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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): February 4, 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.

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## Item 2.02 Results of Operations and Financial Condition

On February 4, 2021, GoPro, Inc. (the "Company") issued a press release to report its financial results for its fourth quarter ended December 31, 2020.

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, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended.

## Item 7.01. Regulation FD Disclosure.

On February 4, 2021, the Company held a live audio webcast to discuss its financial results for its fourth quarter ended December 31, 2020.

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 Securities Exchange Act of 1934, as amended, 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 of 1933, as amended, except as may be expressly set forth by specific reference in such filing or document.

## Item 9.01 Financial Statements and Exhibits

(d) Exhibits

<b>Exhibit Number</b>	<b>Description of Document</b>
<a href="#"><u>99.1</u></a>	Press Release of GoPro, Inc. dated February 4, 2021 to report its financial results for its fourth quarter ended December 31, 2020.
<a href="#"><u>99.2</u></a>	Management's commentary from Nicholas Woodman, Chief Executive Officer, and Brian McGee, Chief Financial Officer and Chief Operating Officer, dated February 4, 2021 (furnished pursuant to Item 7.01).
<a href="#"><u>104</u></a>	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

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## 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: February 4, 2021

By: /s/ Brian McGee

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



## GoPro Announces Fourth Quarter and Full Year 2020 Results

*Subscribers Grow 145% Year-over-Year to 761,000*  
*Cash Flow from Operations of \$108 Million in Q4 2020*  
*Q4 2020 GAAP EPS of \$0.28; Non-GAAP EPS of \$0.39*

**SAN MATEO, Calif., February 4, 2021** - GoPro, Inc. (NASDAQ: GPRO) today announced financial results for its fourth quarter and full year ended December 31, 2020 and posted management commentary on its investor relations website at <https://investor.gopro.com>.

"GoPro's shift to a more subscription-centric consumer-direct model is resulting in a simpler, more profitable business with materially better cash generation," said Nicholas Woodman, GoPro's founder and CEO. "The steps we've taken to improve our business during the pandemic should serve us very well when the world begins to recover in earnest — but as a business, fortunately we don't have to wait for that to happen."

"GoPro generated more than \$200 million in cash flow from operations in the second half, fourth quarter subscriber growth of 52% sequentially, and we exited the year with historically low levels of channel inventory. Our subscription-based consumer-direct strategy is proving to be successful and we look forward to continued gains in 2021," said Brian McGee, GoPro CFO and COO.

### GoPro Q4 and Full Year 2020 Financial Results

- Revenue for Q4 2020 was \$358 million, a 28% sequential improvement from \$281 million in Q3 2020. Revenue for the full year 2020 was \$892 million compared to \$1.19 billion in 2019, down 25% year-over-year.
- GAAP and non-GAAP gross margin for Q4 2020 was 38.0% and 38.3%, respectively. GAAP and non-GAAP gross margin for 2020 both increased 70 bps year-over-year to 35.3% and 36.1%, respectively.
- Q4 2020 GAAP net income was \$44 million, or \$0.28 per share. Q4 2020 non-GAAP net income was \$61 million, or \$0.39 per share.
- 2020 GAAP net loss was \$67 million compared to 2019 GAAP net loss of \$15 million. 2020 non-GAAP net income was \$13 million compared to \$35 million in 2019.
- Q4 2020 GAAP and non-GAAP operating expenses decreased 24% and 26% year-over-year to \$81 million and \$73 million, respectively.
- 2020 GAAP and non-GAAP operating expenses decreased 15% and 21% to \$351 million and \$298 million, respectively.
- Adjusted EBITDA for Q4 and full year 2020 was \$68 million and \$43 million, respectively.
- Cash and investments totaled \$328 million at the end of 2020, of which \$108 million was generated from operations in Q4 and \$73.0 million was from the net issuance of convertible notes.

