Bill Act (OBBBA) funding.**
  - By combining Silvus's military-grade tech with MSI's existing LMR infrastructure, MSI is the front-runner for new federal spending.
    - **Silvus specializes in high-end Mesh Networking, which is what the OBBBA's border and national security funds are designed to procure:**
      - Border & National Security Fund: Significant new allocations for modernising communication along U.S. borders and federal agency upgrades.
      - Rural Technology Fund: A \$50 billion allocation (\$10B annually from 2026–2030) dedicated to "stabilizing and deploying tech" in rural areas, which includes public safety communication and secure networking.
  - MSI also bought Silent Sentinel in Feb 2024, a UK-based manufacturer of specialized long-range thermal cameras for homeland security

- **This is part of the product cycle bet on AXON: The future is about delivering a fully integrated system. Today Axon does not have all the pieces.** (MSI does, although there are currently holes in both collections of software / hardware)
  - We think a key bet is that Axon is a better innovator in the age of AI, and that MSI will have a reduced capability to fight AXON's innovation / disruption longer term.
  - **Our conclusion is that there is a very meaningful workflow change happening, and the tools needed to be modernised, integrated, and able to be automated by AI/ SaaS.**
- **AXON is positioning itself to replace existing Computer-Aided Dispatch (CAD) systems**
  - While Axon has historically integrated with legacy CAD systems to provide situational awareness (like body-cam livestreams), it is now pitching a complete replacement, moving agencies away from "decades-old" on-premise technology.
  - **Major city agencies, such as the Fresno Police Department and the Maricopa Police Department, have transitioned from traditional CAD vendors to Axon Dispatch** to improve usability and reduce maintenance costs.
    - For agencies not yet ready to replace their entire CAD system, Axon offers Axon Respond and Axon Fusus, which act as a "real-time operations" layer that sits on top of existing CADs to add modern features such as digital map dots and drone integration.
  - **Legacy systems often require expensive upgrades just to stay compliant with federal mandates.**
  - Some older CADs lack basic modern features, such as accurate mapping, forcing dispatchers to rely on external tools like Google Maps etc.
- **Axon's 911 product is being built on the Prepared and Carbyne acquisitions**
  - On receiving a call, a network of connected devices and software across your city activate instantly, analysing information, prompting decisions.
  - Prepared serves as an intelligent assistant, taking on data collection so operators can focus on the human side of helping people in crisis.
  - Carbyne replaces on-prem call-centre infrastructure with cloud infrastructure.
  - Drone as a first responder is a major theme in policing right now. Send drones before you send people into a dangerous situation.
  - Enabling these capabilities requires a network of connected devices and software across a city.

## THE FIRST 120 SECONDS

### Axon 911

### Real-Time Operations

### Connected Devices

#### PREPARED BY AXON



#### CARBYNE



#### CALL TAKER

Reliably receives priority emergency calls with precise location data, real-time transcription with contextual alerts and prompts, translation support across 200+ languages and automated summary reporting.



#### DISPATCHER

Automatically views the call taker's workflow and live radio transcriptions, enabling informed, and efficient officer dispatching.

#### AXON FUSUS

Simultaneously pulls precise location and live 911 audio with AI summaries to activate real-time response streams.



#### AXON AIR DFR

Drones launched directly from Fusus, arriving on scene in seconds to stream live data back to RTCC Operator.



#### VEHICLE INTELLIGENCE

Real-time visibility and insight streamed to Fusus across every connected ALPR-enabled camera, including Axon's fixed and mobile ALPR devices.



#### BODY-WORN CAMERAS + AXON ASSISTANT

Delivers full-scene visibility so teams can monitor threats, track movement, and adjust tactics in real time with the help of Axon's AI Assistant.



#### FIRST RESPONDER

Dispatched faster, with more two-way intelligence and situational awareness delivered to and from the body-worn camera — keeping officers safer and teams more connected.



