UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ________________

Commission file number: 001-36514

GOPRO, INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0629474**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
3025 Clearview Way San Mateo, California	**94402**
(Address of principal executive offices)	*(Zip Code)*

(650) 332-7600

(Registrant's telephone number, including area code)

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, $0.0001 par value	**GPRO**	**NASDAQ Global Select Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Smaller reporting company	☐
Accelerated filer	☐	Emerging growth company	☐
Non-accelerated filer	☐		

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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of November 6, 2023, 125,781,710 and 26,258,546 shares of Class A and Class B common stock were outstanding, respectively.

GoPro, Inc.
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Special Note About Forward-Looking Statements

This Quarterly Report on Form 10-Q of GoPro, Inc. (GoPro or we or the Company) includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding guidance, industry prospects, product and marketing plans, or future results of operations or financial position, made in this Quarterly Report on Form 10-Q are forward-looking. To identify forward-looking statements, we use words such as “expect,” “anticipate,” “believe,” “may,” “will,” “estimate,” “intend,” “target,” “goal,” “plan,” “likely,” “potentially,” or variations of such words and similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their date. If any of management's assumptions prove incorrect or should unanticipated circumstances arise, the Company's actual results could materially differ from those anticipated by such forward-looking statements. The differences could be caused by a number of factors or combination of factors including, but not limited to, those factors identified and detailed in Risk Factors in Part II, Item 1A. of this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023. Forward-looking statements include, but are not limited to, statements regarding our plans to expand and improve product offerings; projections of results of operations, research and development plans, marketing plans, plans to expand our global retail and distribution footprint, and revenue growth drivers, plans to manage our operating expenses effectively, plans to drive profitability, including our restructuring plans and the improved efficiencies in our operations that such plans may create; the impact of negative macroeconomic factors including rising interest rates and inflation, market volatility, economic recession concerns, and the potential occurrence of a temporary federal government shutdown; the ability for us to grow camera sales to drive meaningful volume and subscription growth; our ability to acquire and retain subscribers; the effects of global conflicts and geopolitical issues such as the conflicts in Israel and Ukraine or China-Taiwan relations on our business; plans to settle the note conversion in cash; expectations regarding the volatility of the Company’s tax provision and resulting effective tax rate and projections of results of operations; the outcome of pending or future litigation and legal proceedings; and any discussion of the trends and other factors that drive our business and future results, as discussed in Item 2 Management’s Discussion and Analysis of Financial Condition and Results of Operations, and other sections of this Quarterly Report on Form 10-Q, including but not limited to Item 1A. Risk Factors. Readers are strongly encouraged to consider the foregoing including those factors when evaluating any forward-looking statements concerning the Company. The Company does not undertake any obligation to update any forward-looking statements in this Quarterly Report on Form 10-Q to reflect future events or developments.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GoPro, Inc.

Condensed Consolidated Balance Sheets

(unaudited)

(in thousands, except par values)	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 220,984	$ 223,735
Marketable securities	38,488	143,602
Accounts receivable, net	107,453	77,008
Inventory	154,876	127,131
Prepaid expenses and other current assets	38,030	34,551
Total current assets	559,831	606,027
Property and equipment, net	9,314	13,327
Operating lease right-of-use assets	19,686	21,819
Goodwill	146,459	146,459
Other long-term assets	310,347	289,293
Total assets	$ 1,045,637	$ 1,076,925
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 118,713	$ 91,648
Accrued expenses and other current liabilities	119,715	118,877
Short-term operating lease liabilities	9,873	9,553
Deferred revenue	52,502	55,850
Total current liabilities	300,803	275,928
Long-term taxes payable	12,400	9,536
Long-term debt	141,730	141,017
Long-term operating lease liabilities	27,825	33,446
Other long-term liabilities	3,799	5,439
Total liabilities	486,557	465,366
Commitments, contingencies and guarantees (Note 9)		
Stockholders' equity:		
Preferred stock, $0.0001 par value, 5,000 shares authorized; none issued	—	—
Common stock and additional paid-in capital, $0.0001 par value, 500,000 Class A shares authorized, 125,782 and 128,629 shares issued and outstanding, respectively; 150,000 Class B shares authorized, 26,258 and 26,259 shares issued and outstanding, respectively	989,189	960,903
Treasury stock, at cost, 23,778 and 16,677 shares, respectively	(183,231)	(153,231)
Accumulated deficit	(246,878)	(196,113)
Total stockholders' equity	559,080	611,559
Total liabilities and stockholders' equity	$ 1,045,637	$ 1,076,925

The accompanying notes are an integral part of these condensed consolidated financial statements.

GoPro, Inc.
Condensed Consolidated Statements of Operations
(unaudited)

(in thousands, except per share data)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Revenue	$ 294,299	$ 305,130	$ 710,039	$ 772,520
Cost of revenue	200,095	189,085	487,561	469,995
Gross profit	94,204	116,045	222,478	302,525
Operating expenses:				
Research and development	41,708	36,043	121,796	103,859
Sales and marketing	41,254	41,076	119,215	115,888
General and administrative	15,029	14,495	47,562	45,530
Total operating expenses	97,991	91,614	288,573	265,277
Operating income (loss)	(3,787)	24,431	(66,095)	37,248
Other income (expense):				
Interest expense	(1,171)	(1,185)	(3,463)	(4,932)
Other income (expense), net	1,963	284	7,231	(523)
Total other income (expense), net	792	(901)	3,768	(5,455)
Income (loss) before income taxes	(2,995)	23,530	(62,327)	31,793
Income tax expense (benefit)	689	5,960	(11,562)	6,019
Net income (loss)	$ (3,684)	$ 17,570	$ (50,765)	$ 25,774
Net income (loss) per share:				
Basic	$ (0.02)	$ 0.11	$ (0.33)	$ 0.16
Diluted	$ (0.02)	$ 0.10	$ (0.33)	$ 0.16
Shares used to compute net income (loss) per share:				
Basic	152,409	155,819	154,113	156,464
Diluted	152,409	173,184	154,113	180,038

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

(in thousands)	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Operating activities:		
Net income (loss)	$ (50,765)	$ 25,774
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	5,001	6,590
Non-cash operating lease cost	2,133	4,166
Stock-based compensation	31,448	29,426
Deferred income taxes	(17,964)	6,147
Other	(1,968)	2,383
Changes in operating assets and liabilities:		
Accounts receivable, net	(30,630)	29,792
Inventory	(27,745)	(66,985)
Prepaid expenses and other assets	(6,895)	4,602
Accounts payable and other liabilities	25,712	(67,136)
Deferred revenue	(4,919)	5,426
Net cash used in operating activities	(76,592)	(19,815)
Investing activities:		
Purchases of property and equipment, net	(985)	(3,205)
Purchases of marketable securities	(25,782)	(103,733)
Maturities of marketable securities	134,204	109,649
Net cash provided by investing activities	107,437	2,711
Financing activities:		
Proceeds from issuance of common stock	3,876	4,686
Taxes paid related to net share settlement of equity awards	(7,146)	(12,327)
Repurchase of outstanding common stock	(30,000)	(31,618)
Repayment of debt	—	(125,000)
Net cash used in financing activities	(33,270)	(164,259)
Effect of exchange rate changes on cash and cash equivalents	(326)	(2,563)
Net change in cash and cash equivalents	(2,751)	(183,926)
Cash and cash equivalents at beginning of period	223,735	401,087
Cash and cash equivalents at end of period	$ 220,984	$ 217,161

The accompanying notes are an integral part of these condensed consolidated financial statements.

GoPro, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(unaudited)

(in thousands)	Common stock and additional paid-in capital Shares	Common stock and additional paid-in capital Amount	Treasury stock Amount	Accumulated deficit	Stockholders' equity
Balances at December 31, 2021	156,474	$ 1,008,872	$ (113,613)	$ (279,345)	$ 615,914
Common stock issued under employee benefit plans, net of shares withheld for tax	1,891	2,371	—	—	2,371
Taxes paid related to net share settlements	—	(7,175)	—	—	(7,175)
Stock-based compensation expense	—	9,836	—	—	9,836
Repurchase of outstanding common stock	(1,120)	—	(10,000)	—	(10,000)
Cumulative effect of adoption of new accounting standard	—	(78,230)	—	54,385	(23,845)
Net income	—	—	—	5,685	5,685
Balances at March 31, 2022	157,245	935,674	(123,613)	(219,275)	592,786
Common stock issued under employee benefit plans, net of shares withheld for tax	421	30	—	—	30
Taxes paid related to net share settlements	—	(1,313)	—	—	(1,313)
Stock-based compensation expense	—	10,251	—	—	10,251
Repurchase of outstanding common stock	(1,802)	—	(11,762)	—	(11,762)
Net income	—	—	—	2,519	2,519
Balances at June 30, 2022	155,864	944,642	(135,375)	(216,756)	592,511
Common stock issued under employee benefit plans, net of shares withheld for tax	1,589	2,010	—	—	2,010
Taxes paid related to net share settlements	—	(3,839)	—	—	(3,839)
Stock-based compensation expense	—	9,339	—	—	9,339
Repurchase of outstanding common stock	(1,540)	—	(9,856)	—	(9,856)
Net income	—	—	—	17,570	17,570
Balances at September 30, 2022	155,913	$ 952,152	$ (145,231)	$ (199,186)	$ 607,735
Balances at December 31, 2022	154,888	$ 960,903	$ (153,231)	$ (196,113)	$ 611,559
Common stock issued under employee benefit plans, net of shares withheld for tax	1,960	2,397	—	—	2,397
Taxes paid related to net share settlements	—	(4,251)	—	—	(4,251)
Stock-based compensation expense	—	10,314	—	—	10,314
Repurchase of outstanding common stock	(890)	—	(5,000)	—	(5,000)
Net loss	—	—	—	(29,869)	(29,869)
Balances at March 31, 2023	155,958	969,363	(158,231)	(225,982)	585,150
Common stock issued under employee benefit plans, net of shares withheld for tax	375	7	—	—	7
Taxes paid related to net share settlements	—	(583)	—	—	(583)
Stock-based compensation expense	—	11,117	—	—	11,117
Repurchase of outstanding common stock	(3,606)	—	(15,000)	—	(15,000)
Net loss	—	—	—	(17,212)	(17,212)
Balances at June 30, 2023	152,727	979,904	(173,231)	(243,194)	563,479
Common stock issued under employee benefit plans, net of shares withheld for tax	1,918	1,580	—	—	1,580
Taxes paid related to net share settlements	—	(2,312)	—	—	(2,312)
Stock-based compensation expense (Note 6)	—	10,017	—	—	10,017
Repurchase of outstanding common stock	(2,605)	—	(10,000)	—	(10,000)
Net loss	—	—	—	(3,684)	(3,684)
Balances at September 30, 2023	152,040	$ 989,189	$ (183,231)	$ (246,878)	$ 559,080

