

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): May 6, 2021



GOPRO, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-36514
(Commission File No.)

77-0629474
(I.R.S. Employer
Identification No.)

3025 Clearview Way, San Mateo, CA 94402
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: **(650) 332-7600**

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock	GPRO	NASDAQ Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On May 6, 2021, GoPro, Inc. (the "Company") issued a press release to report its financial results for its first quarter ended March 31, 2021.

A copy of the press release is furnished as Exhibit 99.1 to this report.

The information contained herein and in the accompanying exhibit shall not be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference to this or such filing. The information in this report, including the exhibit hereto, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), or otherwise subject to the liabilities of that section or Sections 11 and 12(a) (2) of the Securities Act of 1933, as amended ("Securities Act").

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On May 4, 2021, the Board of Directors appointed Charles Lafrades, 52, as the Company's Chief Accounting Officer and Principal Accounting Officer. Mr. Lafrades joined the Company in November 2012 and has served as the Company's Vice President of Finance and Accounting since that date.

In connection with Mr. Lafrades' new role, he will receive a base salary of \$340,000 a year. The other components of Mr. Lafrades' compensation arrangement with the Company remain substantially unchanged.

The selection of Mr. Lafrades was not pursuant to any arrangement or understanding with respect to any other person. In addition, there are no family relationships between Mr. Lafrades and any director or executive officer of the Company. Mr. Lafrades has not been a party to any transaction with the Company or its subsidiaries of the type required to be disclosed pursuant to Item 404(a) of Regulation S-K, and no such transaction is currently contemplated.

Item 7.01. Regulation FD Disclosure.

On May 6, 2021, the Company held a live audio webcast to discuss its financial results for its first quarter ended March 31, 2021.

A copy of management's commentary from Nicholas Woodman, our Chief Executive Officer, and Brian McGee, our Chief Financial Officer and Chief Operating Officer, is attached as Exhibit 99.2, and is incorporated by reference into this Current Report on Form 8-K.

The information in Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.2, shall not be deemed "filed" for the purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section. The information in Item 7.01 of this Current Report on Form 8-K shall not be incorporated by reference into any filing or other document pursuant to the Securities Act, except as may be expressly set forth by specific reference in such filing or document.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit Number	Description of Document
<u>99.1</u>	Press Release of GoPro, Inc. dated May 6, 2021 to report its financial results for its first quarter ended March 31, 2021.
<u>99.2</u>	Management's commentary from Nicholas Woodman, Chief Executive Officer, and Brian McGee, Chief Financial Officer and Chief Operating Officer, dated May 6, 2021 (furnished pursuant to Item 7.01).
<u>104</u>	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

GoPro, Inc.
(Registrant)

Dated: May 6, 2021

By: /s/ Brian McGee

Brian McGee
Chief Financial Officer and Chief Operating Officer
(Principal Financial Officer)



GoPro Announces First Quarter 2021 Results

Revenue of \$204 Million up 71% Year-over-Year

GoPro.com Revenue Increased 224% Year-over-Year to \$82 Million, Capturing 40% of Revenue

Launched Quik App Subscription for Smartphone Users

GoPro Subscription Surpassed One Million Subscribers in April

SAN MATEO, Calif., May 6, 2021 - GoPro, Inc. (NASDAQ: GPRO) today announced financial results for its first quarter ended March 31, 2021 and posted management commentary on its investor relations website at <https://investor.gopro.com>.

"This is the new GoPro. We've evolved from a hardware unit-sales-centric business to a successful direct-to-consumer subscription-centric business with a significant opportunity to grow margin and profitability with continued subscriber growth," said Nicholas Woodman, GoPro's founder and CEO. "The value-creation implications of this shift are meaningful."

"GoPro fired on all cylinders during the first quarter of 2021. Strong revenue growth globally, a continued shift to higher-end cameras, and subscription growth drove record ASP's that resulted in expanded gross margins and operating results in the quarter," said Brian McGee, GoPro's CFO and COO.

GoPro Q1 2021 Financial Results

- Revenue for Q1 2021 was \$204 million, compared to \$119 million in Q1 2020, up 71% year-over-year.
- GAAP and non-GAAP gross margin for Q1 2021 was 38.6% and 39.2%, respectively, up 640 and 500 basis points, respectively, year-over-year.
- Q1 2021 GAAP net loss was \$10 million, or \$0.07 per share, compared to a net loss of \$64 million or \$0.43 per share in Q1 2020. Non-GAAP net income was \$5 million, or \$0.03 per share in Q1 2021, compared to a net loss of \$50 million, or \$0.34 per share in Q1 2020.
- Q1 2021 GAAP and non-GAAP operating expenses decreased 13% and 17% year-over-year to \$82 million and \$73 million, respectively.
- Adjusted EBITDA for Q1 2021 was positive \$11 million, compared to negative \$41 million in the same period a year ago.