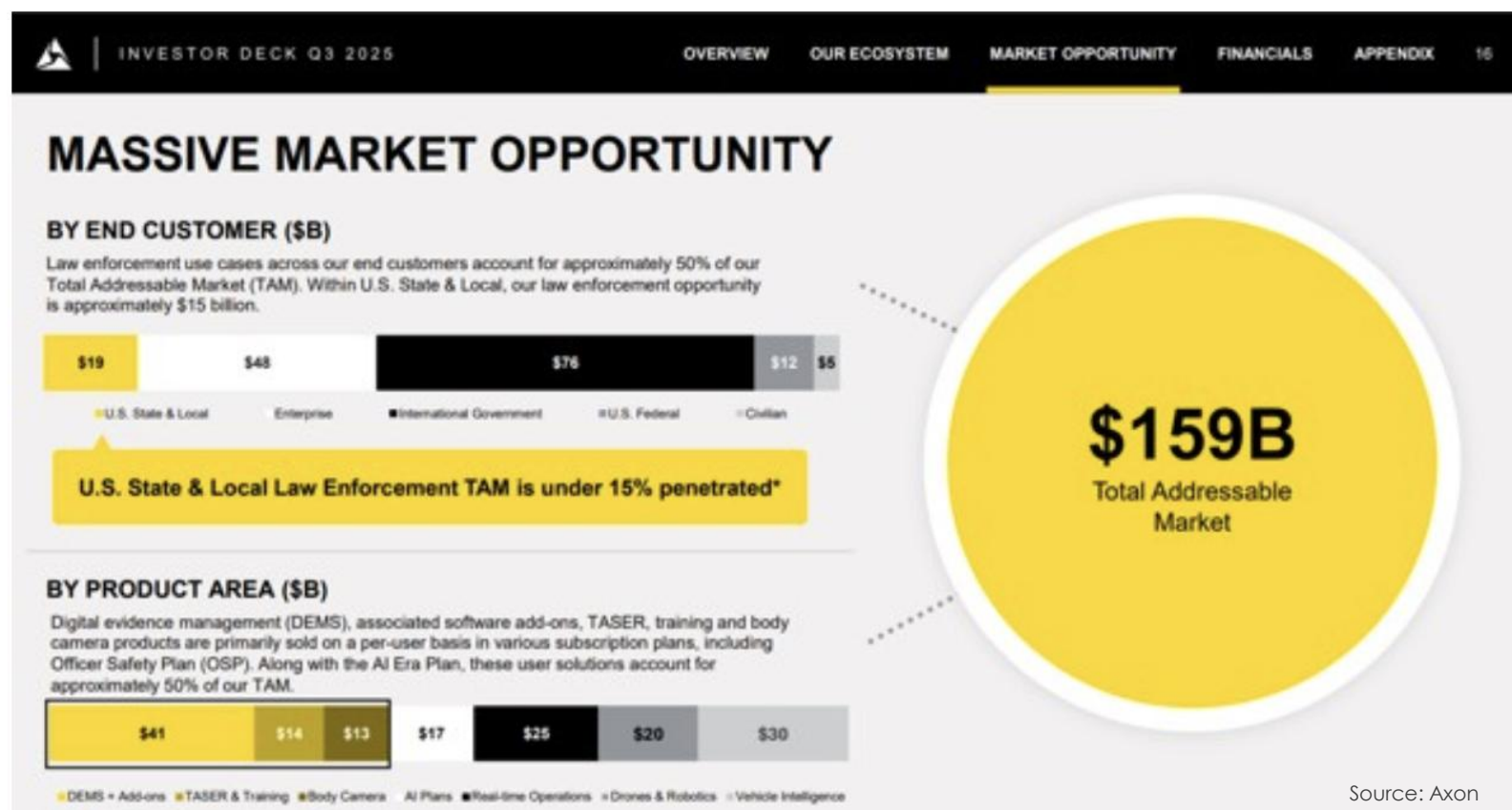
Source: Axon

# MAJOR NEW TAMs ESPECIALLY ENTERPRISE



- *"I think 10 years from now, that will look very different where enterprise is the biggest market we're in, followed by international, followed by U.S. state and local, followed by federal." CEO*