### GoPro Q4 2020 Highlights

- Ended 2020 with 761,000 GoPro subscribers, up 52% sequentially and 145% year-over-year.
  - GoPro.com generated a record \$116 million in revenue in Q4, up 43% sequentially and 91% year-over-year. Full year 2020 GoPro.com revenue doubled year-over-year to \$283 million.
  - Camera unit sell-through was more than 1.2 million units in Q4, and 3.6 million for the full year.
  - Channel inventory reduced approximately 10% sequentially and more than 50% since the start of 2020.
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- Cameras with retail prices above \$300 represented 91% of Q4 revenue.
- Q4 Street ASP increased 14% year-over-year to \$323, while 2020 Street ASP increased 13% to \$316.

**Results Summary:**

(\$ in thousands, except per share amounts)	Three months ended December 31,			Year ended December 31,		
	2020	2019	% Change	2020	2019	% Change
<b>Revenue</b>	\$ 357,772	\$ 528,345	(32.3)%	\$ 891,925	\$ 1,194,651	(25.3)%
<b>Gross margin</b>						
GAAP	38.0 %	38.2 %	(20) bps	35.3 %	34.6 %	70 bps
Non-GAAP	38.3 %	38.6 %	(30) bps	36.1 %	35.4 %	70 bps
<b>Operating income (loss)</b>						
GAAP	\$ 55,355	\$ 96,100	(42.4)%	\$ (36,819)	\$ (2,333)	(1,478.2)%
Non-GAAP	\$ 64,184	\$ 105,021	(38.9)%	\$ 24,313	\$ 44,869	(45.8)%
<b>Net income (loss)</b>						
GAAP	\$ 44,413	\$ 95,820	(53.6)%	\$ (66,783)	\$ (14,642)	(356.1)%
Non-GAAP	\$ 61,064	\$ 102,498	(40.4)%	\$ 12,779	\$ 35,255	(63.8)%
<b>Diluted net income (loss) per share</b>						
GAAP	\$ 0.28	\$ 0.65	(56.9)%	\$ (0.45)	\$ (0.10)	(350.0)%
Non-GAAP	\$ 0.39	\$ 0.70	(44.3)%	\$ 0.08	\$ 0.24	(66.7)%
<b>Adjusted EBITDA</b>	\$ 67,744	\$ 112,092	(39.6)%	\$ 43,200	\$ 71,958	(40.0)%

## 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 (888) 394-8218 or (646) 828-8193, access code 1965695, 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](http://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 customers can submit their photos, raw video clips and edits to GoPro Awards for an opportunity to be featured on GoPro's social channels and receive gear and cash awards. Learn more at [www.gopro.com/awards](http://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 [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

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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; 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, 2019, and Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, each of which is on file with the Securities and Exchange Commission (SEC), and as updated in future filings with the SEC including the Annual Report on Form 10-K for the year ended December 31, 2020. 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.

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

(in thousands, except per share data)	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Revenue	\$ 357,772	\$ 528,345	\$ 891,925	\$ 1,194,651
Cost of revenue	221,689	326,520	577,411	781,862
Gross profit	136,083	201,825	314,514	412,789
<b>Operating expenses:</b>				
Research and development	27,515	31,679	131,589	142,894
Sales and marketing	38,535	58,158	151,380	206,431
General and administrative	14,678	15,888	68,364	65,797
Total operating expenses	80,728	105,725	351,333	415,122
Operating income (loss)	55,355	96,100	(36,819)	(2,333)
<b>Other income (expense):</b>				
Interest expense	(5,483)	(5,197)	(20,257)	(19,229)
Other income (expense), net	(5,343)	989	(4,881)	2,492
Total other expense, net	(10,826)	(4,208)	(25,138)	(16,737)
Income (loss) before income taxes	44,529	91,892	(61,957)	(19,070)
Income tax expense (benefit)	116	(3,928)	4,826	(4,428)
Net income (loss)	\$ 44,413	\$ 95,820	\$ (66,783)	\$ (14,642)
<b>Net income (loss) per share</b>				
Basic	\$ 0.29	\$ 0.65	\$ (0.45)	\$ (0.10)
Diluted	\$ 0.28	\$ 0.65	\$ (0.45)	\$ (0.10)
<b>Weighted-average number of shares outstanding:</b>				
Basic	150,663	146,625	149,037	144,891
Diluted	156,464	147,052	149,037	144,891