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Summary of business and significant accounting policies

GoPro, Inc. and its subsidiaries (GoPro or the Company) make it easy for the world to capture and share itself in immersive and exciting ways, helping people get the most out of their photos and videos. The Company is committed to developing solutions that create an easy, seamless experience for consumers to capture, create, manage and share engaging personal content. To date, the Company’s cameras, mountable and wearable accessories, subscription and service, and implied post contract support have generated substantially all of its revenue. The Company sells its products globally on its website, and through retailers and wholesale distributors. The Company’s global corporate headquarters are located in San Mateo, California.

Basis of presentation. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP) for financial information set forth in the Accounting Standards Codification (ASC), as published by the Financial Accounting Standards Board (FASB), and with the applicable rules and regulations of the Securities and Exchange Commission (SEC). The Company’s fiscal year ends on December 31, and its fiscal quarters end on March 31, June 30 and September 30.

The condensed consolidated financial statements reflect all adjustments, which are normal and recurring in nature, that management believes are necessary for the fair statement of the Company's financial statements but are not necessarily indicative of the results expected in future periods. The Condensed Consolidated Balance Sheet as of December 31, 2022, has been derived from the audited financial statements at that date, but does not include all the disclosures required by GAAP. This Quarterly Report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K (Annual Report) for the year ended December 31, 2022. There have been no material changes in the Company’s critical accounting policies and estimates from those disclosed in its Annual Report on Form 10-K.

Principles of consolidation. These condensed consolidated financial statements include all the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of estimates. The preparation of condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the Company’s condensed consolidated financial statements and accompanying notes. Significant estimates and assumptions made by management include those related to revenue recognition and the allocation of the transaction price (including sales incentives, sales returns and implied post contract support), inventory valuation, product warranty liabilities, the valuation, impairment and useful lives of long-lived assets (property and equipment, operating lease right-of-use assets, intangible assets and goodwill), fair value of convertible senior notes, and income taxes. The Company bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ materially from management’s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations could be affected. The Company's actual results for the nine months ended September 30, 2023, as well as its latest projections for the full year 2023 are in-line with expectations reviewed as part of the Company’s fourth quarter 2022 goodwill qualitative assessment. Based on the Company’s interim assessment as of September 30, 2023, and despite the recent reduction in the Company’s market capitalization during the third quarter 2023, the Company determined that it did not incur a “triggering event” requiring a quantitative assessment of goodwill. If the Company's market capitalization continues to decline or future performance varies from current expectations, assumptions, or estimates, including assumptions related to current macroeconomic uncertainties, this may trigger a future impairment charge, which could have a material adverse effect on our business, financial condition, and results of operations in the reporting period in which a charge would be necessary to record. The Company will continue to monitor developments throughout the remainder of 2023, including updates to the Company’s forecasts, discount rates, and the Company’s market capitalization. An update of the Company’s assessment and related estimates may be required in the future.

Comprehensive income (loss). For all periods presented, comprehensive income (loss) approximated net income (loss). Therefore, the Condensed Consolidated Statements of Comprehensive Income (Loss) have been omitted.

Revenue recognition. The Company derives substantially all of its revenue from the sale of cameras, mounts, accessories, subscription and service, and implied post contract support to customers. The transaction price recognized as revenue represents the consideration the Company expects to be entitled to and is primarily comprised of product revenue, net of returns and variable consideration, which includes sales incentives provided to customers.

The Company's camera sales contain multiple performance obligations that can include the following four separate obligations: (i) a camera hardware component (which may be bundled with hardware accessories) and the embedded firmware essential to the functionality of the camera component delivered at the time of sale, (ii) a subscription and service, (iii) the implied right for the customer to receive post contract support after the initial sale (PCS), and (iv) the implicit right to the Company's downloadable free apps and software solutions. The Company's PCS includes the right to receive, on a when and if available basis, future unspecified firmware upgrades and features as well as bug fixes, and email, chat and telephone support.

The Company recognizes revenue from its sales arrangements when control of the promised goods or services are transferred to its customers, in an amount that reflects the amount of consideration expected to be received in exchange for the transferred goods or services. For the sale of hardware products, including related firmware and free software solutions, revenue is recognized when transfer of control occurs at a point in time, which generally is at the time the hardware product is shipped and collection is considered probable. For customers who purchase products directly from GoPro.com, the Company retains a portion of the risk of loss on these sales during transit, which are accounted for as fulfillment costs. For PCS, revenue is recognized ratably over 24 months, which represents the estimated period PCS is expected to be provided based on historical experience.

The Company's subscription and service revenue is recognized primarily from our GoPro subscription and Quik subscription offerings and is recognized ratably over the subscription term, with any payments received in advance of services rendered recorded as deferred revenue. The Company's GoPro subscription offers a range of services, including unlimited cloud storage of GoPro content supporting source video and photo quality, damaged camera replacement, the delivery of highlight videos automatically via the Company's mobile app when GoPro camera footage is uploaded to a GoPro cloud account using the Company's Auto Upload feature, access to a high-quality live streaming service on GoPro.com as well as discounts on GoPro cameras, gear, mounts and accessories. The Company also offers the Quik subscription that provides access to a suite of simple single-clip and multi-clip editing tools.

For the Company's camera sale arrangements with multiple performance obligations, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are based on observable prices at which the Company separately sells its products, and subscription and service. If a standalone selling price is not directly observable, then the Company estimates the standalone selling prices considering market conditions and entity-specific factors. For example, the standalone selling price for PCS is determined based on a cost-plus approach, which incorporates the level of support provided to customers, estimated costs to provide such support, and the amount of time and costs that are allocated to efforts to develop the undelivered elements.

The Company's standard terms and conditions of sale for non-web-based sales do not allow for product returns other than under warranty. However, the Company grants limited rights of return, primarily to certain large retailers. The Company reduces revenue and cost of sales for the estimated returns based on analyses of historical return trends by customer class and other factors. An estimated return liability along with a right to recover assets are recorded for future product returns. Return trends are influenced by product life cycles, new product introductions, market acceptance of products, product sell-through, the type of customer, seasonality, and other factors. Return rates may fluctuate over time but are sufficiently predictable to allow the Company to estimate expected future product returns.

The Company provides sales commissions to internal and external sales representatives which are earned in the period in which revenue is recognized. As a result, the Company expenses sales commissions as incurred.

Deferred revenue as of September 30, 2023 and December 31, 2022, includes amounts related to the Company's subscriptions and PCS. The Company's short-term and long-term deferred revenue balances totaled $55.5 million and $60.4 million as of September 30, 2023 and December 31, 2022, respectively. Of the deferred revenue balance as of December 31, 2022 and 2021, the Company recognized $12.2 million and $9.0 million of revenue during the three months ended September 30, 2023 and 2022, respectively, and $50.6 million and $37.9 million of revenue during the nine months ended September 30, 2023 and 2022, respectively. Of the deferred revenue balance as of June 30, 2023 and 2022, the Company recognized $23.1 million and $18.4 million of revenue during the three months ended September 30, 2023 and 2022, respectively.

Sales incentives. The Company offers sales incentives through various programs, including cooperative advertising, price protection, marketing development funds and other incentives. Sales incentives are considered to be variable consideration, which the Company estimates and records as a reduction to revenue at the date of sale. The Company estimates sales incentives based on historical experience, product sell-through and other factors. In March 2023, the Company made a strategic pricing decision to reduce the manufacturer's suggested retail price (MSRP) of its cameras, effective May 2023. As a result, the Company recorded a total price protection charge of $26.7 million for this program, based on estimated channel inventory levels as of the price drop date. Actual price protection claims may differ from the Company's estimates.

Income taxes. The Company utilizes the asset and liability method for computing its income tax provision, under which, deferred tax assets and liabilities are recognized for the expected future consequences of temporary differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates. Management makes estimates, assumptions, and judgments to determine the Company's provision for income taxes, deferred tax assets and liabilities, and any valuation allowance recorded against deferred tax assets. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income in each tax jurisdiction and, to the extent the Company believes recovery is not likely, establishes a valuation allowance.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. Interest and penalties related to unrecognized tax benefits are recognized within income tax expense.

Segment information. The Company operates as one operating segment as it only reports financial information on an aggregate and consolidated basis to its Chief Executive Officer, who is the Company's chief operating decision maker.

Recent accounting standards. Although there are several new accounting standards issued or proposed by the FASB, which the Company has adopted or will adopt, as applicable, the Company does not believe any of these accounting pronouncements has had or will have a material impact on its condensed consolidated financial statements.