## Breadth of TAMs beyond U.S. state and local law enforcement



# HOW BIG WILL ENTERPRISE BECOME?



- **Axon's Body Workforce (ABW) Mini is launching now.**
  - hardware expansion into the enterprise sector, specifically designed for non-law enforcement workers such as retail and healthcare staff.
    - Adoption drivers: "shrink" and organized retail crime. To protect staff from workplace violence.
  - **General Availability: Expected by mid-year 2026**, with international expansion (Europe, Australia, etc.) to follow.
    - Axon has said that "major healthcare and retail leaders" were involved in the development and are among the first partners planning to deploy it.
    - The original Axon Body Workforce (ABW) launched in January 2024 served as a "proof of concept" that established Axon's credibility in the private sector.
    - Across trials, retailers using the ABW saw an average 37% drop in violence and verbal abuse. One study showed that nearly 50% of active incidents were de-escalated just by the employee turning on the camera.
    - **Feedback was that nurses and retail associates found it too bulky, hence the ABW mini launch.**
- **The Fusus integration strategy** (already a product being sold to the police)
  - Fusus allows enterprises to consolidate disparate video feeds (from existing CCTV, body cams, drones, and dashboard cameras) into a "single pane of glass" without ripping and replacing existing hardware.
  - **Proof: The Logistics "Mega-Deal" in late 2024. Axon signed the largest deal in its company history with a global logistics provider. This deal was driven by Fusus**, which allowed the client to consolidate 300,000 video feeds from stores, warehouses, and trucks into one security operations centre.
- **TAM is clearly large, but there is little to no data to back up that the market will adopt Axon's product.**
  - **Retail:** Walmart represents a potential user base of 2.1 million workers, compared to only 900,000 police officers in the US, highlighting the TAM potential.
  - **Corrections:** This sub-segment is seeing rapid growth (triple-digit growth mentioned in early 2025), with institutions adopting the full ecosystem including TASER 10, body cams, and VR training.
  - **Casinos:** Axon secured its first major win in the gaming vertical, deploying video and AI products to protect high-value assets and manage security on casino floors.
  - **Healthcare:** Facilities are adopting body cameras and digital evidence management to protect nurses and staff from patient and visitor violence.

- **International delivered two of AXON's top 10 deals in Q3 2025**
  - With an additional nine-figure cloud deal in Europe that closed in October.
  - **AXON is seeing a shift in some countries driven by the value that cloud products bring and we think this will be the start of larger and larger deals in international segment.**
  - Growing adoption of TASER 10 in international markets is another part of the story, and **seven of top 10 Q3 international deals were driven by TASER 10**
  - Increased government spending on national security and domestic safety infrastructure in the US and Europe continues to fuel the pipeline.
    - Counter-drone will remain a key trend, particularly in Europe.
- International markets have similar efficiency drivers:
  - **E.g. the recent announcement for the UK on using AI and live facial recognition in policing overhaul.**
  - £140m investment, aiming to free up 6m police hours a year.
  - **Axon is a central partner for UK policing** and has become the primary provider of the digital ecosystem used by almost every force in the country.
    - The Metropolitan Police is the world's largest user of Axon cameras, with over 22,000 devices.
    - Most UK forces now use Evidence.com, which [integrates directly](#) with the Crown Prosecution Service.
  - In late 2025, the TASER 10 received approval for use by all UK police forces. Then it takes years to be deployed, but will likely drag other solutions with it.
- **Our opinion on the International opportunity:**
  - **The process will be slow due to country specific market developments, but the demand and government push for more high-tech national-security capabilities is high.**
  - On the negative side: Western Europe is challenging due to old tech, tight budgets, sovereignty issues for data. This means that deals take a long time to be signed.

