

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): November 4, 2021



GOPRO, INC.

(Exact name of registrant as specified in its charter)

001-36514

(Commission File No.)

77-0629474

(I.R.S. Employer
Identification No.)

Delaware
(State or Other Jurisdiction
of Incorporation)

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 November 4, 2021, GoPro, Inc. (the “Company”) issued a press release to report its financial results for its third quarter ended September 30, 2021.

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

The information in Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed “filed” for the purposes of Section 18 of the Exchange Act of 1934, as amended (“Exchange Act”), or otherwise subject to the liabilities of that section. The information in Item 2.02 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 (“Securities Act”), except as may be expressly set forth by specific reference in such filing or document.

Item 7.01. Regulation FD Disclosure.

On November 4, 2021, the Company held a live audio webcast to discuss its financial results for its third quarter ended September 30, 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 furnished as Exhibit 99.2 to this report, 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 November 4, 2021 to report its financial results for its third quarter ended September 30, 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 November 4, 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: November 4, 2021

By: /s/ Brian McGee

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



GoPro Announces Third Quarter 2021 Results

Revenue of \$317 million, up 13% Year-over-Year

Gross Margin of 43.6% (GAAP) and 43.8% (non-GAAP)

Profitable on a GAAP and non-GAAP Basis with Earnings of \$1.92 and \$0.34 per Share

GoPro Subscribers up 168% Year-over-Year to 1.34 million

SAN MATEO, Calif., November 4, 2021 - GoPro, Inc. (NASDAQ: GPRO) today announced financial results for its third quarter ended September 30, 2021 and posted management commentary on the investor relations section of its website at <https://investor.gopro.com>.

"GoPro had an outstanding third quarter with strong revenue, earnings, margin, and cash flow growth that have led us to raise our margin and profitability outlook for the year," said Nicholas Woodman, GoPro's founder and CEO. "Strong demand, effectively managed supply chain and channel inventory combined with a successful new product launch to yield our highest gross margins since 2015."

"GoPro delivered exceptional earnings driven by revenue growth, expanded gross margins, and free cash flow from operations," said Brian McGee, GoPro's CFO and COO. "We generated \$166 million of free cash flow, or 15% of revenue on a trailing twelve-month basis, thanks to continued camera mix shift to the high-end and execution of our direct-to-consumer, subscription-centric strategy."

Q3 2021 Financial Highlights

- Revenue was \$317 million, up 13% year-over-year from \$281 million.
 - GoPro.com total revenue, including subscription revenue, increased 16% year-over-year to \$94 million – 30% of total revenue.
 - Subscription revenue was \$14 million, up 143% year-over-year.
 - GoPro subscriber count was 1.34 million, up 168% year-over-year.
 - Quik app subscriber count was 168,000.
 - GAAP and non-GAAP gross margins were 43.6% and 43.8% respectively, up from the prior year period at 35.4% and 36.2%, respectively.
 - GAAP net income was \$312 million, or \$1.92 per share, up from \$3 million or \$0.02 per share in the prior year period. Non-GAAP net income was \$55 million, or \$0.34 per share, up from \$31 million, or \$0.20 per share in the prior year period.
 - GAAP and non-GAAP operating expenses were \$89 million and \$80 million, respectively, compared to \$90 million and \$68 million, respectively in the prior year period.
 - Adjusted EBITDA was \$60 million, or 19% of revenue, compared to \$39 million, or 14% of revenue in the prior year period.
 - Cameras with retail prices at or above \$300 represented 98% of Q3 2021 camera revenue, up from 83% in the prior year period.
 - Q3 2021 Street ASP was \$381, up 25% year-over-year.
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Recent Business Highlights

- Launched new flagship, HERO10 Black, delivering breakthrough performance.
- Patent portfolio surpassed 1,000 U.S. granted patents, bringing its total granted patents to more than 1,600 globally.
- Appointed consumer products leader Shaz Kahng to GoPro's Board of Directors.
- Announced new high-performance Enduro Battery that improves HERO10 and HERO9 cold temperature performance and extends recording times in all conditions.
- Ranked No. 2 amongst online photo and video equipment retailers in Newsweek's recent report, "America's Best Customer Service – 2022."