Recent GoPro Highlights

- In April 2021, GoPro subscribers surpassed one million.
 - GoPro.com generated \$82 million in revenue in Q1 2021, or 40% of total revenue and up 224% year-over-year.
 - Camera unit sell-through was approximately 700,000 units in Q1 2021.
 - Cameras with retail prices above \$300 represented 95% of Q1 2021 camera revenue.
 - Q1 2021 Street ASP increased 4% year-over-year to \$366, our highest ever.
 - In March, GoPro launched its new Quik App and made it available to smartphone users via a \$9.99 annual subscription.
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Results Summary:

(\$ in thousands, except per share amounts)	Three months ended March 31,		
	2021	2020	% Change
Revenue	\$ 203,680	\$ 119,400	70.6 %
Gross margin			
GAAP	38.6 %	32.2 %	640 bps
Non-GAAP	39.2 %	34.2 %	500 bps
Operating income (loss)			
GAAP	\$ (3,512)	\$ (56,114)	93.7 %
Non-GAAP	\$ 6,913	\$ (46,654)	114.8 %
Net income (loss)			
GAAP	\$ (10,168)	\$ (63,528)	84.0 %
Non-GAAP	\$ 4,835	\$ (49,613)	109.7 %
Diluted net income (loss) per share			
GAAP	\$ (0.07)	\$ (0.43)	83.7 %
Non-GAAP	\$ 0.03	\$ (0.34)	108.8 %
Adjusted EBITDA	\$ 10,720	\$ (41,356)	125.9 %

Conference Call

GoPro management will host a conference call and live webcast for analysts and investors today at 2 p.m. Pacific Time (5 p.m. Eastern Time) to discuss the Company's financial results.

Prior to the start of the call, the Company will post Management Commentary on the "Events & Presentations" section of its investor relations website at <https://investor.gopro.com>. Management will make brief opening comments before taking questions.

To listen to the live conference call, please dial toll free (800) 367-2403 or (334) 777-6978, access code 2771163, approximately 15 minutes prior to the start of the call. A live webcast of the conference call will be accessible on the "Events & Presentations" section of the Company's website at <https://investor.gopro.com>. A recording of the webcast will be available on GoPro's website, <https://investor.gopro.com>, approximately two hours after the call and for 90 days thereafter.

About GoPro, Inc. (NASDAQ: GPRO)

GoPro helps the world capture and share itself in immersive and exciting ways.

For more information, visit www.gopro.com. Members of the press can access official brand and product images, logos and reviewer guides by visiting GoPro's [press portal](#). GoPro users can submit their photos, raw video clips and edits to GoPro Awards for a chance to be featured on GoPro's social channels and receive gear and cash awards. Learn more at www.gopro.com/awards. Connect with GoPro on [Facebook](#), [Instagram](#), [LinkedIn](#), [TikTok](#), [Twitter](#), [YouTube](#), and GoPro's blog [The Inside Line](#).

GoPro, HERO and their respective logos are trademarks or registered trademarks of GoPro, Inc. in the United States and other countries.

GoPro's Use of Social Media

GoPro announces material financial information using the Company's investor relations website, SEC filings, press releases, public conference calls and webcasts. GoPro may also use social media channels to communicate about the Company, its brand and other matters; these communications could be deemed material information. Investors and others are encouraged to review posts on [Facebook](#), [Instagram](#), [LinkedIn](#), [TikTok](#), [Twitter](#), [YouTube](#), GoPro's [investor relations website](#) and blog, [The Inside Line](#).

Note Regarding Use of Non-GAAP Financial Measures

GoPro reports gross profit, gross margin, operating expenses, operating income (loss), other income (expense), tax expense, net income (loss) and diluted net income (loss) per share in accordance with U.S. generally accepted accounting principles (GAAP) and on a non-GAAP basis. Additionally, GoPro reports non-GAAP adjusted EBITDA. Non-GAAP items exclude, where applicable, the effects of stock-based compensation, acquisition-related costs, restructuring and other related costs, non-cash interest expense, gain on sale and license of intellectual property and the tax impact of these items. When planning, forecasting and analyzing gross margin, operating expenses, other income (expense), tax expense, net income (loss) and net income (loss) per share for future periods, GoPro does so primarily on a non-GAAP basis without preparing a GAAP analysis as that would require estimates for reconciling items which are inherently difficult to predict with reasonable accuracy.