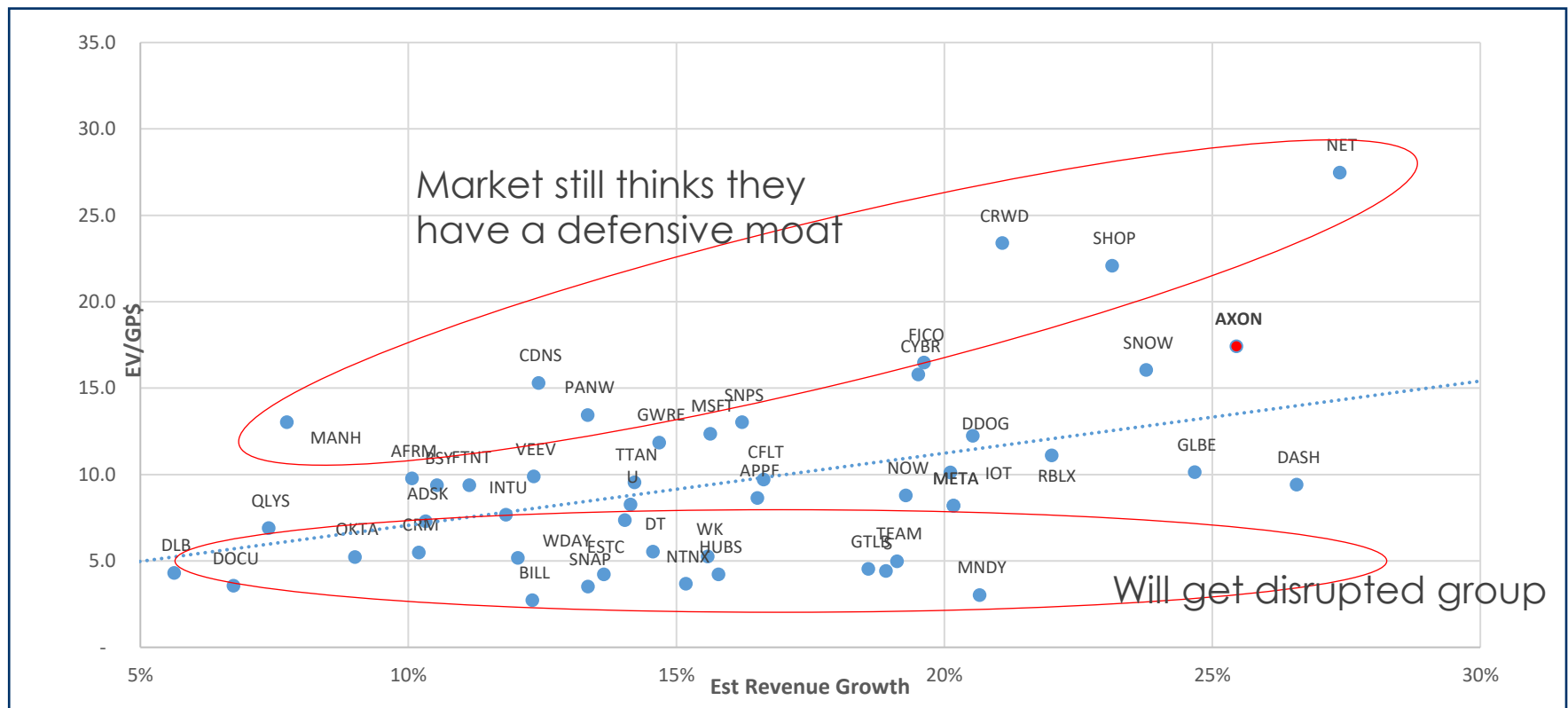
## Axon Risk / Reward



# SOFTWARE RELATED VALUATIONS



- Clearly, one of the valuation problems with Axon right now is that it is grouped with software companies.
- We view the market as having 2 camps:
  - Companies with no assumed moat. Trade at 5-8x gross profit dollars.**
    - Growth just waiting to evaporate for one AI reason or another depending on the narrative.
    - No-moat = heavily discounted terminal value. Trending towards 10x EPS a few years out, as the market makes the assumption that growth and terminal profit margins are both under threat.
  - Companies with high barriers to AI disruption and perhaps AI beneficiaries. Trade at a significant premium.**
    - AXON is close to this valuation bucket. (Was firmly in it 3 months ago)
- Everything in the 'in-between' seems to be in the process of falling into the no-moat bucket YTD. E.g. NOW, IOT.



# AXON HAS ENTERED A 'SHOW ME' STAGE ON GROWTH WITH EXPANDING OP MARGINS



- Operating leverage in 2024 was excellent, with **approximately 200bps of EBITDA margin expansion YoY each quarter**.
  - S&M based operating leverage slowed to +15bps YoY in Q3 2025** – which was what the market particularly disliked in the numbers.
  - R&D line had stopped the improving trend in Q4 2024, due to M&A.
- I.e. Axon has gone through a M&A to acquire R&D phase and now needs to execute on the cross sell.**
  - Headwinds of declining Gross and EBITDA margins because of Tariffs and M&A need to be overcome to prove to the market that the model will continue to be differentiated.

\$k	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'2025
Net sales	344,341	372,704	413,278	430,376	459,871	503,236	544,274	575,145	603,633	668,538	710,641
COGS	139,877	142,363	156,622	166,384	201,243	197,080	213,527	229,296	237,894	264,795	283,293
Adjusted gross Profit	206,401	232,636	259,298	266,857	290,511	317,663	343,890	363,383	384,196	422,978	445,450
Adjusted gross margin %	59.9 %	62.4 %	62.7 %	62.0 %	63.2 %	63.1 %	63.2 %	63.2 %	63.6 %	63.3 %	62.7 %
SG&A ex SBC	100,501	104,407	109,471	121,972	127,920	132,331	136,941	153,494	152,162	170,025	177,731
R&D ex SBC	53,342	56,628	61,466	66,053	68,732	73,763	78,068	89,076	95,018	108,071	118,297
SG&A ex SBC as % of Revenue	29.2%	28.0%	26.5%	28.3%	27.8%	26.3%	25.2%	26.7%	25.2%	25.4%	25.0%
R&D ex SBC as % of sales	15.5%	15.2%	14.9%	15.3%	14.9%	14.7%	14.3%	15.5%	15.7%	16.2%	16.6%
Adjusted EBITDA	66,061	80,404	93,929	91,002	109,071	125,661	145,053	141,590	155,170	171,632	177,010
Incremental Adj Ebitda Margins					37.2%	34.7%	39.0%	34.9%	32.1%	27.8%	19.2%
Adjusted EBITDA margin %	19.2%	21.6%	22.7%	21.1%	23.7%	25.0%	26.7%	24.6%	25.7%	25.7%	24.9%