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

(in thousands)	December 31, 2020	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 325,654	\$ 150,301
Restricted cash	2,000	—
Marketable securities	—	14,847
Accounts receivable, net	107,244	200,634
Inventory	97,914	144,236
Prepaid expenses and other current assets	23,872	25,958
Total current assets	556,684	535,976
Property and equipment, net	23,711	36,539
Operating lease right-of-use assets	31,560	53,121
Intangible assets, net and goodwill	147,673	151,706
Other long-term assets	11,771	15,461
Total assets	\$ 771,399	\$ 792,803
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 111,399	\$ 160,695
Accrued expenses and other current liabilities	113,776	141,790
Short-term operating lease liabilities	9,369	9,099
Deferred revenue	28,149	15,467
Total current liabilities	262,693	327,051
Long-term debt	218,172	148,810
Long-term operating lease liabilities	51,986	62,961
Other long-term liabilities	22,530	20,452
Total liabilities	555,381	559,274
Stockholders' equity:		
Common stock and additional paid-in capital	980,147	930,875
Treasury stock, at cost	(113,613)	(113,613)
Accumulated deficit	(650,516)	(583,733)
Total stockholders' equity	216,018	233,529
Total liabilities and stockholders' equity	\$ 771,399	\$ 792,803

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

(in thousands)	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
<b>Operating activities:</b>				
Net income (loss)	\$ 44,413	\$ 95,820	\$ (66,783)	\$ (14,642)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	3,570	6,445	19,065	26,268
Non-cash operating lease cost	1,658	(609)	6,565	6,990
Stock-based compensation	8,037	7,028	29,963	37,188
Deferred income taxes	1	(45)	(50)	(32)
Non-cash restructuring charges	—	—	5,242	(199)
Impairment of right-of-use assets	—	—	12,460	—
Non-cash interest expense	3,018	2,354	10,366	8,987
Loss on extinguishment of debt	5,389	—	5,389	—
Other	334	(403)	1,072	(1,182)
Net changes in operating assets and liabilities	39,833	(22,339)	70,493	(87,822)
Net cash provided by (used in) operating activities	106,253	88,251	93,782	(24,444)
<b>Investing activities:</b>				
Purchases of property and equipment, net	(321)	(2,038)	(4,881)	(8,348)
Purchases of marketable securities	—	—	—	(43,636)
Maturities of marketable securities	—	5,150	14,830	56,888
Sale of marketable securities	—	15,978	—	17,867
Asset acquisition	—	—	(438)	—
Net cash provided by (used in) investing activities	(321)	19,090	9,511	22,771
<b>Financing activities:</b>				
Proceeds from issuance of common stock	1,927	—	5,435	5,574
Taxes paid related to net share settlement of equity awards	(1,494)	(820)	(6,207)	(6,618)
Proceeds from issuance of 2025 convertible senior notes	143,750	—	143,750	—
Payment of debt issuance costs	(4,752)	—	(4,752)	—
Purchase of capped calls related to 2025 convertible senior notes	(10,249)	—	(10,249)	—
Payments for 2022 convertible senior notes partial repurchase	(56,000)	—	(56,000)	—
Proceeds from borrowings	—	20,000	30,000	20,000
Repayment of borrowings	—	(20,000)	(30,000)	(20,000)
Net cash provided by (used in) financing activities	73,182	(820)	71,977	(1,044)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,669	764	2,083	923
Net change in cash, cash equivalents and restricted cash	180,783	107,285	177,353	(1,794)
Cash, cash equivalents and restricted cash at beginning of period	146,871	43,016	150,301	152,095
Cash, cash equivalents and restricted cash at end of period	\$ 327,654	\$ 150,301	\$ 327,654	\$ 150,301