Note on Forward-looking Statements

This press release may contain projections or other forward-looking statements within the meaning Section 27A of the Private Securities Litigation Reform Act. Words such as "anticipate," "believe," "estimate," "expect," "intend," "should," "will" and variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. Forward-looking statements in this presentation may include but are not limited to planned growth and expansion of our total addressable market through new products and subscription services; increased profitability in 2021 and beyond; overall consumer demand, and the impact of the COVID-19 pandemic on our business. These statements involve risks and uncertainties, and actual events or results may differ materially. Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are our ability to achieve revenue growth or profitability in the future, and if revenue growth or profitability is achieved, we may not be able to sustain it; our ability to effectively manage our shift of sales strategy to focus on our direct-to-consumer channel; the risk that we are not able to increase the number of and retain our existing paying subscribers; the risk that our reduction in operating expenses may impact our ability to meet our business objectives and achieve our revenue targets, and may not result in the expected improvement in our profitability; our ability to continue to focus on expense management; the fact that our plan to profitability depends in part on further penetrating our total addressable market, and we may not be successful in doing so; the risk that growing our direct-to-consumer business while reducing our reliance on our other sales channels could impact

profitability; the impact of the COVID-19 pandemic and its effect on the United States and global economies and our business in particular; any inability to successfully manage frequent product introductions (including roadmap for new hardware, software and subscription products) and transitions, including managing our sales channel and inventory, and accurately forecasting future sales; the fact that a small number of retailers and distributors account for a substantial portion of our revenue and our level of business with them could be significantly reduced due to retail closures related to COVID-19; our transition away from some distributors and retailers; our reliance on third party suppliers, some of which are sole source suppliers, to provide components for our products which may be impacted due to supply chain constraints; our reliance on third party logistics partners to deliver without interruption; our dependence on sales of our cameras, mounts and accessories, and subscription services for substantially all of our revenue (and the effects of changes in the sales mix or decrease in demand for these products); the fact that an economic downturn or economic uncertainty in our key U.S. and international markets, as well as fluctuations in currency exchange rates, may adversely affect consumer discretionary spending; any changes to trade agreements, trade policies, tariffs, and import/export regulations; the effects of the highly competitive market in which we operate, including new market entrants; the fact that we may not be able to achieve revenue growth or profitability in the future; risks related to inventory, purchase commitments and long-lived assets; difficulty in accurately predicting our future customer demand; the importance of maintaining the value and reputation of our brand; the risk that the e-commerce technology systems that give consumers the ability to shop online do not function effectively; the risk that we will encounter problems with our distribution system; the threat of a security breach or other disruption including cyberattacks; the concern that our intellectual property and proprietary rights may not adequately protect our products and services; and other factors detailed in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2020, which is on file with the Securities and Exchange Commission (SEC), and as updated in future filings with the SEC including the Quarterly Report on Form 10-Q for the quarter ended March 31, 2021. These forward-looking statements speak only as of the date hereof or as of the date otherwise stated herein. GoPro disclaims any obligation to update these forward-looking statements.

GoPro, Inc.
Preliminary Condensed Consolidated Statement of Operations
(unaudited)

(in thousands, except per share data)	Three months ended March 31,	
	2021	2020
Revenue	\$ 203,680	\$ 119,400
Cost of revenue	124,984	80,973
Gross profit	78,696	38,427
Operating expenses:		
Research and development	32,430	32,281
Sales and marketing	35,790	43,502
General and administrative	13,988	18,758
Total operating expenses	82,208	94,541
Operating loss	(3,512)	(56,114)
Other income (expense):		
Interest expense	(5,880)	(4,843)
Other income (expense), net	443	(172)
Total other expense, net	(5,437)	(5,015)
Loss before income taxes	(8,949)	(61,129)
Income tax expense	1,219	2,399
Net loss	\$ (10,168)	\$ (63,528)
Basic and diluted net loss per share	\$ (0.07)	\$ (0.43)
Weighted-average number of shares outstanding, basic and diluted	152,181	147,560

GoPro, Inc.
Preliminary Condensed Consolidated Balance Sheets
(unaudited)