Results Summary:

(\$ in thousands, except per share amounts)	Three months ended September 30,		
	2021	2020	% Change
Revenue	\$ 316,669	\$ 280,507	12.9 %
Gross margin			
GAAP	43.6 %	35.4 %	820 bps
Non-GAAP	43.8 %	36.2 %	760 bps
Operating income			
GAAP	\$ 48,601	\$ 8,854	448.9 %
Non-GAAP	\$ 58,798	\$ 33,446	75.8 %
Net income			
GAAP	\$ 311,761	\$ 3,307	9,327.3 %
Non-GAAP	\$ 55,320	\$ 31,049	78.2 %
Diluted net income per share			
GAAP	\$ 1.92	\$ 0.02	9,500.0 %
Non-GAAP	\$ 0.34	\$ 0.20	70.0 %
Adjusted EBITDA	\$ 60,442	\$ 39,179	54.3 %

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 8402962, 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 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. 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 include our cumulative GAAP income from the past three years may not be sustainable in future periods, we may not be able to achieve our forecast, sustain revenue growth or profitability, and our operating results may fluctuate unpredictably; our ability to effectively grow our direct-to-consumer and subscription business; the risk that our sales fall below our forecasts, especially during the holiday season; the risk we fail to manage our operating expenses effectively, and may result in our financial performance suffering 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 fact that sales of our cameras, mounts and accessories for substantially all of our revenue, and any decrease in the sales or change in sales mix of these products could harm our business; the risk that growing our direct-to-consumer and subscription 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 product introductions, product transitions, product pricing and marketing; 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; 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 shortages, long lead times for components, and supply changes, any of which could disrupt our supply chain and may increase our costs such as increased freight rates or shipping delays; 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 experience fluctuating revenue, expenses and 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 September 30, 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 September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue	\$ 316,669	\$ 280,507	\$ 769,935	\$ 534,153
Cost of revenue	178,616	181,195	453,904	355,722
Gross profit	138,053	99,312	316,031	178,431
Operating expenses:				
Research and development	36,458	37,235	106,688	104,074
Sales and marketing	37,352	34,378	108,812	112,845
General and administrative	15,642	18,845	45,940	53,686
Total operating expenses	89,452	90,458	261,440	270,605
Operating income (loss)	48,601	8,854	54,591	(92,174)
Other income (expense):				
Interest expense	(5,748)	(5,260)	(17,160)	(14,774)
Other income (expense), net	(1,320)	955	435	462
Total other expense, net	(7,068)	(4,305)	(16,725)	(14,312)
Income (loss) before income taxes	41,533	4,549	37,866	(106,486)
Income tax expense (benefit)	(270,228)	1,242	(280,679)	4,710
Net income (loss)	\$ 311,761	\$ 3,307	\$ 318,545	\$ (111,196)
Net income (loss) per share:				
Basic	\$ 2.01	\$ 0.02	\$ 2.07	\$ (0.75)
Diluted	\$ 1.92	\$ 0.02	\$ 1.96	\$ (0.75)
Shares used to compute net income (loss) per share:				
Basic	155,009	149,406	153,618	148,491
Diluted	162,746	151,849	162,728	148,491