2. Fair value measurements

The Company's assets that are measured at fair value on a recurring basis within the fair value hierarchy are summarized as follows:

	September 30, 2023			December 31, 2022		
(in thousands)	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Cash equivalents [(1)]:						
Money market funds	$ 169,072	$ —	$ 169,072	$ 138,394	$ —	$ 138,394
Total cash equivalents	$ 169,072	$ —	$ 169,072	$ 138,394	$ —	$ 138,394
Marketable securities:						
U.S. treasury securities	$ —	$ 10,846	$ 10,846	$ —	$ 14,716	$ 14,716
Commercial paper	—	11,819	11,819	—	87,436	87,436
Corporate debt securities	—	3,925	3,925	—	29,637	29,637
Government securities	—	11,898	11,898	—	11,813	11,813
Total marketable securities	$ —	$ 38,488	$ 38,488	$ —	$ 143,602	$ 143,602

(1) Included in cash and cash equivalents in the accompanying Condensed Consolidated Balance Sheets. Cash balances were $51.9 million and $85.3 million as of September 30, 2023 and December 31, 2022, respectively.

Cash equivalents are classified as Level 1 because the Company uses quoted market prices to determine their fair value. Marketable securities are classified as Level 2 because the Company uses alternative pricing sources and models utilizing market observable inputs to determine their fair value. The contractual maturities of available-for-sale marketable securities as of September 30, 2023 were all less than one year in duration. At September 30, 2023 and December 31, 2022, the Company had no financial assets or liabilities measured at fair value on a recurring basis that were classified as Level 3, which are valued based on inputs supported by little or no market activity.

At September 30, 2023 and December 31, 2022, the amortized cost of the Company's cash equivalents and marketable securities approximated their fair value and there were no material realized or unrealized gains or losses, either individually or in the aggregate.

In November 2020, the Company issued $143.8 million principal amount of Convertible Senior Notes due 2025 (2025 Notes) (see Note 4 Financing arrangements). The estimated fair value of the 2025 Notes is based on quoted market prices of the Company's instruments in markets that are not active and are classified as Level 2 within the fair value hierarchy. The Company estimated the fair value of the 2025 Notes by evaluating quoted market prices and calculating the upfront cash payment a market participant would require to assume these obligations. The calculated fair value of the 2025 Notes was $126.3 million and $130.1 million as of September 30, 2023 and December 31, 2022, respectively. The calculated fair value is highly correlated to the Company's stock price and as a result, significant changes to the Company's stock price will have a significant impact on the calculated fair value of the 2025 Notes.

For certain other financial assets and liabilities, including accounts receivable, accounts payable and other current assets and liabilities, the carrying amounts approximate their fair value primarily due to the relatively short maturity of these balances.

The Company also measures certain non-financial assets at fair value on a nonrecurring basis, primarily goodwill, intangible assets, and operating lease right-of-use assets, in connection with periodic evaluations for potential impairment.

3. Condensed consolidated financial statement details

The following section provides details of selected balance sheet items.

Inventory

(in thousands)	September 30, 2023	December 31, 2022
Components	$ 17,802	$ 38,400
Finished goods	137,074	88,731
Total inventory	$ 154,876	$ 127,131

Property and equipment, net

(in thousands)	September 30, 2023	December 31, 2022
Leasehold improvements	$ 24,084	$ 32,472
Production, engineering and other equipment	39,941	46,475
Tooling	7,971	9,033
Computers and software	17,717	17,258
Furniture and office equipment	4,645	4,879
Tradeshow equipment and other	1,705	1,664
Construction in progress	158	59
Gross property and equipment	96,221	111,840
Less: Accumulated depreciation and amortization	(86,907)	(98,513)
Property and equipment, net	$ 9,314	$ 13,327

Other long-term assets

(in thousands)	September 30, 2023	December 31, 2022
Long-term deferred tax assets	$ 296,867	$ 279,045
Deposits and other	7,893	8,435
Point of purchase (POP) displays	5,572	1,798
Intangible assets, net	15	15
Other long-term assets	$ 310,347	$ 289,293

Intangible assets are comprised of purchased technology, which have a useful life between 20-72 months, and an indefinite life asset. Amortization expense was zero for the three months ended September 30, 2023 and 2022, and zero and $0.1 million for the nine months ended September 30, 2023 and 2022, respectively. As of September 30, 2023, all of the Company's purchased technology intangible assets were fully amortized.

Accrued expenses and other current liabilities

(in thousands)	September 30, 2023	December 31, 2022
Accrued sales incentives	$ 46,341	$ 41,662
Accrued liabilities [1]	28,101	35,853
Employee related liabilities	9,828	11,261
Inventory received	7,859	233
Warranty liabilities	7,653	7,825
Return liability	5,494	6,002
Customer deposits	3,720	3,428
Purchase order commitments	1,013	782
Other	9,706	11,831
Accrued expenses and other current liabilities	$ 119,715	$ 118,877

[1] See Note 11 Restructuring charges for amounts associated with restructuring liabilities.

Product warranty

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2023	2022	2023	2022
Beginning balance	$ 7,304	$ 7,860	$ 8,319	$ 8,842
Charged to cost of revenue	6,284	5,801	14,758	13,049
Settlement of warranty claims	(5,392)	(5,743)	(14,881)	(13,973)
Warranty liability	$ 8,196	$ 7,918	$ 8,196	$ 7,918

At September 30, 2023 and December 31, 2022, $7.7 million and $7.8 million, respectively, of the warranty liability was recorded as a component of accrued expenses and other current liabilities, and $0.5 million and $0.5 million, respectively, was recorded as a component of other long-term liabilities.

4. Financing arrangements

2021 Credit Facility

In January 2021, the Company entered into a Credit Agreement which provides for a revolving credit facility (2021 Credit Facility) under which the Company may borrow up to an aggregate amount of $50.0 million. In March 2023, the Company amended the 2021 Credit Agreement (collectively, the 2021 Credit Agreement). The 2021 Credit Agreement will terminate and any outstanding borrowings become due and payable on the earlier of (i) January 2027 and (ii) unless the Company has cash in a specified deposit account in an amount equal to or greater than the amount required to repay the Company's 1.25% convertible senior notes due November 2025, 91 days prior to the maturity date of such convertible notes.

The amount that may be borrowed under the 2021 Credit Agreement may be based on a customary borrowing base calculation if the Company's Asset Coverage Ratio is at any time less than 1.50. The Asset Coverage Ratio is defined as the ratio of (i) the sum of (a) the Company's cash and cash equivalents in the United States plus specified percentages of other qualified debt investments (Qualified Cash) plus (b) specified percentages of the net book values of the Company's accounts receivable and certain inventory to (ii) $50.0 million.

Borrowed funds accrue interest at the greater of (i) a per annum rate equal to the base rate plus a margin of from 0.50% to 1.00% depending on the Company's Asset Coverage Ratio or (ii) a per annum rate equal to the Secured Overnight Financing Rate plus a 10 basis point premium and a margin of from 1.50% to 2.00% depending on the Company's Asset Coverage Ratio. The Company is required to pay a commitment fee on the unused portion of the 2021 Credit Facility of 0.25% per annum. Amounts owed under the 2021 Credit Agreement are guaranteed by certain of the Company's United States subsidiaries and secured by a first priority security interest in substantially all of the assets of the Company and certain of its subsidiaries (other than intellectual property, which is subject to a negative pledge restricting grants of security interests to third parties).

The 2021 Credit Agreement contains customary representations, warranties, and affirmative and negative covenants. The negative covenants include restrictions on the incurrence of liens and indebtedness, certain investments, dividends, stock repurchases and other matters, all subject to certain exceptions. In addition, the Company is required to maintain Liquidity (the sum of unused availability under the credit facility and the Company's Qualified Cash) of at least $55.0 million (of which at least $40.0 million shall be attributable to Qualified Cash), or, if the borrowing base is then in effect, minimum unused availability under the credit facility of at least $10.0 million. The 2021 Credit Agreement also includes customary events of default that include, among other things, non-payment of principal, interest or fees, inaccuracy of representations and warranties, violation of certain covenants, cross default to certain other indebtedness, bankruptcy and insolvency events, material judgments and change of control. Upon an event of default, the lender may, subject to customary cure rights, require the immediate payment of all amounts outstanding.

At September 30, 2023, the Company was in compliance with all financial covenants contained in the 2021 Credit Agreement and has made no borrowings from the 2021 Credit Facility to date. However, there is an outstanding letter of credit under the 2021 Credit Agreement of $5.2 million for certain duty-related requirements. This was not collateralized by any cash on hand.

Convertible Notes

2025 Convertible Notes

In November 2020, the Company issued $125.0 million aggregate principal amount of 1.25% Convertible Senior Notes due 2025 and granted an option to the initial purchasers to purchase up to an additional $18.8 million aggregate principal amount of the 2025 Notes to cover over-allotments, of which $18.8 million was subsequently exercised during November 2020, resulting in a total issuance of $143.8 million aggregate principal amount of the 2025 Notes. The 2025 Notes are senior, unsecured obligations of the Company and mature on November 15, 2025, unless earlier repurchased or converted into shares of Class A common stock under certain circumstances. The 2025 Notes are convertible into cash, shares of the Company's Class A common stock, or a combination thereof, at the Company's election, at an initial conversion rate of 107.1984 shares of Class A common stock per $1,000 principal amount of the 2025 Notes, which is equivalent to an initial conversion price of approximately $9.3285 per share of common stock, subject to adjustment. The Company pays interest on the 2025 Notes semi-annually in arrears on May 15 and November 15 of each year.