**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 is inconsistent 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, 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 related to our core operating performance or reflective of ongoing operating results in the period, and the frequency and amount of such losses are inconsistent;
  - 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 are inconsistent and 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, 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 the frequency and amount of such gains are inconsistent;
  - 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 December 31,		Year ended December 31,	
	2020	2019	2020	2019
<b>GAAP net income (loss)</b>	\$ 44,413	\$ 95,820	\$ (66,783)	\$ (14,642)
Stock-based compensation:				
Cost of revenue	373	419	1,548	1,902
Research and development	3,733	3,099	13,415	17,167
Sales and marketing	1,672	1,525	5,779	8,043
General and administrative	2,259	1,985	9,221	10,076
Total stock-based compensation	8,037	7,028	29,963	37,188
Acquisition-related costs:				
Cost of revenue	723	1,864	4,598	7,818
Total acquisition-related costs	723	1,864	4,598	7,818
Restructuring and other costs:				
Cost of revenue	11	—	1,281	87
Research and development	159	29	8,542	910
Sales and marketing	(264)	—	10,925	498
General and administrative	163	—	5,823	701
Total restructuring and other costs	69	29	26,571	2,196
Non-cash interest expense	3,018	2,354	10,366	8,987
Loss on extinguishment of debt	5,389	—	5,389	—
Income tax adjustments	(585)	(4,597)	2,675	(6,292)
<b>Non-GAAP net income</b>	<b>\$ 61,064</b>	<b>\$ 102,498</b>	<b>\$ 12,779</b>	<b>\$ 35,255</b>
<b>GAAP shares for diluted net income (loss) per share</b>	156,464	147,052	149,037	144,891
Add: dilutive shares	—	—	3,096	1,580
<b>Non-GAAP shares for diluted net income per share</b>	<b>156,464</b>	<b>147,052</b>	<b>152,133</b>	<b>146,471</b>
<b>GAAP diluted net income (loss) per share</b>	\$ 0.28	\$ 0.65	\$ (0.45)	\$ (0.10)
<b>Non-GAAP diluted net income per share</b>	<b>\$ 0.39</b>	<b>\$ 0.70</b>	<b>\$ 0.08</b>	<b>\$ 0.24</b>

(dollars in thousands)	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
<b>GAAP gross profit as a % of revenue</b>	38.0 %	38.2 %	35.3 %	34.6 %
Stock-based compensation	0.1	0.1	0.2	0.2
Acquisition-related costs	0.2	0.3	0.5	0.6
Restructuring and other costs	—	—	0.1	—
<b>Non-GAAP gross profit as a % of revenue</b>	<b>38.3 %</b>	<b>38.6 %</b>	<b>36.1 %</b>	<b>35.4 %</b>
<b>GAAP operating expenses</b>	\$ 80,728	\$ 105,725	\$ 351,333	\$ 415,122
Stock-based compensation	(7,664)	(6,609)	(28,415)	(35,286)
Restructuring and other costs	(58)	(29)	(25,290)	(2,109)
<b>Non-GAAP operating expenses</b>	<b>\$ 73,006</b>	<b>\$ 99,087</b>	<b>\$ 297,628</b>	<b>\$ 377,727</b>
<b>GAAP operating income (loss)</b>	\$ 55,355	\$ 96,100	\$ (36,819)	\$ (2,333)
Stock-based compensation	8,037	7,028	29,963	37,188
Acquisition-related costs	723	1,864	4,598	7,818
Restructuring and other costs	69	29	26,571	2,196
<b>Non-GAAP operating income</b>	<b>\$ 64,184</b>	<b>\$ 105,021</b>	<b>\$ 24,313</b>	<b>\$ 44,869</b>