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

(in thousands)	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 296,357	\$ 325,654
Restricted cash	—	2,000
Marketable securities	82,184	—
Accounts receivable, net	98,832	107,244
Inventory	120,891	97,914
Prepaid expenses and other current assets	44,830	23,872
Total current assets	643,094	556,684
Property and equipment, net	20,409	23,711
Operating lease right-of-use assets	27,762	31,560
Intangible assets, net and goodwill	146,592	147,673
Other long-term assets	280,390	11,771
Total assets	\$ 1,118,247	\$ 771,399
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 118,876	\$ 111,399
Accrued expenses and other current liabilities	112,480	113,776
Short-term operating lease liabilities	9,542	9,369
Deferred revenue	34,400	28,149
Short-term debt	120,213	—
Total current liabilities	395,511	262,693
Long-term debt	109,470	218,172
Long-term operating lease liabilities	45,138	51,986
Other long-term liabilities	13,133	22,530
Total liabilities	563,252	555,381
Stockholders' equity:		
Common stock and additional paid-in capital	1,000,579	980,147
Treasury stock, at cost	(113,613)	(113,613)
Accumulated deficit	(331,971)	(650,516)
Total stockholders' equity	554,995	216,018
Total liabilities and stockholders' equity	\$ 1,118,247	\$ 771,399

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

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Operating activities:				
Net income (loss)	\$ 311,761	\$ 3,307	\$ 318,545	\$ (111,196)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization	2,370	4,802	8,598	15,495
Non-cash operating lease cost	1,352	749	3,798	4,907
Stock-based compensation	9,329	8,413	28,227	21,926
Deferred income taxes	(269,913)	(104)	(269,922)	(51)
Non-cash restructuring charges	—	1,943	(99)	5,242
Impairment of right-of-use assets	—	12,460	—	12,460
Non-cash interest expense	3,590	2,498	10,535	7,348
Other	1,705	(461)	874	738
Net changes in operating assets and liabilities	7,429	65,950	(35,251)	30,660
Net cash provided by (used in) operating activities	67,623	99,557	65,305	(12,471)
Investing activities:				
Purchases of property and equipment, net	(2,822)	(2,397)	(4,840)	(4,560)
Purchases of marketable securities	(49,380)	—	(82,270)	—
Maturities of marketable securities	—	—	—	14,830
Asset acquisition	—	—	—	(438)
Net cash provided by (used in) investing activities	(52,202)	(2,397)	(87,110)	9,832
Financing activities:				
Proceeds from issuance of common stock	3,025	1,599	7,225	3,508
Taxes paid related to net share settlement of equity awards	(7,038)	(2,359)	(15,013)	(4,713)
Proceeds from borrowings	—	—	—	30,000
Repayment of borrowings	—	(30,000)	—	(30,000)
Net cash provided by (used in) financing activities	(4,013)	(30,760)	(7,788)	(1,205)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(857)	792	(1,704)	414
Net change in cash, cash equivalents and restricted cash	10,551	67,192	(31,297)	(3,430)
Cash, cash equivalents and restricted cash at beginning of period	285,806	79,679	327,654	150,301
Cash, cash equivalents and restricted cash at end of period	\$ 296,357	\$ 146,871	\$ 296,357	\$ 146,871

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 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 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
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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, such as the amortization of debt discounts, in accordance with the authoritative accounting guidance for convertible debt that may be settled in cash;
 - 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 September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
GAAP net income (loss)	\$ 311,761	\$ 3,307	\$ 318,545	\$ (111,196)
Stock-based compensation:				
Cost of revenue	483	340	1,420	1,175
Research and development	4,380	3,597	13,131	9,682
Sales and marketing	1,950	1,601	5,968	4,107
General and administrative	2,516	2,875	7,708	6,962
Total stock-based compensation	9,329	8,413	28,227	21,926
Acquisition-related costs:				
Cost of revenue	70	964	1,081	3,875
Total acquisition-related costs	70	964	1,081	3,875
Restructuring and other costs:				
Cost of revenue	51	938	150	1,270
Research and development	417	5,883	1,290	8,383
Sales and marketing	199	3,974	677	11,189
General and administrative	131	4,420	419	5,660
Total restructuring and other costs	798	15,215	2,536	26,502
Non-cash interest expense	3,590	2,498	10,535	7,348
Income tax adjustments	(270,228)	652	(280,907)	3,260
Non-GAAP net income (loss)	\$ 55,320	\$ 31,049	\$ 80,017	\$ (48,285)
GAAP shares for diluted net income (loss) per share	162,746	151,849	162,728	148,491
Non-GAAP shares for diluted net income (loss) per share	162,746	151,849	162,728	148,491
GAAP diluted net income (loss) per share	\$ 1.92	\$ 0.02	\$ 1.96	\$ (0.75)
Non-GAAP diluted net income (loss) per share	\$ 0.34	\$ 0.20	\$ 0.49	\$ (0.33)