The Company may redeem all or any portion of the 2025 Notes on or after November 20, 2023 for cash if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides the redemption notice, at a redemption price equal to 100% of the principal amount of the 2025 Notes to be redeemed, plus accrued interest and unpaid interest to, but excluding the redemption date. No sinking fund is provided for the 2025 Notes. The indenture includes customary terms and covenants, including certain events of default after which the 2025 Notes may be due and payable immediately.

Holders have the option to convert the 2025 Notes in multiples of $1,000 principal amount at any time prior to August 15, 2025, but only in the following circumstances:

- during any calendar quarter beginning after the calendar quarter ending on March 31, 2021, if the last reported sale price of Class A common stock for at least 20 trading days (whether or not consecutive) during the last 30 consecutive trading days of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price of the 2025 Notes on each applicable trading day;
- during the five-business day period following any five consecutive trading day period in which the trading price for the 2025 Notes is less than 98% of the product of the last reported sale price of Class A common stock and the conversion rate for the 2025 Notes on each such trading day;
- if the Company calls any or all of the 2025 Notes for redemption, at any time prior to the close of business

on the scheduled trading day immediately before the redemption date; or

- upon the occurrence of specified corporate events.

At any time on or after August 15, 2025 until the second scheduled trading day immediately preceding the maturity date of the 2025 Notes on November 15, 2025, a holder may convert its 2025 Notes, in multiples of $1,000 principal amount. Holders of the 2025 Notes who convert their 2025 Notes in connection with a make-whole fundamental change (as defined in the indenture) are, under certain circumstances, entitled to an increase in the conversion rate. In addition, in the event of a fundamental change prior to the maturity date, holders will, subject to certain conditions, have the right, at their option, to require the Company to repurchase for cash all or part of the 2025 Notes at a repurchase price equal to 100% of the principal amount of the 2025 Notes to be repurchased, plus accrued and unpaid interest up to, but excluding, the repurchase date. During the three months ended September 30, 2023, the conditions allowing holders of the 2025 Notes to convert were not met.

In connection with the offering of the 2025 Notes, the Company paid $10.2 million to enter into privately negotiated capped call transactions with certain financial institutions (Capped Calls). The Capped Calls have an initial strike price of $9.3285 per share, which corresponds to the initial conversion price of the 2025 Notes. The Capped Calls cover, subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the 2025 Notes, the number of Class A common stock initially underlying the 2025 Notes. The Capped Calls are generally expected to reduce potential dilution to the Company’s Class A common stock upon any conversion of the 2025 Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted 2025 Notes, as the case may be, with such reduction and/or offset subject to a cap, initially equal to $12.0925, and is subject to certain adjustments under the terms of the Capped Call transactions. The Capped Calls will expire in November 2025, if not exercised earlier.

The Capped Calls are subject to adjustment upon the occurrence of specified extraordinary events affecting the Company, including merger events, tender offers and announcement events. In addition, the Capped Calls are subject to certain specified additional disruption events that may give rise to a termination of the Capped Calls, including nationalization, insolvency or delisting, changes in law, failures to deliver, insolvency filings and hedging disruptions. For accounting purposes, the Capped Calls are separate transactions, and not part of the terms of the 2025 Notes. As these transactions meet certain accounting criteria, the Capped Calls are recorded in stockholders’ equity as a reduction to additional paid-in capital and will not be remeasured as long as they continue to meet certain accounting criteria.

As of September 30, 2023 and December 31, 2022, the outstanding principal on the 2025 Notes was $143.8 million, the unamortized debt issuance cost was $2.1 million and $2.8 million, respectively, and the net carrying amount of the liability was $141.7 million and $141.0 million, respectively, which was recorded as long-term debt within the Condensed Consolidated Balance Sheets. For the three months ended September 30, 2023 and 2022, the Company recorded interest expense of $0.4 million and $0.4 million, respectively, for contractual coupon interest, and $0.2 million and $0.2 million, respectively, for amortization of debt issuance costs. For the nine months ended September 30, 2023 and 2022 the Company recorded interest expense of $1.3 million and $1.3 million, respectively, for contractual coupon interest, and $0.7 million and $0.7 million, respectively, for amortization of debt issuance costs.

2022 Convertible Notes

In April 2017, the Company issued $175.0 million aggregate principal amount of 3.50% Convertible Senior Notes due 2022 (2022 Notes), which were repaid in full by their April 15, 2022 maturity date. The 2022 Notes were senior, unsecured obligations of the Company that could be converted into cash, shares of the Company’s Class A common stock, or a combination thereof, at the Company’s election, based on conversion rates as defined in the indenture. Concurrently with the November 2020 issuance of the 2025 Notes, the Company used $56.2 million of the net cash proceeds from the 2025 Notes to repurchase $50.0 million principal amount of the 2022 Notes through a single, privately negotiated transaction. On April 15, 2022, the Company repaid the remaining $125.0 million of principal and $2.2 million of accrued interest in cash to the debt holders to fully settle the 2022 Notes on the maturity date. For the three months ended September 30, 2022 the Company recorded interest expense of zero for contractual coupon interest, and zero for amortization of debt issuance costs. For the nine months ended

September 30, 2022 the Company recorded interest expense of $1.3 million for contractual coupon interest and $0.2 million for amortization of debt issuance costs.

5. Stockholders' equity

Stock Repurchase Program. On January 27, 2022, the Company's board of directors authorized the repurchase of up to $100 million of its Class A common stock, and on February 9, 2023, the Company's board of directors authorized the repurchase of an additional $40 million of its Class A common stock. Stock repurchases under the program may be made periodically using a variety of methods, including without limitation, open market purchases, block trades or otherwise in compliance with all federal and state securities laws and state corporate law and in accordance with the single broker, timing, price, and volume guidelines set forth in Rule 10b-18 and Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, as such guidelines may be modified by the SEC from time to time. This stock repurchase program has no time limit and may be modified, suspended, or discontinued at any time. The Company currently intends to hold its repurchased shares as treasury stock.

As of September 30, 2023, the remaining amount of share repurchases under the program was $70.4 million. The following table summarizes share repurchases during the three and nine months ended September 30, 2023 and 2022.

	Three months ended September 30,		Nine months ended September 30,	
(in thousands, except per share data)	**2023**	**2022**	**2023**	**2022**
Shares repurchased	2,605	1,540	7,101	4,462
Average price per share	$ 3.84	$ 6.40	$ 4.22	$ 7.09
Value of shares repurchased	$ 10,000	$ 9,856	$ 30,000	$ 31,618

6. Employee benefit plans

Equity incentive plans. The Company has outstanding equity grants from its three stock-based employee compensation plans: the 2014 Equity Incentive Plan (2014 Plan), the 2010 Equity Incentive Plan (2010 Plan) and the 2014 Employee Stock Purchase Plan (2014 ESPP). No new options or awards have been granted under the 2010 Plan since June 2014. Outstanding options and awards under the 2010 Plan continue to be subject to the terms and conditions of the 2010 Plan. Options granted under the 2014 Plan generally expire within ten years from the date of grant and generally vest over one to four years. Restricted stock units (RSUs) granted under the 2014 Plan generally vest over two to four years based upon continued service and are settled at vesting in shares of the Company's Class A common stock. Performance stock units (PSUs) granted under the 2014 Plan generally vest over three years based upon continued service and the Company achieving certain financial and operating targets and are settled at vesting in shares of the Company's Class A common stock. The Company accounts for forfeitures of stock-based payment awards in the period they occur. The 2014 ESPP allows eligible employees to purchase shares of the Company's Class A common stock through payroll deductions at a price equal to 85% of the lesser of the fair market value of the stock as of the first date or the ending date of each six-month offering period. For additional information regarding the Company's equity incentive plans, refer to the 2022 Annual Report.

In June 2023, the Company's stockholders approved the 2024 Equity Incentive Plan (2024 Plan) and the 2024 Employee Stock Purchase Plan (2024 ESPP) which will be the successors to the Company's 2014 Plan and 2014 ESPP, respectively. The effective date of both the 2024 Plan and the 2024 ESPP is February 15, 2024. The 2014 Plan and the 2014 ESPP will each expire on February 15, 2024. Awards granted under the 2014 Plan will continue to be subject to the terms and provisions of the 2014 Plan.

Stock options

A summary of the Company's stock option activity for the nine months ended September 30, 2023 is as follows:

	Shares (in thousands)	Weighted-average exercise price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at December 31, 2022	3,089	$ 9.37	5.30	$ 467
Granted	—	—		
Exercised	—	—		
Forfeited/Cancelled	(481)	10.49		
Outstanding at September 30, 2023	2,608	$ 9.16	4.73	$ —
Vested and expected to vest at September 30, 2023	2,608	$ 9.16	4.73	$ —
Exercisable at September 30, 2023	2,307	$ 9.38	4.34	$ —

The aggregate intrinsic value of the stock options outstanding as of September 30, 2023 represents the value of the Company's closing stock price on September 30, 2023 in excess of the exercise price multiplied by the number of options outstanding.

Restricted stock units

A summary of the Company's RSU activity for the nine months ended September 30, 2023 is as follows:

	Shares (in thousands)	Weighted-average grant date fair value
Non-vested shares at December 31, 2022	8,727	$ 7.19
Granted	7,358	5.40
Vested	(4,380)	6.70
Forfeited	(520)	6.78
Non-vested shares at September 30, 2023	11,185	$ 6.22

Performance stock units

A summary of the Company's PSU activity for the nine months ended September 30, 2023 is as follows:

	Shares (in thousands)	Weighted-average grant date fair value
Non-vested shares at December 31, 2022	686	$ 7.93
Granted	1,254	5.79
Vested	(402)	7.62
Forfeited	(18)	8.40
Non-vested shares at September 30, 2023	1,520	$ 6.24

Employee stock purchase plan. For the nine months ended September 30, 2023 and 2022, the Company issued 0.9 million and 0.7 million shares under its ESPP, respectively, at weighted-average prices of $4.10 and $6.72 per share, respectively.