# AXON MODEL



- **Key bet is on the growth rate: our assumptions are that >20% growth is sustainable for the next 4 years.**
- **Longer term margin structure:**
  - **We have assumed a continued investment stage due to AI.**
  - How long this lasts? – we are unsure, but **have used 31% incremental EBIDA margins long term vs ~36% in 2024 and 1H 2025.**
  - Mix shift towards services = a long-term tailwind to GMs.
  - We assumed continued R&D investment, only op. leverage is from SG&A.

AXON USD M	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
<b>Total Revenue</b>	<b>1,561</b>	<b>2,083</b>	<b>2,766</b>	<b>3,499</b>	<b>4,455</b>	<b>5,452</b>	<b>6,618</b>	<b>7,775</b>
Growth yoy	31.5%	33.4%	<b>32.8%</b>	<b>26.5%</b>	<b>27.3%</b>	<b>22.4%</b>	<b>21.4%</b>	<b>17.5%</b>
Consensus growth			31.6%	24.8%	24.3%	21.4%		
Consensus revenue			2,740	3,420	4,250	5,160	6,030	7,640
<b>Products</b>	<b>964</b>	<b>1,221</b>	<b>1,563</b>	<b>1,875</b>	<b>2,344</b>	<b>2,813</b>	<b>3,319</b>	<b>3,817</b>
Growth yoy	21.0%	26.7%	27.9%	20.0%	25.0%	20.0%	18.0%	15.0%
<b>Services</b>	<b>597</b>	<b>861</b>	<b>1,203</b>	<b>1,624</b>	<b>2,111</b>	<b>2,639</b>	<b>3,299</b>	<b>3,959</b>
Growth yoy	53.0%	44.3%	39.7%	35.0%	30.0%	25.0%	25.0%	20.0%
Gross Profit (GAAP)	<b>956</b>	<b>1,241</b>	<b>1,668</b>	<b>2,126</b>	<b>2,718</b>	<b>3,339</b>	<b>4,078</b>	<b>4,812</b>
Products GM	53.6%	49.4%	49.5%	49.0%	49.0%	49.0%	49.0%	49.0%
Services GM	73.6%	74.1%	74.3%	74.3%	74.3%	74.3%	74.3%	74.3%
<b>GM (GAAP)</b>	<b>61.2%</b>	<b>59.6%</b>	<b>60.3%</b>	<b>60.8%</b>	<b>61.0%</b>	<b>61.3%</b>	<b>61.6%</b>	<b>61.9%</b>
SG&A	495	741	986	1,190	1,470	1,745	2,052	2,333
% of revenue	31.7%	35.6%	35.7%	34.0%	33.0%	32.0%	31.0%	30.0%
R&D	304	441	672	875	1,114	1,363	1,654	1,944
% of revenue	19.5%	21.2%	24.3%	25.0%	25.0%	25.0%	25.0%	25.0%
Income from ops	157	59	9					
Interest	42	37	(12)					
Other	(42)	286	128					
PBT	157	382	125					
Tax	(19)	5	(18)					
<b>Net Income (GAAP)</b>	<b>176</b>	<b>377</b>	<b>143</b>					
D&A	33	57	81					
Interest expense	7	8	94					
Investment income	(49)	(44)	(82)					
Provision for tax	(19)	5	(19)					
<b>EBITDA (GAAP)</b>	<b>148</b>	<b>402</b>	<b>217</b>					
Unrealised (gain)/loss	(42)	(192)	(154)					
SBC	131	382	571					
Others	95	(71)	69					
<b>Adj EBITDA</b>	<b>331</b>	<b>521</b>	<b>703</b>	<b>875</b>	<b>1,158</b>	<b>1,472</b>	<b>1,853</b>	<b>2,255</b>
% of revenue	21.2%	25.0%	25.4%	25.0%	26.0%	27.0%	28.0%	29.0%
Consensus			684	867	1,140	1,430	1,600	1,960
<b>Incr Adj EBITDA margin</b>		<b>36%</b>	<b>27%</b>	<b>25%</b>	<b>26%</b>	<b>27%</b>	<b>30%</b>	<b>31%</b>