(in thousands)	March 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 296,754	\$ 325,654
Restricted cash	—	2,000
Accounts receivable, net	68,625	107,244
Inventory	111,833	97,914
Prepaid expenses and other current assets	28,861	23,872
Total current assets	506,073	556,684
Property and equipment, net	21,703	23,711
Operating lease right-of-use assets	30,640	31,560
Intangible assets, net and goodwill	146,950	147,673
Other long-term assets	11,519	11,771
Total assets	\$ 716,885	\$ 771,399
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 77,283	\$ 111,399
Accrued expenses and other current liabilities	93,184	113,776
Short-term operating lease liabilities	8,999	9,369
Deferred revenue	32,044	28,149
Total current liabilities	211,510	262,693
Long-term debt	221,931	218,172
Long-term operating lease liabilities	50,091	51,986
Other long-term liabilities	21,882	22,530
Total liabilities	505,414	555,381
Stockholders' equity:		
Common stock and additional paid-in capital	985,768	980,147
Treasury stock, at cost	(113,613)	(113,613)
Accumulated deficit	(660,684)	(650,516)
Total stockholders' equity	211,471	216,018
Total liabilities and stockholders' equity	\$ 716,885	\$ 771,399

GoPro, Inc.
Preliminary Condensed Consolidated Statement of Cash Flows
(unaudited)

(in thousands)	Three months ended March 31,	
	2021	2020
Operating activities:		
Net loss	\$ (10,168)	\$ (63,528)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,534	5,983
Non-cash operating lease cost	920	2,035
Stock-based compensation	8,869	7,637
Deferred income taxes	(2)	6
Non-cash restructuring charges	(99)	—
Non-cash interest expense	3,433	2,373
Other	112	672
Net changes in operating assets and liabilities	(32,091)	(23,462)
Net cash used in operating activities	(25,492)	(68,284)
Investing activities:		
Purchases of property and equipment, net	(1,068)	(795)
Maturities of marketable securities	—	7,330
Asset acquisition	—	(438)
Net cash provided by (used in) investing activities	(1,068)	6,097
Financing activities:		
Proceeds from issuance of common stock	2,998	1,887
Taxes paid related to net share settlement of equity awards	(6,246)	(2,003)
Proceeds from borrowings	—	30,000
Net cash provided by (used in) financing activities	(3,248)	29,884
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,092)	(563)
Net change in cash, cash equivalents and restricted cash	(30,900)	(32,866)
Cash, cash equivalents and restricted cash at beginning of period	327,654	150,301
Cash, cash equivalents and restricted cash at end of period	\$ 296,754	\$ 117,435

GoPro, Inc.
Reconciliation of Preliminary GAAP to Non-GAAP Financial Measures

To supplement our unaudited selected financial data presented on a basis consistent with GAAP, we disclose certain non-GAAP financial measures, including non-GAAP gross profit, gross margin, operating expenses, operating income (loss), other income (expense), tax expense, net income (loss), diluted net income (loss) per share and adjusted EBITDA. We also provide forecasts of non-GAAP gross margin, non-GAAP operating expenses, non-GAAP other income (expense), non-GAAP tax expense, non-GAAP net income (loss) and non-GAAP diluted net income (loss) per share. We use these non-GAAP financial measures to help us understand and evaluate our core operating performance and trends, to prepare and approve our annual budget, and to develop short-term and long-term operational plans. Our management uses, and believes that investors benefit from referring to these non-GAAP financial measures in assessing our operating results. These non-GAAP financial measures should not be considered in isolation from, or as an alternative to, the measures prepared in accordance with GAAP, and are not based on any comprehensive set of accounting rules or principles. We believe that these non-GAAP measures, when read in conjunction with our GAAP financials, provide useful information to investors by facilitating:

- the comparability of our on-going operating results over the periods presented;
- the ability to identify trends in our underlying business; and
- the comparison of our operating results against analyst financial models and operating results of other public companies that supplement their GAAP results with non-GAAP financial measures.

These non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP. Some of these limitations are:

- adjusted EBITDA does not reflect tax payments that reduce cash available to us;
 - adjusted EBITDA excludes depreciation and amortization and, although these are non-cash charges, the property and equipment being depreciated and amortized often will have to be replaced in the future, and adjusted EBITDA does not reflect any cash capital expenditure requirements for such replacements;
 - adjusted EBITDA excludes the amortization of point of purchase (POP) display assets because it is a non-cash charge, and is treated similarly to depreciation of property and equipment and amortization of acquired intangible assets;
 - adjusted EBITDA and non-GAAP net income (loss) exclude the impairment of intangible assets because it is a non-cash charge that varies in amount and frequency;
 - adjusted EBITDA and non-GAAP net income (loss) exclude restructuring and other related costs which primarily include severance-related costs, stock-based compensation expenses, facilities consolidation charges recorded in connection with restructuring actions announced in the fourth quarter of 2016, first quarter of 2017, first quarter of 2018 and second quarter of 2020, including right-of-use asset impairment charges, and the related ongoing operating lease cost of those facilities recorded under Accounting Standards Codification 842, *Leases*. These expenses do not reflect expected future operating expenses and do not contribute to a meaningful evaluation of current operating performance or comparisons to the operating performance in other periods;
 - adjusted EBITDA and non-GAAP net income (loss) exclude stock-based compensation expense related to equity awards granted primarily to our workforce. We exclude stock-based compensation expense because we believe that the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In particular, we note that companies calculate stock-based compensation expense for the variety of award types that they employ using different valuation methodologies and subjective assumptions. These non-cash charges are not factored into our internal evaluation of net income (loss) as we believe their inclusion would hinder our ability to assess core operational performance;
 - adjusted EBITDA and non-GAAP net income (loss) exclude the loss on extinguishment of debt because it is not reflective of ongoing operating results in the period, and such losses vary in the frequency and amount;
 - non-GAAP net income (loss) excludes acquisition-related costs including the amortization of acquired intangible assets (primarily consisting of acquired technology), the impairment of acquired intangible assets (if applicable), as well as third-party transaction costs incurred for legal and other professional services. These costs are not factored into our evaluation of potential acquisitions, or of our performance after completion of the acquisitions, because these costs are not related to our core operating performance or
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reflective of ongoing operating results in the period, and the frequency and amount of such costs vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the businesses being acquired. Although we exclude the amortization of acquired intangible assets from our non-GAAP net income (loss), management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation;

- non-GAAP net income (loss) excludes non-cash interest expense. In connection with the issuance of the Convertible Senior Notes in April 2017 and November 2020, we are required to recognize non-cash interest expense in accordance with the authoritative accounting guidance for convertible debt that may be settled in cash;
 - non-GAAP net income (loss) excludes a gain on the sale and license of intellectual property. This gain is not related to our core operating performance or reflective of ongoing operating results in the period, and such gains vary in the frequency and amount;
 - non-GAAP net income (loss) includes income tax adjustments. We utilize a cash-based non-GAAP tax expense approach (based upon expected annual cash payments for income taxes) for evaluating operating performance as well as for planning and forecasting purposes. This non-GAAP tax approach eliminates the effects of period specific items, which can vary in size and frequency and does not necessarily reflect our long-term operations. Historically, we computed a non-GAAP tax rate based on non-GAAP pre-tax income on a quarterly basis, which considered the income tax effects of the adjustments above; and
 - other companies may calculate these non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.
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GoPro, Inc.
Reconciliation of Preliminary GAAP to Non-GAAP Financial Measures
(unaudited)

Reconciliations of non-GAAP financial measures are set forth below:

(in thousands, except per share data)	Three months ended March 31,	
	2021	2020
GAAP net loss	\$ (10,168)	\$ (63,528)
Stock-based compensation:		
Cost of revenue	429	503
Research and development	4,136	3,022
Sales and marketing	1,865	1,717
General and administrative	2,439	2,395
Total stock-based compensation	8,869	7,637
Acquisition-related costs:		
Cost of revenue	723	1,887
Total acquisition-related costs	723	1,887
Restructuring and other costs:		
Cost of revenue	50	(4)
Research and development	441	(24)
Sales and marketing	199	(19)
General and administrative	143	(17)
Total restructuring and other costs	833	(64)
Non-cash interest expense	3,433	2,373
Income tax adjustments	1,145	2,082
Non-GAAP net income (loss)	\$ 4,835	\$ (49,613)
GAAP shares for diluted net loss per share	152,181	147,560
Add: dilutive shares	7,671	—
Non-GAAP shares for diluted net income (loss) per share	159,852	147,560
GAAP diluted net loss per share	\$ (0.07)	\$ (0.43)
Non-GAAP diluted net income (loss) per share	\$ 0.03	\$ (0.34)

(dollars in thousands)	Three months ended March 31,	
	2021	2020
GAAP gross profit as a % of revenue	38.6 %	32.2 %
Stock-based compensation	0.2	0.4
Acquisition-related costs	0.4	1.6
Non-GAAP gross profit as a % of revenue	39.2 %	34.2 %
GAAP operating expenses	\$ 82,208	\$ 94,541
Stock-based compensation	(8,440)	(7,134)
Restructuring and other costs	(783)	60
Non-GAAP operating expenses	\$ 72,985	\$ 87,467
GAAP operating loss	\$ (3,512)	\$ (56,114)
Stock-based compensation	8,869	7,637
Acquisition-related costs	723	1,887
Restructuring and other costs	833	(64)
Non-GAAP operating income (loss)	\$ 6,913	\$ (46,654)