Stock-based compensation expense. The Company measures compensation expense for all stock-based payment awards based on the estimated fair values on the date of the grant. The fair value of stock options granted and ESPP issuances is estimated using the Black-Scholes option pricing model. The fair value of RSUs and PSUs are determined using the Company's closing stock price on the date of grant. There have been no significant changes in the Company's valuation assumptions from those disclosed in its 2022 Annual Report.

The following table summarizes stock-based compensation expense included in the Condensed Consolidated Statements of Operations:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Cost of revenue	$ 500	$ 441	$ 1,496	$ 1,371
Research and development	4,713	4,395	14,381	12,958
Sales and marketing	2,125	1,819	6,662	6,171
General and administrative	2,679	2,684	8,909	8,926
Total stock-based compensation expense	$ 10,017	$ 9,339	$ 31,448	$ 29,426

The income tax benefit related to stock-based compensation expense was $2.3 million and $7.1 million for the three and nine months ended September 30, 2023, respectively. The income tax benefit related to stock-based compensation expense was $2.1 million and $6.5 million for the three and nine months ended September 30, 2022, respectively. See Note 8, Income taxes, for additional details.

As of September 30, 2023, total unearned stock-based compensation of $62.6 million related to stock options, RSUs, PSUs and ESPP shares is expected to be recognized over a weighted-average period of 2.26 years.

7. Net income (loss) per share

The following table presents the calculations of basic and diluted net income (loss) per share:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands, except per share data)	**2023**	**2022**	**2023**	**2022**
Numerator:				
Net income (loss) - Basic	$ (3,684)	$ 17,570	$ (50,765)	$ 25,774
Interest on convertible notes, income tax effected	—	485	—	2,721
Net income (loss) - Diluted	$ (3,684)	$ 18,055	$ (50,765)	$ 28,495
Denominator:				
Weighted-average common shares - basic for Class A and Class B common stock	152,409	155,819	154,113	156,464
Effect of dilutive securities	—	17,365	—	23,574
Weighted-average common shares - diluted for Class A and Class B common stock	152,409	173,184	154,113	180,038
Net income (loss) per share				
Basic	$ (0.02)	$ 0.11	$ (0.33)	$ 0.16
Diluted	$ (0.02)	$ 0.10	$ (0.33)	$ 0.16

The following potentially dilutive shares were not included in the calculation of diluted shares outstanding as the effect would have been anti-dilutive:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Stock-based awards	15,535	10,328	15,410	7,007
Shares related to convertible senior notes	15,410	—	15,410	—
Total anti-dilutive securities	30,945	10,328	30,820	7,007

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted-average number of shares of common stock outstanding. Diluted net income (loss) per share adjusts the basic net income (loss) per share and the weighted-average number of shares of common stock outstanding for the potentially dilutive impact of the Company's ESPP and stock awards, using the treasury stock method.

The Company calculated the potential dilutive effect of its 2022 Notes and 2025 Notes under the if-converted method. Under the if-converted method, diluted net income per share was determined by assuming all of the 2022 Notes and the 2025 Notes were converted into shares of the Company's Class A common stock at the beginning of the reporting period. In addition, in periods of net income, interest charges on the 2022 Notes and 2025 Notes, which includes both coupon interest and amortization of debt issuance costs, were added back to net income on an after-tax effected basis.

The Company's 2022 Notes matured on April 15, 2022 and the Company's 2025 Notes will mature on November 15, 2025, unless earlier repurchased or converted into shares of Class A common stock under certain circumstances as described further in Note 4 Financing arrangements. The 2025 Notes are convertible into cash, shares of the Company's Class A common stock, or a combination thereof, at the Company's election.

The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to ten votes per share. Each share of Class B common stock is convertible at any time at the option of the stockholder into one share of Class A common stock and has no expiration date. Each share of Class B common stock will convert automatically into one share of Class A common stock upon the date when the outstanding shares of Class B common stock represent less than 10% of the aggregate number of shares of common stock then outstanding. Class A common stock is not convertible into Class B common stock. The computation of the diluted net income (loss) per share of Class A common stock assumes the conversion of Class B common stock.

8. Income taxes

The following table provides the income tax expense (benefit) amount:

	Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands)	**2023**	**2022**	**2023**	**2022**
Income tax expense (benefit)	$ 689	$ 5,960	$ (11,562)	$ 6,019

The Company recorded an income tax expense of $0.7 million for the three months ended September 30, 2023 on pre-tax net loss of $3.0 million. The Company's income tax expense for the three months ended September 30, 2023 was composed of $1.0 million of tax benefit incurred on pre-tax loss, and discrete items that primarily included $1.7 million of nondeductible equity tax expense for employee stock-based compensation, $0.1 million of tax expense related to the restructuring charges, and $0.1 million of tax benefit related to the foreign provision to income tax return adjustments. The Company recorded an income tax benefit of $11.6 million for the nine months ended September 30, 2023 on pre-tax net loss of $62.3 million. The Company's income tax benefit for the nine months ended September 30, 2023 was composed of $14.4 million of tax benefit incurred on pre-tax loss, and discrete items that primarily included $2.4 million of net nondeductible equity tax expense for employee stock-based compensation, $0.1 million of tax expense related to the foreign provision to income tax return adjustments, and $0.3 million of tax expense related to the restructuring charges.

The Company recorded an income tax expense of $6.0 million for the three months ended September 30, 2022 on pre-tax net income of $23.5 million. The Company's income tax expense for the three months ended September 30, 2022 was composed of $5.8 million of tax expense incurred on pre-tax income, and discrete items that primarily included $0.1 million of net excess tax benefit for employee stock-based compensation, $0.1 million of tax expense related to the foreign provision to income tax return adjustments, and $0.1 million of tax expense relating to restructuring charges. The Company recorded an income tax expense of $6.0 million for the nine months ended September 30, 2022 on pre-tax net income of $31.8 million. The Company's income tax expense for the nine months ended September 30, 2022 was composed of $7.7 million of tax expense incurred on pre-tax income, and discrete items that primarily included $1.7 million of net excess tax benefit for employee stock-based compensation, $0.2 million of tax benefit related to the foreign provision to income tax return adjustments, and $0.1 million of tax expense relating to restructuring charges.

At September 30, 2023 and December 31, 2022, the Company's gross unrecognized tax benefits were $26.1 million and $23.4 million, respectively. If recognized, $12.6 million of these unrecognized tax benefits (net of United States federal benefit) at September 30, 2023 would reduce income tax expense. A material portion of the Company's gross unrecognized tax benefits, if recognized, would increase the Company's net operating loss carryforward. The Company conducts business globally and as a result, files income tax returns in the United States and foreign jurisdictions. The Company's unrecognized tax benefits relate primarily to unresolved matters with taxing authorities. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, the Company believes that its reserves reflect the more likely outcome. The Company believes, due to statute of limitations expiration, that within the next 12 months, it is possible that up to $2.4 million of uncertain tax position could be released. It is also reasonably possible that additional uncertain tax positions will be added. It is not reasonably possible at this time to quantify the net effect.

9. Commitments, contingencies and guarantees

Facility leases. The Company leases its facilities under long-term operating leases, which expire at various dates through 2029.

The components of net lease cost, which were primarily recorded in operating expenses, were as follows:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Operating lease cost [1]	$ 2,363	$ 2,871	$ 8,557	$ 8,198
Sublease income	(277)	(723)	(1,723)	(2,184)
Net lease cost	$ 2,086	$ 2,148	$ 6,834	$ 6,014

(1) Operating lease cost includes variable lease costs, which are immaterial.

Supplemental cash flow information related to leases was as follows:

	Nine months ended September 30,	
(in thousands)	**2023**	**2022**
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 9,526	$ 11,083
Right-of-use assets obtained in exchange for operating lease liabilities	3,047	873
Operating lease modification to decrease right-of-use assets	—	(232)

Supplemental balance sheet information related to leases was as follows:

	September 30, 2023	December 31, 2022
Weighted-average remaining lease term (in years) - operating leases	3.31	3.81
Weighted-average discount rate - operating leases	6.2%	6.1%

As of September 30, 2023, maturities of operating lease liabilities were as follows:

(in thousands)	September 30, 2023
2023 (remaining 3 months)	$ 1,986
2024	13,126
2025	12,693
2026	12,361
2027	1,359
Thereafter	504
Total lease payments	42,029
Less: Imputed interest	(4,331)
Present value of lease liabilities	$ 37,698

Other commitments. In the ordinary course of business, the Company enters into multi-year agreements to purchase sponsorships with event organizers, resorts, and athletes as part of its marketing efforts; software licenses related to its financial and IT systems; debt agreements; and various other contractual commitments. As of September 30, 2023, the Company's total undiscounted future expected obligations under multi-year agreements described above with terms longer than one year was $209.6 million.

Legal proceedings and investigations. Since 2015, Contour IP Holdings LLC (CIPH) and related entities have filed lawsuits in various federal district courts alleging, among other things, patent infringement in relation to certain GoPro products. Following litigation in federal courts and the United States Patent and Trademark Office, CIPH's patents were ruled invalid in March 2022. Judgment was then entered in favor of the Company and against CIPH. CIPH later appealed, and the appeal is pending at the Federal Circuit. The Company believes that the appeal lacks merit and intends to vigorously defend against CIPH's appeal.

The Company regularly evaluates the associated developments of the legal proceeding described above, as well as other legal proceedings that arise in the ordinary course of business. While litigation is inherently uncertain, based on the currently available information, the Company is unable to determine a loss or a range of loss, and does not believe the ultimate cost to resolve these matters will have a material adverse effect on its business, financial condition, cash flows or results of operations.