- SBC is a key pushback

Unrealised Gains: this is a surprisingly big number and comes from investment marks to market.  
Key private holding is in Skydio, a leading US drone company, where Axon has invested in a couple of rounds. \$386m in strategic investments. Hold ~\$1bn in short term investments on the balance sheet. We think of these investments as part of Axon's R&D pipeline.

- **Government shutdowns are bad for the stock.**
- **Tariff uncertainties are bad for the stock**
- Axon reports numbers on the 25<sup>th</sup> Feb. **We have had both tariff uncertainties and a recent and impending government shutdown.**
  - Clear reasons for the continued weakness.
- **We want to own Axon longer term as it is the company using AI to change its industry position.**
  - This is a critical part of the bet on quality. Hardware Integration, Evidence.com, high net retention, are all part of the 'walled garden.'
  - **We want to own innovators in the age of AI, and not traditional compounders** as the legacy compounders do not have the capability to fight disruption longer term.
    - E.g. ROP terminal value debate:
      - Market increasingly sceptical that it can defend its software niches.
      - Organic growth slowdown to 5–6%, signalling a loss of momentum in its core businesses.
- **Downside: \$417**
  - Using our chart / Matrix on p23: We see 15x EV/ GP as a reasonable downside assuming 20% continued growth.
  - Est 2.2bn in 2026 Adj GP x 15 = **\$33bn or \$417per share.** (net cash as of last Q, but Axon still needs to pay for M&A)
  - \$33bn would put AXON on 37x 2026 EV/EBITDA.
- **Upside: 20% IRR**
  - Our core thesis is that AXON is different from the broader SaaS sector.
  - Axon has spent the last decade building a physical and digital 'walled garden' that is difficult to penetrate, plus AXON has an opportunity to grow at 20%+ for many years.
  - In our upside scenario, we see AXON potentially recovering some of the lost valuation multiple and delivering an IRR of earnings growth.
    - Assumes the business trades on 17x EV/GP, 60 P/E on Fwd 12 month ests.