(dollars in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
GAAP gross profit as a % of revenue	43.6 %	35.4 %	41.0 %	33.4 %
Stock-based compensation	0.2	0.1	0.2	0.2
Acquisition-related costs	—	0.4	0.2	0.8
Restructuring and other costs	—	0.3	—	0.2
Non-GAAP gross profit as a % of revenue	43.8 %	36.2 %	41.4 %	34.6 %
GAAP operating expenses	\$ 89,452	\$ 90,458	\$ 261,440	\$ 270,605
Stock-based compensation	(8,846)	(8,073)	(26,807)	(20,751)
Restructuring and other costs	(747)	(14,277)	(2,386)	(25,232)
Non-GAAP operating expenses	\$ 79,859	\$ 68,108	\$ 232,247	\$ 224,622
GAAP operating income (loss)	\$ 48,601	\$ 8,854	\$ 54,591	\$ (92,174)
Stock-based compensation	9,329	8,413	28,227	21,926
Acquisition-related costs	70	964	1,081	3,875
Restructuring and other costs	798	15,215	2,536	26,502
Non-GAAP operating income (loss)	\$ 58,798	\$ 33,446	\$ 86,435	\$ (39,871)

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
GAAP net income (loss)	\$ 311,761	\$ 3,307	\$ 318,545	\$ (111,196)
Income tax expense	(270,228)	1,242	(280,679)	4,710
Interest expense, net	5,697	5,241	16,977	14,551
Depreciation and amortization	2,371	4,802	8,599	15,495
POP display amortization	714	959	2,022	3,468
Stock-based compensation	9,329	8,413	28,227	21,926
Restructuring and other costs	798	15,215	2,536	26,502
Adjusted EBITDA	\$ 60,442	\$ 39,179	\$ 96,227	\$ (24,544)

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November 4th, 2021
GoPro, Inc. (NASDAQ: GPRO)
Management Commentary
Q3 2021 Earnings Call



Jalene Hoover

Vice President, Investor Relations, GoPro, Inc.

Enclosed is GoPro's third 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 our 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 is on file with the Securities and Exchange Commission ("SEC") and in other reports that we may file from time to time with the SEC.

In the management commentary, we may discuss gross margin, operating expense, net profit and loss, EBITDA 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, and 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, which is posted in the investor relations section of our website.

In addition to the earnings press release, we have posted slides containing detailed financial data and metrics for the third quarter of 2021. These slides, as well as a link to today's live webcast and a replay of this conference call are posted at the investor relations section of GoPro's 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 Q3 2021 earnings report.

GoPro had an outstanding third quarter with strong revenue, earnings, margin, and cash flow growth that have led us to raise our margin and profitability outlook for the year. Strong demand, an effectively managed supply chain and channel inventories combined with a successful new product launch to yield our highest gross margins since 2015 and our fifth consecutive profitable quarter on a non-GAAP basis.

GoPro was profitable on both a GAAP and non-GAAP basis in the third quarter generating EPS of \$1.92 and \$0.34, respectively. Non-GAAP gross margin in the quarter was 43.8%, up from 36.2% in Q3 2020. Sales of our higher-end cameras, increased direct-to-consumer revenue and 143% year-over-year growth in GoPro's subscription revenue drove the gross margin improvement. Revenue in the quarter increased 13% year-over-year to \$317 million, driven by strong sales in all geographies as well as continued growth in our direct-to-consumer business. Direct-to-consumer revenue from GoPro.com totaled \$94 million, up 16% year-over-year.

These results illustrate how our direct-to-consumer, subscription-centric strategy has transformed GoPro into a higher margin, more profitable business that's growing.