Indemnifications. The Company has entered into indemnification agreements with its directors and executive officers which requires the Company to indemnify its directors and executive officers against liabilities that may arise by reason of their status or service. In addition, in the normal course of business, the Company enters into agreements that contain a variety of representations and warranties, and provide for general indemnification. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future but have not yet been made. It is not possible to determine the maximum potential amount under these indemnification agreements due to the Company's limited history with indemnification claims and the unique facts and circumstances involved in each particular agreement. As of September 30, 2023, the Company has not paid any claims, nor has it been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations.

10. Concentrations of risk and geographic information

Concentration of risk. Financial instruments which potentially subject the Company to concentration of credit risk includes cash and cash equivalents, marketable securities, accounts receivable, and derivative instruments, including the Capped Calls associated with the 2025 Notes. The Company places cash and cash equivalents with high-credit-quality financial institutions; however, the Company maintains cash balances in excess of the FDIC insurance limits. The Company believes that credit risk for accounts receivable is mitigated by the Company's credit evaluation process, relatively short collection terms and dispersion of its customer base. The Company generally does not require collateral and losses on trade receivables have historically been within the Company's expectations. The Company believes its counterparty credit risk related to its derivative instruments is mitigated by transacting with major financial institutions with high credit ratings.

Customers who represented 10% or more of the Company's net accounts receivable balance were as follows:

	September 30, 2023	December 31, 2022
Customer A	34%	30%
Customer B	18%	11%

The following table summarizes the Company's accounts receivables sold, without recourse, and factoring fees paid:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Accounts receivable sold	$ 32,011	$ 35,755	$ 73,050	$ 86,577
Factoring fees	434	363	1,101	629

Third-party customers who represented 10% or more of the Company's total revenue were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Customer A	12%	*	10%	*
Customer B	*	*	10%	*

* Less than 10% of total revenue for the periods indicated.

Supplier concentration. The Company relies on third parties for the supply and manufacture of its products, some of which are sole-source suppliers. The Company believes that outsourcing manufacturing enables greater scale and flexibility. As demand and product lines change, the Company periodically evaluates the need and advisability of adding manufacturers to support its operations. In instances where a supply and manufacture agreement does not exist or suppliers fail to perform their obligations, the Company may be unable to find alternative suppliers or satisfactorily deliver its products to its customers on time, if at all. The Company also relies on third parties with whom it outsources supply chain activities related to inventory warehousing, order fulfillment, distribution and other direct sales logistics**.** In instances where an outsourcing agreement does not exist or these third parties fail to perform their obligations, the Company may be unable to find alternative partners or satisfactorily deliver its products to its customers on time.

Geographic information

Revenue by geographic region was as follows:

(in thousands)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Americas	$ 131,612	$ 139,419	$ 342,775	$ 368,379
Europe, Middle East and Africa (EMEA)	83,490	84,994	196,006	218,216
Asia and Pacific (APAC)	79,197	80,717	171,258	185,925
Total revenue	$ 294,299	$ 305,130	$ 710,039	$ 772,520

Revenue from the United States, which is included in the Americas geographic region, was $100.9 million and $119.1 million, for the three months ended September 30, 2023 and 2022, respectively, and $283.0 million and $312.3 million for the nine months ended September 30, 2023 and 2022, respectively. No other individual country exceeded 10% of total revenue for any period presented. The Company does not disclose revenue by product category as it does not track sales incentives and other revenue adjustments by product category to report such data.

As of September 30, 2023 and December 31, 2022, long-lived assets, which represent net property and equipment, located outside the United States, primarily in Hong Kong and mainland China, were $1.9 million and $4.0 million, respectively.

11. Restructuring charges

Restructuring charges for each period were as follows:

(in thousands)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cost of revenue	$ —	$ —	$ (183)	$ 28
Research and development	—	(4)	10	235
Sales and marketing	—	(2)	6	132
General and administrative	—	(1)	3	75
Total restructuring charges	$ —	$ (7)	$ (164)	$ 470

Fourth quarter 2022 restructuring

In December 2022, the Company approved a restructuring plan to reduce camera production-related costs by globally realigning its manufacturing footprint to concentrate production activities in two primary locations: China and Thailand. Under the fourth quarter 2022 restructuring, the Company recorded restructuring charges of $8.1 million including $7.0 million for camera production line closure costs and $1.1 million for related transitional costs to migrate production to the Company's remaining manufacturing locations.

The following table provides a summary of the Company's restructuring activities and the movement in the related liabilities recorded in accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets under the fourth quarter 2022 restructuring.

(in thousands)	Contract and Other Costs	Total
Restructuring liability as of December 31, 2022	$ 7,833	$ 7,833
Restructuring charges (releases)	(184)	(184)
Cash paid	(7,649)	(7,649)
Restructuring liability as of September 30, 2023	$ —	$ —

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the related notes and the discussion under the heading Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2022 included in our Annual Report on Form 10-K filed with the SEC. This discussion, particularly information with respect to our future results of operations or financial condition, business strategy and plans, and objectives of management for future operations, includes forward-looking statements that involve risks and uncertainties as described under the heading Special Note About Forward-Looking Statements in this Quarterly Report on Form 10-Q. Disclosures under the heading Risk Factors in this Quarterly Report on Form 10-Q include a discussion of important factors that could cause our actual results to differ materially from those anticipated in these forward-looking statements. Our MD&A is provided in addition to the accompanying condensed consolidated financial statements and accompanying notes to assist readers in understanding our results of operations, financial condition, and cash flows.

This MD&A is organized as follows:

- Overview. Discussion of our business, overall analysis of our financial performance and other highlights affecting the business in order to provide context for the remainder of the MD&A.
- Results of Operations. Analysis of our financial results comparing the third quarter and first nine months of 2023 to 2022.
- Liquidity and Capital Resources. Analysis of changes in our balance sheets and cash flows, and discussion of our financial condition and potential sources of liquidity.
- Critical Accounting Policies and Estimates. Accounting estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts.
- Non-GAAP Financial Measures. A reconciliation and discussion of our GAAP to non-GAAP financial measures.

Overview

GoPro helps the world capture and share itself in immersive and exciting ways. We are committed to developing solutions that create an easy, seamless experience for consumers to capture, create and share engaging personal content. When consumers use our products and services, they often generate and share content that organically increases awareness for GoPro, driving a virtuous cycle and a self-reinforcing demand for our products. We believe revenue growth may be driven by the introduction of new cameras, accessories, lifestyle gear, and software and subscription offerings. We believe new camera features drive a replacement cycle among existing users and attract new users, expanding our total addressable market. Our investments in image stabilization, mobile app editing and sharing solutions, modular accessories, auto-upload capabilities, local language user-interfaces and voice recognition in more than 12 languages drive the expansion of our global market.

In September 2023, we began shipping our HERO12 Black flagship camera that includes our GP2 processor, HyperSmooth 6.0 image stabilization, high dynamic range (HDR) photos and videos in 5.3K at 60 frames per second (FPS) and 4K at 60 FPS, and wireless audio support for Apple AirPods and other Bluetooth devices. HyperSmooth 6.0 image stabilization features improved AutoBoost, which analyzes up to 4x more data compared to HyperSmooth 5.0 while supporting 360-degree Horizon Lock. The HERO12 Black also includes 10-bit color video at up to 5.3K video at 60 FPS, 27 megapixel photo resolution, 8:7 aspect ratio video for a larger vertical field of view, and HyperView, which allows for a 16:9 field of view. The HERO12 Black also includes the Enduro Battery, which improves the camera performance in both cold and moderate temperatures, a front-facing and rear touch display, TimeWarp 3.0, a Timecode Sync feature, and a Night Effects Time Lapse feature. We also began shipping our Max Lens Mod 2.0 for HERO12 Black, which features an ultra wide-angle digital lens for 4K video at 60 FPS, Max HyperSmooth in all video modes, and Horizon Lock for all digital lenses. Additionally, we began shipping our HERO12 Black Creator Edition, which combines the HERO12 Black, Volta, Enduro Battery, Media Mod, and Light Mod to create professional-quality videos.

Our HERO12 Black, HERO12 Black Creator Edition, HERO11 Black, HERO11 Black Mini, HERO11 Black Creator Edition, HERO10 Black, HERO10 Black Creator Edition, HERO9 Black and MAX cameras are compatible with our ecosystem of mountable and wearable accessories. We also offer our GoPro Player + ReelSteady desktop app, which provides industry-leading video stabilization and 360-reframing tools in a single post-production app.

We offer our GoPro subscription, which includes unlimited cloud storage of GoPro content supporting source video and photo quality, damaged camera replacement, the delivery of highlight videos automatically via our mobile app when GoPro camera footage is uploaded to the user's GoPro cloud account using our Auto Upload feature, access to a high-quality live streaming service on GoPro.com, as well as discounts on GoPro cameras, gear, mounts and accessories.

In addition to the GoPro subscription, we offer the Quik subscription which makes it easy for users to get the most out of their favorite photos and videos, captured on any phone or camera, through the use of our mobile app's editing tools. These editing tools include features such as trim, color, crop, filtering, auto-sync of edits to music, and the ability to change video speed. We believe the Quik subscription is an important offering in expanding our total addressable market to those who may not own a GoPro camera.

We continue to monitor the current evolving macroeconomic landscape. Inflation, rising interest rates, and recession concerns places increasing pressure on many areas of our business, including product pricing, operating expenses, component pricing and consumer spending. In fiscal year 2022, the strength of the U.S. dollar relative to other foreign currencies largely impacted our revenue and gross margin. If the U.S. dollar strengthens relative to other foreign currencies in the future, our financial results will be negatively impacted. See Item 1A. Risk Factors for further discussion of the possible impact of inflation and the strong U.S. dollar on our business.