(in thousands)	Three months ended March 31,	
	2021	2020
GAAP net loss	\$ (10,168)	\$ (63,528)
Income tax expense	1,219	2,399
Interest expense, net	5,796	4,681
Depreciation and amortization	3,534	5,982
POP display amortization	637	1,537
Stock-based compensation	8,869	7,637
Restructuring and other costs	833	(64)
Adjusted EBITDA	\$ 10,720	\$ (41,356)

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Investor Contact
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May 6th, 2021
GoPro, Inc. (NASDAQ: GPRO)
Management Commentary
Q1 2021 Earnings Call



Christopher Clark

Vice President, Corporate Communications, GoPro, Inc.

Enclosed is GoPro's first quarter 2021 earnings report. Following this brief introduction is management commentary from GoPro CEO, Nicholas Woodman, and CFO and COO, Brian McGee. This commentary may include forward-looking statements. Forward-looking statements and all other statements that are not historical facts are not guarantees of future performance and are subject to a number of risks and uncertainties which may cause actual results to differ materially. Additionally, any forward-looking statements made today are based on assumptions as of today, including but not limited to uncertainty related to the duration and impact of the COVID-19 pandemic. This means that results could change at any time, and our commentary about business results and outlook is based on the information available as of today's date. We do not undertake any obligation to update these statements as a result of new information or future events. Information concerning our risk factors is available in our most recent annual report on Form 10-K for the year ended December 31, 2020 which may be updated in future filings with the SEC.

In the management commentary, we may discuss gross margin, operating expense, net profit and loss as well as basic and diluted net profit and loss per share in accordance with GAAP and, additionally, on a non-GAAP basis. We believe that non-GAAP information is useful because it can enhance the understanding of our ongoing economic performance. We use non-GAAP reporting internally to evaluate and manage our operations. We choose to provide this information to enable investors to perform comparisons of operating results in a manner similar to how we analyze our own operating results. A reconciliation of GAAP to non-GAAP operating expenses can be found in the press release that was issued this afternoon, and which is posted on our website.

In addition to the earnings press release, we have posted slides containing detailed financial data and metrics for the first quarter of 2021. These slides, as well as a link to today's live webcast and a replay of this conference call are posted on the GoPro investor relations website for your reference. All income statement-related numbers that are discussed in the management commentary, other than revenue, are non-GAAP, unless otherwise noted.



Nicholas Woodman

Founder, Chief Executive Officer and Chairman, GoPro, Inc.

Thank you for reading GoPro's Q1 2021 earnings report in which Brian and I review our recent financial performance and share our outlook for the second quarter and beyond.

Before I recap Q1 results, I want to congratulate our team for driving GoPro's subscription business past one million GoPro subscribers – an exciting milestone which represents year-to-date and year-over-year growth of more than 30% and 180%, respectively. Equally exciting is that one million GoPro subscribers represents approximately \$50 million of high margin annual recurring revenue.

Growth of our direct-to-consumer business also helped drive subscriber growth as more than 90% of camera purchases at GoPro.com result in a subscription attach. Consumer-direct sales at GoPro.com represented 40% of total revenue for the quarter, up from 33% in Q4 2020.

This is the new GoPro - a more efficient, higher margin consumer-direct subscription-centric business. Our sights are now set on approaching two million GoPro subscribers by the end of this year. Two million GoPro subscribers would represent \$100 million of annual recurring revenue at an operating margin of more than 50%.

Subscriber retention is an important factor to growing subscription, and we can generally say that the two cohorts of subscribers - those who subscribe at the time of camera purchase at GoPro.com and those who subscribe separately - are behaving similarly in-terms of hardware and software product usage, how much GoPro footage they upload to and view from their GoPro cloud accounts, and so on.

A positive to note is that subscribers who sign up at the time of camera purchase on GoPro.com are significantly more likely to purchase accessories and lifestyle gear, and, to date, their annual retention rates are even better than the already high retention rates of the cohort who subscribe separately.

Turning to our Q1 financial performance, revenue in the first quarter of 2021 was \$204 million, an increase of 71% year-over-year. Direct-to-consumer revenue via GoPro.com exceeded \$80 million, representing GoPro.com's second-highest quarter ever, topped only by the Q4 2020 holiday quarter.