(in thousands)	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
<b>GAAP net income (loss)</b>	\$ 44,413	\$ 95,820	\$ (66,783)	\$ (14,642)
Income tax expense (benefit)	116	(3,928)	4,826	(4,428)
Interest expense, net	5,442	5,032	19,993	17,872
Depreciation and amortization	3,570	6,445	19,065	26,268
POP display amortization	708	1,666	4,176	7,504
Stock-based compensation	8,037	7,028	29,963	37,188
Loss on extinguishment of debt	5,389	—	5,389	—
Restructuring and other costs	69	29	26,571	2,196
<b>Adjusted EBITDA</b>	<b>\$ 67,744</b>	<b>\$ 112,092</b>	<b>\$ 43,200</b>	<b>\$ 71,958</b>

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February 4<sup>th</sup>, 2021  
**GoPro, Inc. (NASDAQ: GPRO)**  
Management Commentary  
Q4 and Full Year 2020 Earnings Call

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**Christopher Clark**

*Vice President, Corporate Communications, GoPro, Inc.*

Enclosed is GoPro's fourth quarter and full year 2020 earnings report. Following this brief introduction is management commentary from GoPro CEO, Nicholas Woodman, and CFO and COO, Brian McGee. I'd like to remind everyone that 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, 2019, and Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, each of which is on file with the Securities and Exchange Commission (SEC), and as updated in future filings with the SEC including the Annual Report on Form 10-K for the year ended December 31, 2020.

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 fourth quarter and full year 2020. 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.*

Welcome to GoPro's Q4 and full year 2020 earnings report in which Brian and I will review our recent financial performance and share our outlook for 2021.

In 2020 we evolved GoPro into a more efficient subscription-oriented direct-to-consumer business. With disciplined operating expense management, we grew our GoPro subscriber base by 145% year-over-year and generated more than \$200 million in cash flow from operations in the second half of the year, representing 33% of our second-half revenue and contributing to a year-end cash balance of \$328 million. Strong Q4 performance resulted in \$0.39 of non-GAAP EPS for the quarter and \$0.08 of non-GAAP EPS for the year.

In 2020, we made the GoPro subscription central to our business and set a goal to grow subscribers to 600,000 to 700,000. I'm happy to report that we exceeded that goal, driving subscribers from 311,000 to 761,000 by year end. Subscriber growth and retention has been impressive in all regions.

Importantly, the majority of both new and total subscribers have signed-up directly through GoPro.com, a significantly lower-cost customer-acquisition channel. We estimate we will generate approximately \$50 million of annual recurring revenue for every 1 million GoPro subscribers we serve, at 50% or better operating margins.

Our 2020 performance amidst the pandemic demonstrates GoPro's enduring relevance as a personal experience-sharing solution for consumers and a creative tool for professionals. Our plan is to continue super-serving our core customers with outsized GoPro subscriber benefits while expanding our relevance to users of other cameras and smartphones through software-subscription offerings.

In December, we updated the GoPro app with a new feature called Mural – a personal-content management 'mural' that solves for the bottomless pit that is everyone's smartphone camera roll. Instead of losing track of their best shots in their phone's camera roll, customers can post their favorite shots to a private Mural wall within the GoPro app. Mural organizes a person's favorite photos and videos as 'events' and automatically generates a stunning highlight video for each event created. While a customer's Mural is private, they can quickly share out anything they've posted to it.



This new app experience is derived from our legacy, free-to-use video editing app, Quik, which has nearly 9 million monthly active users. Later this quarter we will add powerful new editing features and enable users of smartphones and other types of cameras to access the new GoPro app experience via a \$9.99 annual subscription. We plan to migrate users of the legacy Quik app to the new GoPro app over time as part of our subscription growth efforts.

GoPro subscribers will enjoy full access to the expanded GoPro app as part of their existing \$49.99 annual subscription, adding further value and retention to the GoPro subscription.

We're excited to continue building upon the GoPro app's capabilities to serve the needs of both GoPro camera owners and non-owners alike – expanding our TAM while growing new, higher operating margin revenue streams.

Shifting to camera sales, in 2020 we set an aggressive target for our direct-to-consumer business. In Q4, we grew direct sales at GoPro.com to 33% of revenue, up from 12% of revenue in Q4 2019. And we doubled full year GoPro.com revenue to \$283 million.