The following is a summary of measures presented in our condensed consolidated financial statements and key metrics used to evaluate our business, measure our performance, develop financial forecasts and make strategic decisions.

				% Change	
(units and dollars in thousands, except per share amounts)	Q3 2023	Q2 2023	Q3 2022	Q3 2023 vs. Q2 2023	Q3 2023 vs. Q3 2022
Revenue	$ 294,299	$ 241,020	$ 305,130	22 %	(4) %
Camera units shipped (1)	923	704	797	31 %	16 %
Gross margin (2)	32.0 %	31.4 %	38.0 %	60 bps	(600) bps
Operating expenses	$ 97,991	$ 98,266	$ 91,614	— %	7 %
Net income (loss)	$ (3,684)	$ (17,212)	$ 17,570	(79) %	(121) %
Diluted net income (loss) per share	$ (0.02)	$ (0.11)	$ 0.10	(82) %	(120) %
Cash provided by (used in) operations	$ (1,638)	$ (7,852)	$ 40,736	(79) %	(104) %
Other financial information:					
Adjusted EBITDA (3)	$ 7,232	$ (10,290)	$ 35,200	(170) %	(79) %
Non-GAAP net income (loss) (4)	$ 6,309	$ (11,291)	$ 31,847	(156) %	(80) %
Non-GAAP diluted net income (loss) per share	$ 0.04	$ (0.07)	$ 0.19	(157) %	(79) %

(1) Represents the number of camera units that are shipped during a reporting period, net of any returns.

(2) One basis point (bps) is equal to 1/100th of 1%.

(3) We define adjusted EBITDA as net income (loss) adjusted to exclude the impact of provision for income taxes, interest income, interest expense, depreciation and amortization, point of purchase (POP) display amortization, stock-based compensation, and restructuring and other costs, including right-of-use asset impairment charges.

(4) We define non-GAAP net income (loss) as net income (loss) adjusted to exclude stock-based compensation, acquisition-related costs, restructuring and other costs, including right-of-use asset impairment charges (if applicable), and income tax adjustments. Acquisition-related costs include the amortization of acquired intangible assets and impairment charges (if applicable), as well as third-party transaction costs for legal and other professional services.

Reconciliations of non-GAAP adjusted measures to the most directly comparable GAAP measures are presented under Non-GAAP Financial Measures.

Third quarter 2023 financial performance

Revenue for the third quarter of 2023 was $294.3 million, which represented a 3.5% decrease from the same period in 2022. The decrease was primarily driven by the impact of our decision to reduce the manufacturer's suggested retail price (MSRP) across our camera lineup in May 2023. In addition, we expected a lift in camera revenue for entry-level cameras at a sub-$300 price point. The current entry-level cameras are also our lowest margin products and are expected to return low margins until we are able to replace them with a more cost-effective solution planned for the second quarter of 2024. As a result, our third quarter 2023 average selling price decreased 16.7% year-over-year to $319, and our third quarter 2023 camera revenue mix from cameras with an MSRP equal to or greater than $400 was 75% compared to 87% for the same period in 2022. These factors were partially offset by a 15.8% year-over-year increase in units shipped in the third quarter to 923 thousand as we experienced an increase in demand for our flagship HERO12 Black camera as well as our lower price point cameras. Retail revenue was $231.0 million in the third quarter of 2023 and represented 78.5% and 67.7% of total revenue for the third quarter of 2023 and 2022, respectively. The shift towards our retail channel reflects results of our refreshed go-to-market strategy to rebuild our retail presence and to drive retail consumers to our GoPro subscription offering via our mobile app or GoPro.com. GoPro.com revenue was $63.3 million in the third quarter of 2023 and represented 21.5% of total revenue, compared to 32.3% of total revenue for the same period in 2022. Subscription and service revenue, which is included in the GoPro.com channel, was $24.8 million in the third quarter of 2023, or a 16.2% increase year-over-year. We had 2.50 million GoPro subscribers as of September 30, 2023, a 20% increase year-over-year. Our GoPro subscriber attach rate from both sales on GoPro.com and from post-camera purchases at retail was 40% in the third quarter of 2023. Our annual subscriber retention rate for the first-year renewal was in a range of 60% to 65%. In addition, our annual subscriber retention rate for the second-year renewal was in a range of 70% to 75%. Our gross margin percentage for the third quarter of 2023 was 32.0%, down from 38.0% in the third quarter of 2022. Net loss for the third quarter of 2023 was $3.7 million compared to net income of $17.6 million in the same period in 2022. Adjusted EBITDA for the third quarter of 2023 was $7.2 million, compared to $35.2 million for the same period in 2022.

Our GoPro subscriber attach rate from purchases through both GoPro.com and at retail represents the number of new GoPro subscribers in the period over the corresponding number of estimated camera units sold through both GoPro.com and retail channels. Our annual GoPro subscriber retention rate represents the number of annual subscribers that renewed their subscription in the period over the number of annual GoPro subscribers with renewal dates in the same period.

Factors affecting performance

We believe that our future success will be dependent on many factors, including those further discussed below. While these areas represent opportunities for us, they also represent challenges and risks that we must successfully address in order to operate our business and improve our results of operations.

Driving profitability through improved efficiency, lower costs and better execution. We incurred an operating loss in the first nine months of 2023, although we have previously generated positive operating income for the full years of 2022 and 2021, and continue to make strategic decisions to drive volume, growth and profitability in our business. Despite the operating loss in the first nine months of 2023, our 2022 and prior years restructuring actions, along with continued effective cost management, have enabled us to scale our on-going operating expenses based on our growth strategies, resulting in a more efficient global organization that has allowed for improved communication and better alignment among our functional teams. We remain focused on increasing unit sales volume and subscribers, which was the catalyst for our strategic price move in May 2023. We will continue to cultivate the partnerships with our distributors and retailers in order to rebuild our retail channel. Our expectation is sales from our retail channel will continue to increase relative to sales on GoPro.com. We have grown our subscribers and subscription revenue over the past several years and continue to make strategic decisions to enhance our subscription offerings, grow subscribers, and increase subscription revenue.

If we are unable to generate adequate unit sales and revenue growth as a result of the strategic price move, successfully increase retail sales, grow subscribers and subscription revenue, continue to effectively manage our expenses, and navigate the volatile macroeconomic environment (including interest rates, currency exchange rates, and recession fears), we may incur significant losses in the future and may not be able to return to profitability.

Investing in research and development and enhancing our customer experience. Our performance is significantly dependent on the investments we make in research and development, including our ability to attract and retain highly skilled and experienced research and development personnel. We expect the timing of new product releases to continue to have a significant impact on our revenue and we must continually develop and introduce innovative new cameras, mobile and desktop applications, and other new offerings. We plan to further build upon our integrated mobile, desktop and cloud-based storytelling solutions, and subscription offerings. Our investments, including those for marketing and advertising, may not successfully drive increased revenue and our customers may not accept our new offerings. If we fail to innovate and enhance our brand, our products, our mobile and desktop app experience, or the value proposition of our subscription, our market position and revenue will be adversely affected. Further, we have and will continue to incur substantial research and development expenses and if our efforts are not successful, we may not recover the value of these investments.

Improving profitability. We believe that our continued focus on growing our total addressable market from our retail and GoPro.com channels, including subscription and service revenue, will support our ability to return to profitability on an annual basis due to expected increases in unit volume, subscribers and related revenue, and continued operating expense control. We continue to believe that international markets represent a significant opportunity to achieve profitability. While the total market for digital cameras has continued to decline as smartphone and tablet camera quality has improved, we continue to believe that our consumers' differentiated use of GoPro cameras, our mobile and desktop app and cloud solutions, our continued innovation of product features desired by our users, and our brand, all help support our business from many of the negative trends facing the digital camera market. However, we expect that the markets in which we conduct our business will remain highly competitive as we face new product introductions from competitors. Sales in international locations subject us to foreign currency exchange rate fluctuations and regional macroeconomic conditions that may cause us to adjust pricing which may make our products more or less attractive to the consumer. Continued fluctuations in foreign currency exchange rates and regional macroeconomic conditions could have a continued impact on our future operating results.

Our profitability also depends on the continued success of our subscription and service offerings. If we are not successful in maintaining our product sales, and subscription and service offerings, increasing our paid subscriber base through both GoPro.com and retail mobile app attach, and improving subscriber retention, we may not be able to return to profitably and we may not recognize benefits from our investment in new areas.

Marketing the improved GoPro experience. We intend to focus our marketing resources to highlight our camera features, subscription and service benefits, and further improve brand recognition. Historically, our growth has largely been fueled by the adoption of our products by people looking to self-capture images of themselves participating in exciting physical activities. Our goal of profitability depends on continuing to reach, expand and re-engage with this core user base in alignment with our strategic priorities. Sales and marketing investments will often occur in advance of any sales benefits from these activities, and it may be difficult for us to determine if we are efficiently allocating our resources in this area.

Seasonality. Historically, we have experienced the highest levels of total revenue in the fourth quarter of the year, coinciding with the holiday shopping season, particularly in the United States and Europe. While we have implemented operational changes aimed at reducing the impact of fourth quarter seasonality on full year performance, timely and effective product introductions, whether just prior to the holiday season or otherwise, and forecasting, are critical to our operations and financial performance.

Macroeconomic risks. Macroeconomic conditions affecting the level of consumer spending include fluctuations in foreign exchange rates and interest rates, market volatility, inflation, and volatility in the global banking system. Some product costs have become subject to inflationary pressure, and we may not be able to fully offset such higher costs through price increases. Our inability or failure to adjust pricing could harm our business, financial condition, and operating results.