At the close of Q3, we had 1.34 million GoPro subscribers, representing 168% year-over-year growth – adding approximately 840,000 new GoPro subscribers since the close of Q3 2020. We've now passed the one-year mark for the subscriber cohort who received their subscription as part of their HERO9 Black bundle purchase and we are encouraged that our annual subscriber retention rates from this cohort are healthy and in-line with our expectations. We expect to exceed 1.7 million subscribers by year end and remain confident in our subscription business's ability to positively impact margin over the long term. And our Quik app subscription continues to contribute to margin as well, having closed the quarter with 168,000 subscribers.

Street ASPs continued to rise in Q3 2021, reaching \$381 – a 25% year-over-year increase. The mix of cameras with MSRPs of \$300 and above, including our newly launched \$499 MSRP HERO10 Black, grew to 98% of our third quarter camera revenue.

Despite supply chain constraints that are affecting many industries, we have successfully partnered with our suppliers to produce inventory to support our fourth quarter revenue expectations – GoPro.com and our retail partners will be stocked and ready for shoppers this holiday season.



The marquee event for GoPro in Q3 was the launch of HERO10 Black, our new flagship camera, powered by our new high-performance GP2 processor. GP2 delivers breakthrough image quality and blistering video frame rates that enable HERO10 Black to capture life-like 5.3K video at 60 frames per second, 4K video at 120 frames per second and 2.7K video at an incredible 240 frames per second. GP2 also enables HyperSmooth 4.0 video stabilization, setting a new bar, once again, for delivering the most stabilized video ever seen from a camera, regardless of price. We've yet to identify a camera that costs less-than \$3,500 that is capable of the high-performance resolutions, frame rates and in-camera stabilization of HERO10, let alone being as compact, durable and versatile. GoPro has once again set a new bar.

And many reviewers agree:

- “An excellent Evolution” – Digital Trends
- “Might change how you capture life” – c|net
- “The best in class gets better” – PC Magazine
- “Slam dunk performance gains” – RedShark News
- “Once again outdoing themselves” – ProVideo Coalition
- “This camera should cost \$70,000” – YouTuber, Peter McKinnon
- “HERO10 could be the only camera you ever need” – Business Insider
- “HERO10 Black may be the greatest camera value of all time” – Input Magazine

Post launch, we learned that some customers want longer recording times in static settings where there's no airflow to cool the camera. In response to this, our teams went to work and earlier this week we released a HERO10 firmware update that significantly increases recording times and optimizes HERO10 for a wider variety of use cases. We believe our dedication to customer satisfaction bolsters our brand strength, customer loyalty and overall reputation, as illustrated by the unsolicited No. 2 customer service ranking amongst 'online photo and video equipment retailers' we received from Newsweek in their recent report, “America's Best Customer Service – 2022.”

Last week, we also announced we're launching a new battery, named Enduro, for HERO10 and HERO9 cameras. Enduro features breakthrough performance in cold temperature use cases like snow sports and significantly extends recording times in moderate temperatures. Initial response to the news of Enduro, which will be available for purchase on GoPro.com on November 30th for \$24.99, has been very positive. We believe Enduro will have a positive impact on camera sales.

Inventing meaningful and unique solutions has been a priority at GoPro since our founding in 2002. GoPro's culture of innovation has spawned a patent portfolio that industry experts have consistently recognized for its quality, depth and variety. In Q3 we announced that our U.S. patent portfolio surpassed



1,000 granted patents, bringing our global patent total to more than 1,600, and highlighting the importance we place on protecting our innovations.

I'd like to thank our roughly 750 global employees who have done an incredible job executing on all fronts amidst the many challenges the world is facing. Whether it be adapting to remote-work, supply chain shortages or geopolitical hurdles, you all continue to rally on behalf of our customers to deliver world-class products and services. Your execution is not only driving our business to new levels, but it's also helping us attract additional top talent – like our new board member, Shaz Kahng. Shaz is a former senior executive at Nike and Lucy Activewear and brings a wealth of consumer product strategy and executive leadership experience to GoPro.