While much of the world remains impacted by the pandemic, demand for our more premium products increased in Q1 across all geographies. Camera unit sell-through in the quarter was flat year-over-year at approximately 700,000 units, albeit with much higher ASPs of \$366, up from \$351 a year ago, which had a positive impact on gross margins and non-GAAP EPS.

In Q1, GoPro generated non-GAAP EPS of \$0.03. Our year-over-year non-GAAP profitability improvement was \$54 million. Non-GAAP gross margin in Q1 was 39%, up from 34% in Q1 2020. These results underscore the effectiveness of the new and improved GoPro – our direct-to-consumer and subscription-centric strategy is yielding a significantly more profitable company.

Over the past year we have focused our retail strategy around our strongest retail partners, and we're collectively benefiting from this more consolidated, focused approach. Strong sell-through during Q1 drove channel inventories down to just over 550,000 units from approximately 650,000 units at the beginning of the quarter.

We're also excited about the launch of our new subscription-based app, Quik. Quik solves the problem we all face with losing track of our favorite photos and videos on our phones. Quik features a private 'mural' feed for keeping track of your favorite shots along with powerful, yet simple, editing tools if tweaking and tuning your footage is your thing. And if a highlight video of your best shots is your goal but you don't want to do any work, Quik can automatically produce amazing video edits beat-synched to music for you. Here's what the media had to say about Quik:

- “When it comes down to it, Quik does a great job fulfilling what it promised.” – *PetaPixel*
- “The learning curve is short, and we caught on after only a few minutes of tinkering around with the free app. When the most prominent alternative is the annoyingly-rigid Apple Photos Memories, this is a much better option.” – *Apple Insider*
- “There have been many apps and services that promise to help you organize the photos and video on your phone, make editing a snap and simplify sharing. GoPro's updated Quik app is the latest I've tried, and it might be the first one I'll actually continue using. That's mainly because it's fairly frictionless to use...” – *c|net*

With its \$9.99 annual subscription and ability to help you get the most out of your favorite photos and videos – regardless of what camera or smart phone they were captured on – Quik is for everyone. We're



excited to build on Quik's capabilities as a mobile, cloud and eventually desktop experience to serve what we believe is a very large global TAM of people who want to get more out of their personal content.

We are off to a solid start in 2021. Subscription growth is on track as is camera sell-through. Channel inventories are low, and we feel well positioned to capitalize when the world regains its footing with the rollout of vaccines and improved consumer activity levels.

As I said before, this is the new GoPro. We've evolved from a hardware unit-sales-centric business to a successful direct-to-consumer subscription-centric business with a significant opportunity to grow margin and profitability with continued subscriber growth. The value-creation implications of this shift are meaningful, and we're energized by the opportunity as well as our outlook, as Brian will now share.

Brian McGee

Executive Vice President, Chief Financial Officer and Chief Operating Officer, GoPro, Inc.

In the first quarter of 2021, revenue grew 71% year-over-year to \$204 million, and gross margin increased to 39.2%, compared to 34.2% a year ago. We were profitable on a non-GAAP basis with EPS of \$0.03. Globally, revenue increases were strong year-over-year across all geographies, with Americas up 86%, EMEA up 68% and APAC up 46%. Subscription revenue was \$11 million, or 5% of revenue. And finally, as Nick noted, we have recently exceeded one million GoPro subscribers.

Revenue from GoPro.com increased 224% year-over-year to \$82 million in the first quarter of 2021, which represented 40% of first quarter 2021 revenue, compared to 33% in the fourth quarter of 2020 and 21% in the first quarter of 2020. GoPro.com revenue includes all revenue generated from GoPro.com including camera, accessory, and subscription revenue.

The following table shows the first quarter guidance provided during our fourth quarter earnings call on February 4th compared to our Q1 2021 results.



Quarterly Results and Prior Guidance

	Q1 2021 Results		Q1 2021 Guidance	
Revenue	\$	204 M		\$185 M +/- \$10 M
Unit sell-through		700 K		700 K
Street ASP	\$	366	\$	360
Non-GAAP gross margin		39.2 %		38.5% +/- 50 bps
Non-GAAP net income per share	\$	0.03		Breakeven +/- \$0.03

Turning to the details of our first quarter financial performance, cameras with suggested retail prices above \$300 represented 95% of revenue, while gross margin percentage was 39.2%. Street ASP of \$366 was the highest ever, representing a 13% and 4% increase sequentially and year-over-year, respectively. The improvement in ASPs is the result of continued demand for our higher-end cameras, accessory sales, increasing direct-to-consumer sales and growth in subscriptions. Street ASP is defined as total reported revenue divided by camera units shipped.