We also benefited from solid performance at retail during the fourth quarter, despite the obvious pandemic-related challenges. Our select retail partners and distributors continue to play an important role in our global strategy — a strategy we believe will yield improving margin and profitability while serving our end users wherever they want to be served.

Looking ahead, we are committed to maintaining the disciplined operating expense management that served us well in 2020. We believe we can continue our rapid pace of innovation, launching exciting new hardware and software products backed by significant world-class marketing – all within reasonable spend levels that will be directionally in-line with 2020.

We're excited about 2021, even amidst the pandemic. We've proven time and again that GoPro can thrive during challenging times. We believe the steps we're taking to strengthen our business today will benefit us in spades when the world eventually rebounds from the pandemic in earnest.



I want to thank our employees around the world for their resilience and adaptability throughout 2020. Your dedication and world-class execution is why we are well-positioned for the future.

**Brian McGee**

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

In the fourth quarter of 2020, our financial performance was strong with revenue of \$358 million, operating income of 18%, non-GAAP EPS of \$0.39 and cash flow from operations of \$108 million. In addition, our subscriber base grew 52% sequentially and 145% year-over-year, ending at 761,000.

Revenue in the quarter from GoPro.com was \$116 million, a 91% increase from the prior year, and represented 33% of total revenue. GoPro.com revenue includes all revenue generated from GoPro.com including camera, accessory and subscription revenue.

Looking at the second half of 2020, revenue was \$638 million, and we generated more than \$200 million in cash flow from operations, a 33% return on revenue reflecting our transition to a more efficient direct-to-consumer business. The return on revenue is defined as cash flow from operations divided by revenue.

For the full year 2020, revenue was \$892 million, and non-GAAP EPS was \$0.08. Our 2020 results reflect our focus on our direct-to-consumer sales channel and GoPro subscription offerings, the successful launch and marketing of our HERO9 Black camera, as well as efficient operating expense management. We expect these positive trends to continue in 2021.

The following table shows the fourth quarter guidance provided during our third quarter earnings call on November 5th compared to our Q4 2020 results.



## Quarterly Results and Prior Guidance

	Q4 2020 Results		Q4 2020 Guidance
Revenue	\$	358 M	\$365 M +/- \$10 M
Non-GAAP operating income		18 %	15% - 17%
Unit sell-through		1.2 M	1.3 M
Street ASP	\$	323	\$ 325
Non-GAAP gross margin		38.3 %	38.0% +/- 50 bps
Non-GAAP net income per share	\$	0.39	\$0.37 +/- \$0.05
Cash (excluding net issuance of convertible notes)	\$	255 M	\$ 225 M

Turning to the details of our fourth quarter financial performance, revenue from GoPro.com was \$116 million, a 91% year-over-year increase. On a percentage basis, revenue from GoPro.com was 33% of total revenue, slightly lower than anticipated due in part to better-than-expected retail sales. In addition, both GoPro.com and retail sales were impacted by softness in Europe and Asia Pacific, which was largely COVID related. Stronger sales in North America helped offset international markets.

Gross margin percentage was 38.3% in the fourth quarter of 2020, which reflected the continued demand for our higher-end camera offerings and growth in subscription. In the fourth quarter, operating expenses decreased 26% year-over-year to \$73 million in 2020 compared to \$99 million in 2019. The decrease in operating expenses was primarily driven by lower employee related costs and advertising expenses.

To put 2020 into perspective, our full-year 2020 revenue was \$892 million, which was down from \$1.19 billion in 2019. This is a reduction of 25%, or \$303 million on a year-over-year basis. Yet, our non-GAAP net income was only down \$22 million on a year-over-year basis - and we were profitable on a non-GAAP basis for the year with net income per share of \$0.08. We doubled revenue through our direct-to-consumer channel, improved gross margins by 70 bps and reduced operating expenses by \$80 million. In addition, with the shift to direct-to-consumer, we grew our most profitable stream of revenue, our subscribers, to 761,000, up 145% year-over-year.