It's an exciting time at GoPro — in addition to expanding margins and profitability, our subscription strategy can expand our TAM by super-serving subscribers with value, performance, and simplicity. Helping people get the most out of their personal content can also yield a very “sticky” relationship we can leverage to maximize lifetime value (LTV) over the long term. And our investments in software development across mobile, desktop and cloud can grow our TAM further, establishing GoPro as a powerful yet convenient content management, editing and sharing solution for GoPro camera owners and non-owners alike.

We believe our brand and technical capabilities afford us a unique opportunity to establish GoPro as a much larger player in the digital imaging space while offering exciting, differentiated solutions for a significantly greater number of consumers than we do today.

We're excited about our future. With that, Brian will now share our financial details.

Brian McGee

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

We delivered exceptionally strong earnings and cash flow in the third quarter of 2021. Our financial performance has steadily improved over the last five quarters as we execute our direct-to-consumer, subscription-centric strategy.

Revenue grew to \$317 million in Q3, up 13% year-over-year. Gross margins increased significantly to 43.8%, a level not seen since 2015. This, combined with disciplined operating expense management, resulted in non-GAAP EPS of \$0.34, and adjusted EBITDA of \$60 million – representing 19% of third quarter revenue. Additionally, free cash flow on a trailing twelve-month (TTM) standpoint was \$166 million, or 15% of revenue.



The following table details actual Q3 results compared to our Q3 guidance.

Quarterly Results and Prior Guidance

	Q3 2021 Results	Q3 2021 Guidance
Revenue	\$317 M	\$290 +/- \$5M
Unit sell-through	~800K	775K - 825K
Street ASP	\$381	\$350
Gross margin	43.8 %	40.0% +/- 50bps
Non-GAAP net income per share	\$0.34	\$0.19 +/- \$0.02
Cash & investments	\$379 M	\$340M - \$380M

Globally, third quarter revenue increased year-over-year across all geographies, led by Asia Pacific and Europe. Third quarter retail revenue increased 12% year-over-year to \$223 million and represented 70% of total revenue. We believe this increase in our retail channel sales was driven by the rollout of COVID-19 vaccinations and increased in-store traffic.

Third quarter GoPro.com direct-to-consumer revenue increased 16% year-over-year to \$94 million – 30% of total revenue. Subscriber growth increased 168% year-over-year to 1.34 million. Third quarter subscription revenue grew to \$14 million, up 143% year-over-year – representing 5% of total revenue. Quik app subscriber growth also positively contributed to overall third quarter revenue.

We shipped 832,000 units during the third quarter and sold-through slightly less than 800,000 units, continuing our effective channel inventory management.

Third quarter gross margin increased to 43.8%, up from 40.1% the prior quarter and 36.2% year-over-year. Stronger unit sales at higher price points, continued growth in high-margin subscription revenue, and increasing direct-to-consumer revenue drove a 25% year-over-year increase in Street ASPs to \$381. Cameras with suggested retail prices at \$300 and above represented 98% of revenue, up from 94% in Q2 and 83% in Q3 2020. We expect sales of cameras priced \$300 or greater to be 95% or more of the mix in Q4. As a reminder, “Street ASP” is defined as total reported revenue divided by camera units shipped.

Third quarter operating expenses increased to \$80 million, up from \$68 million in the same period in 2020. As a reminder, at the onset of COVID-19, we prudently trimmed operating expenses in Q2 and Q3



of 2020. Increases in operating expenses in Q3 2021 were primarily driven by higher advertising spend to drive demand, bonus expenses in 2021 compared to none in 2020, and an increase in expenses related to bolstering our direct-to-consumer sales capabilities at GoPro.com.

GAAP and non-GAAP EPS were \$1.92 and \$0.34, respectively. GAAP results were positively impacted by the release of our valuation allowance that was recorded as a \$263 million non-cash income tax benefit during the quarter. Our cumulative GAAP income over the past three years, along with our financial outlook that anticipates sufficient future taxable income to be able to utilize existing U.S. net operating losses (NOLs) and other tax attributes, positioned us well to take the release.