# MSI RISK / REWARD

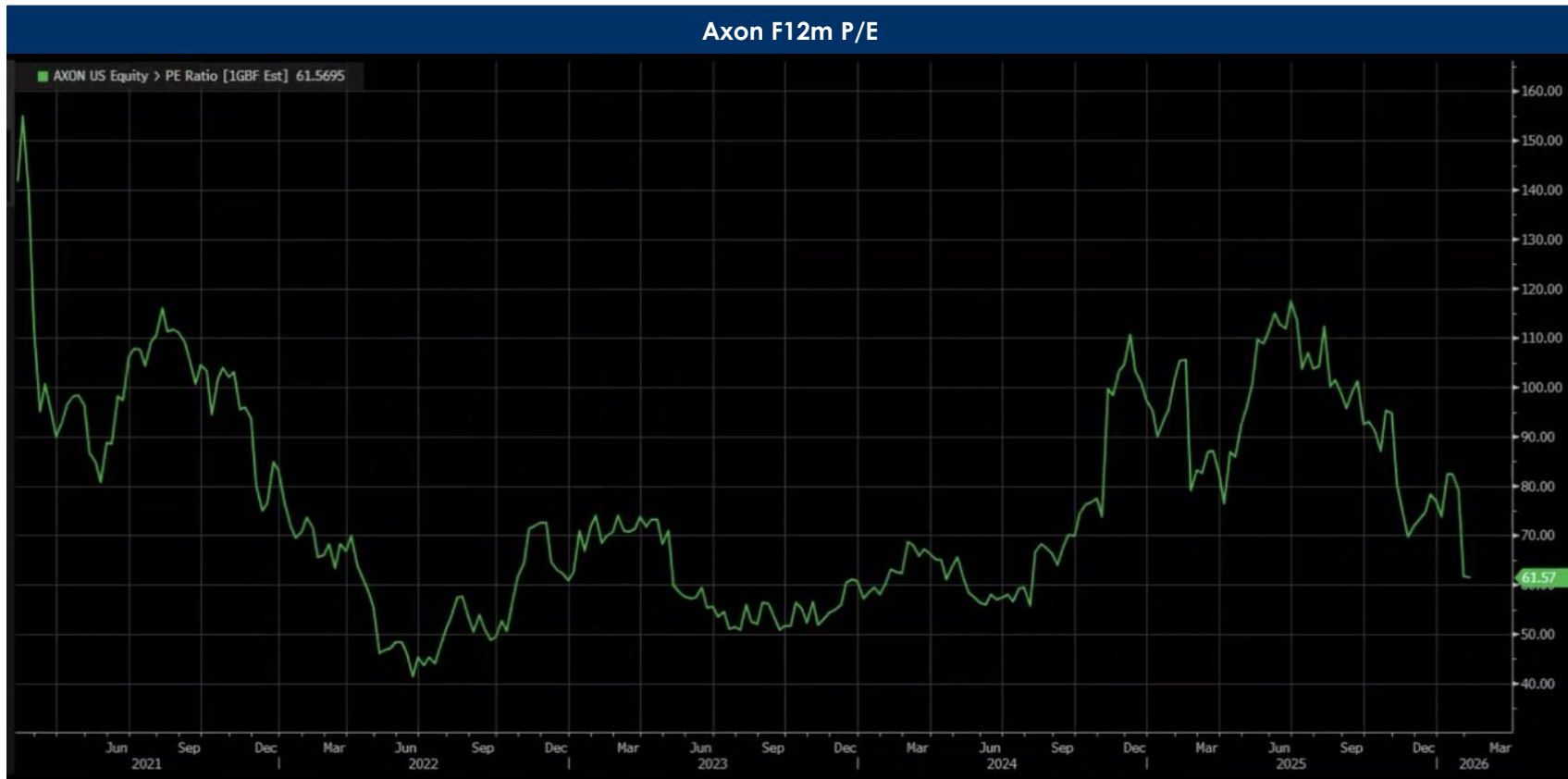


- **The risk in MSI seems far lower than the risk in AXON:**
  - **Trading at the lower end of the valuation range, consistent EPS growth of 8-10%.**
- MSI is an 8% revenue grower, with some operating leverage making ~9-10% EPS growth.
  - The 8% is relatively steady, with small volatility in bookings / backlog growth.
  - P/E has consistently been ~2x to 3x organic EPS growth.
    - Currently we are closer to the lower end of that range.
- We think that paying 23x for close to guaranteed long term EPS growth of 8-10% is reasonable. Although as **we see no evidence that MSI can change its growth trajectory due to new products, we struggle to see how to generate a >12% IRR from holding the stock.**
  - Our opinion would only change if we saw a change in adoption rate for one of the new products.



MSI Backlog Growth				
\$bn	Software & Services Backlog	S&S YoY	Hardware	Total Backlog
2025 Q3	11.0	11%	3.6	14.6
2025 Q2	10.7	11%	3.4	14.1
2025 Q1	10.5	8%	3.6	14.1
2024 Q4	10.6	14%	4.1	14.7
2024 Q3	9.9	5%	4.2	14.1
2024 Q2	9.7	2%	4.4	14.0
2024 Q1	9.7	4%	4.7	14.4
2023 Q4	9.3	2%	5.0	14.3
2023 Q3	9.5	7%	4.9	14.4
2023 Q2	9.5	10%	4.8	14.3

# | Appendix





# CORRECTIONS MARKET



- **Corrections:** This sub-segment is seeing rapid growth (triple-digit growth mentioned in early 2025), with institutions adopting the full ecosystem including TASER 10, body cams, and VR training.
  - ***“Corrections, which contributed two of our top 10 deals in Q3, with year-to-date bookings up more than 2x from last year. International also delivered two of our top 10 deals overall with an additional nine-figure cloud deal in Europe that closed in October.”***

## BY END CUSTOMER (\$B)

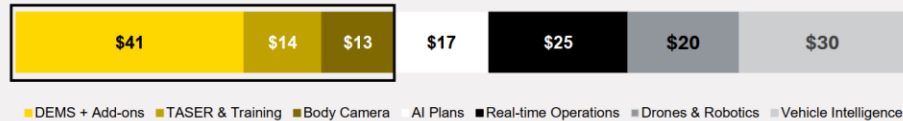
Law enforcement use cases across our end customers account for approximately 50% of our Total Addressable Market (TAM). Within U.S. State & Local, our law enforcement opportunity is approximately \$15 billion.