In the first quarter of 2021, operating expenses decreased 17% year-over-year to \$73 million compared to \$87 million in the same period in 2020. The decrease in operating expenses was primarily driven by lower advertising expenses and lower employee related costs in Sales, Marketing and G&A, while expenses in Research and Development were flat year-over-year, reflecting our commitment to technology and innovation.

We sold 556,000 units during the first quarter and sold-through approximately 700,000 units, resulting in a reduction of channel inventory to just over 550,000 units.

Turning to the balance sheet, we ended the quarter with \$297 million in cash, or a \$31 million sequential decrease due to the following factors:

- Adjusted EBITDA of positive \$11 million;
- Offset by working capital changes primarily from inventory, accounts payable, accounts receivable and other adjustments of \$37 million; and,
- Net cash used for net share settlement and issuance of common stock of \$3 million.

Looking ahead, the following table shows our guidance for the second quarter of 2021.



Second Quarter 2021 Guidance

	Q2 2021 Guidance
Revenue	\$230 +/- \$10M
Unit sell-through	800 K - 850 K
Street ASP	\$ 330
Non-GAAP gross margin	38.0% +/- 50bps
Non-GAAP net income per share	\$0.04 +/- \$0.01

We expect second quarter revenue to grow more than 70% over the second quarter of 2020 at the midpoint of guidance. We also expect second quarter Street ASP to be approximately \$330, up 10% year-over-year. In addition, we continue to expect Street ASP to trend upward in 2021, increasing 8% to 12% over 2020. For 2021, the trends impacting ASPs are a result of several factors including:

- Camera mix continues to favor our higher-end offerings;
- GoPro.com increasing as a percentage of total revenue;
- Higher sales of accessory and lifestyle products; and,
- Higher subscribers and subscription revenue.

Our guidance implies that units sold would be slightly over 700,000, while consumer demand is expected to be 825,000 units at the mid-point. This will bring channel inventories lower in the second quarter.

We expect cash to increase roughly 10% sequentially over Q1 and to be in a range of \$320 to \$330 million at the end of Q2, primarily driven by positive EBITDA and working capital.

As we look ahead to the rest of 2021, we offer the following commentary:

We expect revenue from GoPro.com in 2021 to grow as a percentage of our overall revenue, and we are increasing our anticipated range to 40% to 45% for the year, up from prior commentary of 38% to 42%. This would result in more than 50% revenue growth year-over-year from our direct-to-consumer channel.

In addition, we expect to continue to grow our GoPro subscriber base in 2021. We expect subscription revenue to be between \$55 to \$60 million in 2021, or approximately 5% of total revenue. We achieved the one million subscriber mark earlier in the second quarter of 2021, and our goal continues to be to drive GoPro subscribers to approach 2 million by the end of 2021. Two million GoPro subscribers would represent \$100 million of annual recurring revenue at an operating margin of more than 50%.



With the combination of our significantly improved channel inventory position exiting 2020, along with the above operating metrics, we continue to expect 2021 revenue to grow towards the high-end of our previously stated range of 20% to 25% over 2020.

We are improving gross margins slightly from the last call and are now targeting 2021 gross margins to be 39% +/- 1% pt. as a result of new products with higher price points, a higher proportion of revenue and mix generated from GoPro.com and high-margin, rapidly growing subscription revenue.

We expect 2021 operating expenses to increase from prior guidance and to be in a range of \$315 million to \$320 million, with second quarter operating expenses of approximately \$80 million. We will continue to invest in our direct-to-consumer business and product innovation while continuing to improve efficiency in all areas of our business.

Non-GAAP tax expense in 2021 is expected to be approximately \$1.8 million. We expect shares outstanding to be approximately 160 million for the second quarter and the year based on our current stock price.

We expect GoPro to be profitable each quarter on a non-GAAP basis, and we continue to expect to be profitable in 2021 on both a GAAP and non-GAAP basis. We continue to expect to exit the year with a substantial year-over-year increase in cash, ending with cash in a range of \$470 to \$500 million.

In closing, the new GoPro is delivering strong execution and benefiting from the strategic shifts in our business to a more direct-to-consumer, subscription-centric model. This has resulted in meaningful and durable changes to our business - including the expansion of our TAM and gross margins through software - that are extremely exciting for 2021 and beyond.

Thank you for reading GoPro's Management Commentary.