Turning to the balance sheet, cash increased \$60 million in the quarter, representing 19% of revenue, and we ended the quarter with \$379 million in cash and investments. Consistent operating performance resulted in positive cash flow reflecting our improved quality of earnings.

Looking ahead, the following tables show our guidance for the fourth quarter and full year of 2021.

Full Year 2021 Guidance

	FY 2021 Guidance
Revenue	\$1,150M +/- \$5M
Unit sell-through	~3.4MU
Street ASP	\$370
Gross margin	41% +/- 20bps
Non-GAAP net income per share	\$0.83 +/- \$0.03

Fourth Quarter 2021 Guidance

	Q4 2021 Guidance
Revenue	\$380M +/- \$5M
Unit sell-through	~1.1MU
Street ASP	\$380
Gross margin	40.5% +/- 50bps
Non-GAAP net income per share	\$0.35 +/- \$0.03
Cash & investments	\$470M - \$500M

The figures shared below assume the midpoint of Q4 and full year 2021 guidance.



2021 is shaping up to be a fantastic year. We have weathered supply chain and COVID related challenges and yet each quarter we've either raised or reinforced our 2021 revenue, margin and earnings projections.

We believe we are on track to deliver full year 2021 revenue of \$1.15 billion, which reflects year-over-year growth of 29% and remains at the high-end of our prior guidance range of 25% to 30% we provided in August. Notably, we expect to deliver full year gross margins of 41%, up from 36% in 2020 and full year EPS of \$0.85 compared to \$0.08 in 2020.

We expect our 2021 direct-to-consumer sales to be in a range of 35% to 40% of total revenue, reflecting greater than 45% growth year-over-year. We are very pleased with our annual subscriber retention rates and anticipate that our greater than 90% subscription attach rate on GoPro.com will continue. For full year 2021, we expect total subscribers to exceed 1.7 million, and GoPro subscription revenue to be in a range of \$50 to \$60 million, approximately 5% of total revenue. Looking forward, this represents approximately \$90 million of annual recurring revenue at gross margins between 70% to 80%.

We expect non-GAAP tax expense for full year 2021 to be approximately \$0.9 million, and approximately \$1.5 million in 2022. As a reminder, our non-GAAP tax expense is based on actual cash tax paid globally.

On the supply chain front, we're proud of the work our team and partners have done to meet demand. To reiterate what we said on our last earnings call, we will have the inventory to support our revenue guide for 2021 with limited upside due to supply chain constraints.

We expect sell-through to be approximately 1.1 million units in the fourth quarter and approximately 3.4 million units for 2021. We expect channel inventory to decrease slightly in the fourth quarter, exiting the year with between 500,000 and 550,000 camera units in the channel – an appropriate level for our business.

We expect fourth quarter revenue to increase to approximately \$380 million, up 6% year-over-year. We expect to sustain Q3 Street ASPs into Q4 at \$380, up 18% year-over-year. We expect fourth quarter gross margins to stay above 40%, up from margins of 38.3% in the prior year period. This is despite Q4 2021 margins being impacted by as much as 250 to 300 basis points primarily due to increasing freight rates resulting from global supply chain constraints. We expect freight rates to reduce as holiday traffic levels ease as we get into 2022.



We expect shares outstanding to increase to approximately 164 million in the fourth quarter based on our current stock price.

As a result of our strong financial performance, we plan to exit the year with a cash balance in the range of \$470 to \$500 million, a nearly 50% year-over-year increase.

Looking into fiscal year 2022, we expect our revenue to grow from an increase in units as well as ASP. We expect increasing direct-to-consumer and subscription revenue to have a positive impact on gross margin and EPS. We expect continued investment in innovation, website development and marketing to modestly increase operating expenses.

In closing, we believe we are well-positioned to continue weathering COVID and supply chain challenges to maintain our positive growth trajectory. Thanks for taking the time to read our management commentary.