**U.S. State & Local Law Enforcement TAM is under 15% penetrated\***

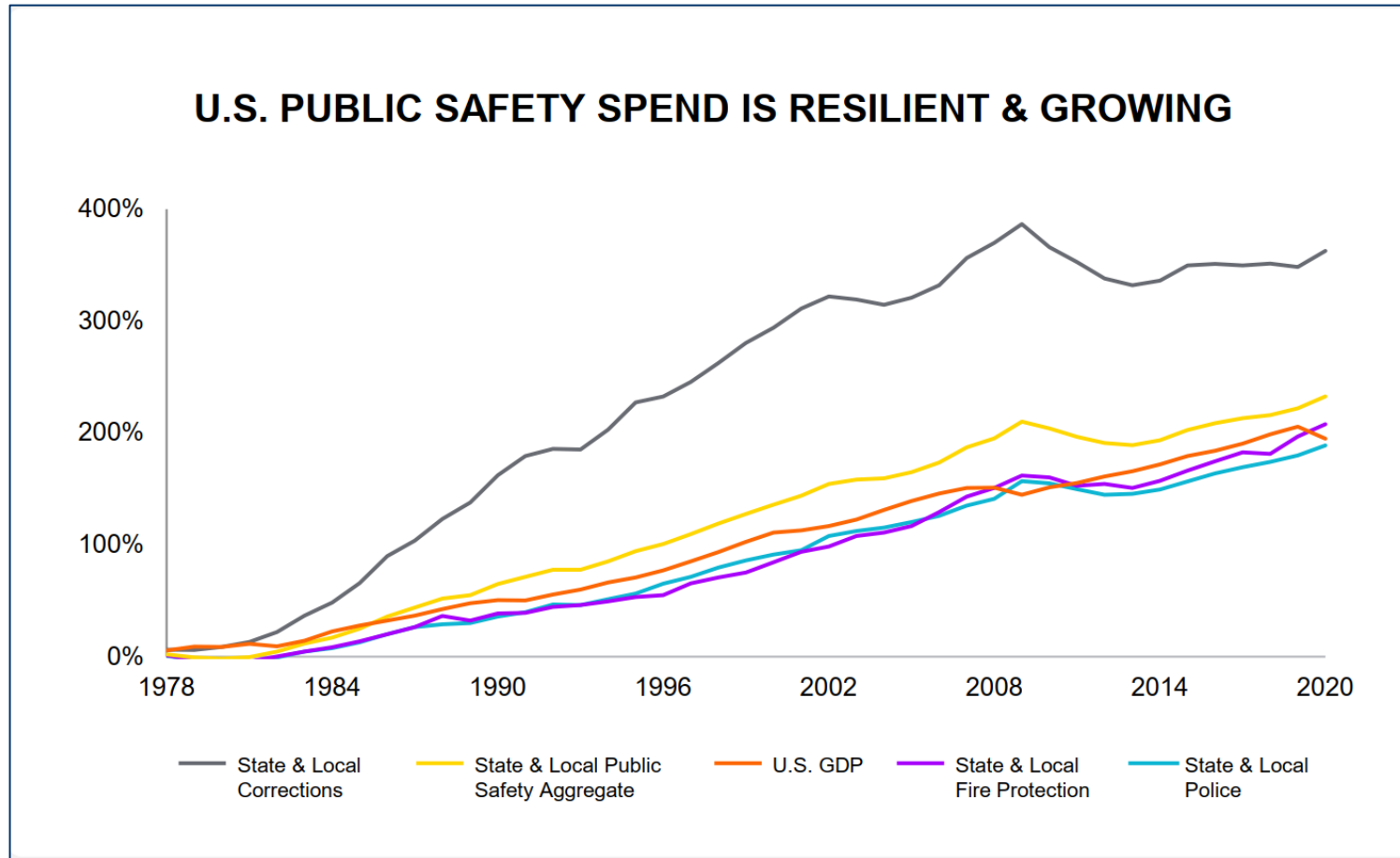
## BY PRODUCT AREA (\$B)

Digital evidence management (DEMS), associated software add-ons, TASER, training and body camera products are primarily sold on a per-user basis in various subscription plans, including Officer Safety Plan (OSP). Along with the AI Era Plan, these user solutions account for approximately 50% of our TAM.



**\$159B**  
Total Addressable  
Market

- State and local police spend has increased ~5%/yoy for a few decades and that trend is expected to continue



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This research was produced by Vipin Ahuja, Partner and Robert Graham-Brown, Partner.