We sold-in 1.1 million units and 2.8 million units during the fourth quarter and in 2020, respectively, and sold-through 1.2 million and 3.6 million units, respectively. We estimate channel inventory declined by 10% sequentially and by more than 50% since the start of 2020.



Cameras with suggested retail prices above \$300 represented 91% and 89% of our revenue in the fourth quarter and in 2020, respectively. In terms of units, cameras with suggested retail prices above \$300 represented 83% and 79% of units sold through in the fourth quarter and in 2020, respectively.

We achieved a Q4 Street ASP of \$323 thanks to the continued shift in demand for our higher-end cameras as well as accessories and subscriber revenue. This represents a 14% increase year-over-year and contributed to a full year 2020 Street ASP of \$316, an increase of 13% year-over-year. Importantly, 2020 was the first year since becoming a public company that Street ASP was over \$300 every quarter. Street ASP is defined as total reported revenue divided by camera units shipped. We believe our growing GoPro subscriber base will help increase the lifetime value of our customers over time as they become more successful and engaged users.

Turning to the balance sheet, we ended the year with \$328 million in cash, which included \$73.0 million from the net issuance of convertible notes. Inventory ended at \$97.9 million. Days sales outstanding was 27, a 22% sequential improvement due to the faster cash collection cycle from our direct-to-consumer sales.

Our strong cash generation was driven by earnings and improved working capital management, a trend we expect to continue as we further scale direct-to-consumer sales through GoPro.com. In the fourth quarter of 2020, cash increased \$181 million, primarily due to the following factors:

- Positive EBITDA of \$67.7 million
- Working capital improvements of \$39.8 million
- Net issuance of convertible notes of \$73.0 million

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

#### First Quarter 2021 Guidance

	<b>Q1 2021 Guidance</b>
Revenue	\$185 M +/- \$10 M
Unit sell-through	0.7 M
Street ASP	\$ 360
Non-GAAP gross margin	38.5% +/- 50 bps
Non-GAAP net income per share	Breakeven +/- \$0.03



We expect first quarter revenue to grow 55% over the first quarter of 2020 at the midpoint of guidance. We also expect first quarter Street ASP to be approximately \$360, up 12% sequentially and up 3% year-over-year. In addition, we expect Street ASP to continue to trend upward in 2021, increasing 5% to 10% over 2020. For 2021, we expect camera mix to continue to favor our higher-end camera offerings, a higher mix of revenue from GoPro.com, higher sales of accessory and lifestyle products combined with higher subscribers and subscription revenue to have a favorable impact on ASPs in 2021.

We expect revenue from GoPro.com in 2021 to grow as a percentage of our overall revenue and to be in a range of 38% to 42%, which represents more than 50% direct-to-consumer revenue growth over 2020.

In addition, we expect to continue to grow our GoPro subscriber base in 2021. As stated in prior calls, we continue to expect to achieve 1 million GoPro subscribers in Q2 of 2021 and our goal is to approach 2 million GoPro subscribers by the end of 2021. 2 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 expect 2021 revenue to grow in a range of 20% to 25% over 2020.

We are targeting 2021 gross margins to be in the 38% to 39% range as a result of new products at higher price points, a higher proportion of revenue and mix generated from GoPro.com and a high-margin, rapidly growing subscription revenue.

We expect 2021 operating expenses to be in a range of \$305 million to \$315 million, with first quarter operating expenses below \$70 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 first quarter and the year.

We expect to be profitable in 2021 on a GAAP and non-GAAP basis. We expect to exit the year with cash in a range of \$470 to \$500 million.



In closing, GoPro is benefiting from the strategic shifts in our business model, combined with strong execution that have resulted in meaningful and durable changes to our business that are extremely exciting for 2021 and beyond.

Thank you for reading GoPro's Management Commentary on Q4 and Full Year 2020.