Results of Operations

The following table sets forth the components of our Condensed Consolidated Statements of Operations for each of the periods presented, and each component as a percentage of revenue:

(dollars in thousands)	Three months ended September 30, 2023		2022		Nine months ended September 30, 2023		2022	
Revenue	$ 294,299	100 %	$ 305,130	100 %	$ 710,039	100 %	$ 772,520	100 %
Cost of revenue	200,095	68	189,085	62	487,561	69	469,995	61
Gross profit	94,204	32	116,045	38	222,478	31	302,525	39
Operating expenses:								
Research and development	41,708	14	36,043	12	121,796	17	103,859	13
Sales and marketing	41,254	14	41,076	13	119,215	17	115,888	15
General and administrative	15,029	5	14,495	5	47,562	7	45,530	6
Total operating expenses	97,991	33	91,614	30	288,573	41	265,277	34
Operating income (loss)	(3,787)	(1)	24,431	8	(66,095)	(10)	37,248	5
Other income (expense):								
Interest expense	(1,171)	—	(1,185)	—	(3,463)	—	(4,932)	(1)
Other income (expense), net	1,963	—	284	—	7,231	1	(523)	—
Total other income (expense), net	792	—	(901)	—	3,768	1	(5,455)	(1)
Income (loss) before income taxes	(2,995)	(1)	23,530	8	(62,327)	(9)	31,793	4
Income tax expense (benefit)	689	—	5,960	2	(11,562)	(2)	6,019	1
Net income (loss)	$ (3,684)	(1)%	$ 17,570	6 %	$ (50,765)	(7)%	$ 25,774	3 %

Revenue

(camera units and dollars in thousands, except average selling price)	Three months ended September 30, 2023	2022	% Change	Nine months ended September 30, 2023	2022	% Change
Camera units shipped	923	797	16 %	2,089	1,961	7 %
Average selling price	$ 319	$ 383	(17)	$ 340	$ 394	(14)
Retail	$ 230,990	$ 206,474	12	$ 476,174	$ 489,969	(3)
Percentage of revenue	*78.5 %*	*67.7 %*		*67.1 %*	*63.4 %*	
GoPro.com	$ 63,309	$ 98,656	(36)	$ 233,865	$ 282,551	(17)
Percentage of revenue	*21.5 %*	*32.3 %*		*32.9 %*	*36.6 %*	
Total revenue	$ 294,299	$ 305,130	(4)%	$ 710,039	$ 772,520	(8)%
Americas	$ 131,612	$ 139,419	(6)%	$ 342,775	$ 368,379	(7)%
Percentage of revenue	*44.7 %*	*45.6 %*		*48.3 %*	*47.7 %*	
Europe, Middle East and Africa (EMEA)	$ 83,490	$ 84,994	(2)	$ 196,006	$ 218,216	(10)
Percentage of revenue	*28.4 %*	*27.9 %*		*27.6 %*	*28.2 %*	
Asia and Pacific (APAC)	$ 79,197	$ 80,717	(2)	$ 171,258	$ 185,925	(8)
Percentage of revenue	*26.9 %*	*26.5 %*		*24.1 %*	*24.1 %*	
Total revenue	$ 294,299	$ 305,130	(4)%	$ 710,039	$ 772,520	(8)%

Revenue for the third quarter of 2023 was $294.3 million, which represented a 3.5% decrease from the same period in 2022. The decrease was primarily driven by the impact of our decision to reduce the MSRPs across our camera lineup in May 2023. In addition, we expected a lift in camera revenue for entry-level cameras at a sub-$300 price point. The current entry-level cameras are also our lowest margin products and are expected to return low margins until we are able to replace them with a more cost-effective solution planned for the second quarter of 2024. As a result, our third quarter 2023 average selling price decreased 16.7% year-over-year to $319, and our third quarter 2023 camera revenue mix from cameras with an MSRP equal to or greater than $400 was 75% compared to 87% for the same period in 2022. These factors were partially offset by a 15.8% year-over-year increase in units shipped in the third quarter to 923 thousand as we experienced an increase in demand for our flagship HERO12 Black camera as well as our lower price point cameras. Retail revenue was $231.0 million in the third quarter of 2023 and represented 78.5% and 67.7% of total revenue for the third quarter of 2023 and 2022, respectively. The shift towards our retail channel reflects results of our refreshed go-to-market strategy to rebuild our retail presence and to drive retail consumers to our GoPro subscription offering via our mobile app or GoPro.com. GoPro.com revenue was $63.3 million in the third quarter of 2023 and represented 21.5% of total revenue, compared to 32.3% of total revenue for the same period in 2022. Subscription and service revenue, which is included in the GoPro.com channel, was $24.8 million in the third quarter of 2023, or a 16.2% increase year-over-year. We had 2.50 million GoPro subscribers as of September 30, 2023, a 20% increase year-over-year.

Revenue in the first nine months of 2023 was $710.0 million, or an 8.1% decrease from the same period in 2022, primarily driven by the impact of our decision to reduce the MSRPs across our camera lineup in May 2023, and a corresponding shift in camera revenue mix as we began offering entry-level cameras at a sub-$300 price point for the first time since 2019. The reduction in MSRP in May 2023 resulted in a price protection charge of $26.7 million for the nine months ended September 30, 2023, which was based on estimated channel inventory levels as of the price drop date. Actual price protection claims may differ from our estimates. As a result of these changes in the first nine months of 2023, our average selling price decreased 13.7% year-over-year to $340 and our camera revenue mix from cameras with an MSRP equal to or greater than $400 was 78% compared to 90% for the same period in 2022. Units shipped in the first nine months of 2023 increased 6.5% year-over-year to 2.1 million. Subscription and service revenue increased 20% year-over-year to $72.4 million, which is included in the GoPro.com channel. GoPro.com revenue represented 32.9% and 36.6% of total revenue for the first nine months of 2023 and 2022, respectively, while retail revenue represented 67.1% and 63.4% of total revenue for the first nine months of 2023 and 2022, respectively.

Cost of revenue and gross margin

	Three months ended September 30,			Nine months ended September 30,		
(dollars in thousands)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Cost of revenue	$ 199,595	$ 188,644	6 %	$ 486,248	$ 468,549	4 %
Stock-based compensation	500	441	13	1,496	1,371	9
Acquisition-related costs	—	—	—	—	47	(100)
Restructuring costs	—	—	—	(183)	28	(754)
Total cost of revenue	$ 200,095	$ 189,085	6 %	$ 487,561	$ 469,995	4 %
Gross margin	*32.0 %*	*38.0 %*	*(600) bps*	*31.3 %*	*39.2 %*	*(790) bps*

Gross margin of 32.0% for the third quarter of 2023 decreased from 38.0% in the same period of 2022, or 600 bps, primarily due to the impact of our pricing decision to reduce the MSRPs across our camera lineup (790 bps), which includes an approximately 175% increase in the sale of entry-level price point cameras which carry lower margins compared to our higher priced cameras, and an increase to our retail sales channel mix, partially offset by lower operating and component costs of 170 bps, and increased margin contribution from subscriptions of 20 bps.

Gross margin of 31.3% in the first nine months of 2023 decreased from 39.2% in the same period of 2022, or 790 bps, primarily due to the impact of our pricing decision to reduce the MSRPs across our camera lineup (820 bps), which includes total price protection charges of $37.3 million, an increase in the sale of entry-level price point cameras which carry lower margins compared to our higher priced cameras, and an increase to our retail sales channel mix. Gross margin was also impacted by the effect of foreign currencies (100 bps), partially offset by increased margin contribution from subscriptions of 110 bps and lower operating and component costs of 40 bps.

Research and development

	Three months ended September 30,			Nine months ended September 30,		
(dollars in thousands)	2023	2022	% Change	2023	2022	% Change
Research and development	$ 36,995	$ 31,652	17 %	$ 107,405	$ 90,666	18 %
Stock-based compensation	4,713	4,395	7	14,381	12,958	11
Restructuring costs	—	(4)	(100)	10	235	(96)
Total research and development	$ 41,708	$ 36,043	16 %	$ 121,796	$ 103,859	17 %
Percentage of revenue	*14.2 %*	*11.8 %*		*17.2 %*	*13.4 %*	

The year-over-year increase of $5.7 million, or 16%, in total research and development expense for the third quarter of 2023 compared to the same period of 2022 was primarily driven by a $5.0 million increase in cash based personnel-related costs and a $0.5 million increase in travel related expenses.

The year-over-year increase of $17.9 million, or 17%, in total research and development expense in the first nine months of 2023 compared to the same period of 2022 was primarily driven by a $10.5 million increase in cash based personnel-related costs and a $7.5 million increase in development work primarily on our next generation system-on-chip, partially offset by a $1.1 million decrease in prototype builds.

Sales and marketing

	Three months ended September 30,			Nine months ended September 30,		
(dollars in thousands)	2023	2022	% Change	2023	2022	% Change
Sales and marketing	$ 39,129	$ 39,259	— %	$ 112,547	$ 109,585	3 %
Stock-based compensation	2,125	1,819	17	6,662	6,171	8
Restructuring costs	—	(2)	(100)	6	132	(95)
Total sales and marketing	$ 41,254	$ 41,076	— %	$ 119,215	$ 115,888	3 %
Percentage of revenue	*14.0 %*	*13.5 %*		*16.8 %*	*15.0 %*	

The year-over-year increase of $0.2 million, or 0.4%, in total sales and marketing expense for the third quarter of 2023 compared to the same period of 2022 was primarily driven by a $1.1 million increase in cash based personnel-related costs, and a $0.4 million increase in travel related expenses, partially offset by a $1.3 million decrease in credit card fees from sales on GoPro.com.

The year-over-year increase of $3.3 million, or 3%, in total sales and marketing expense in the first nine months of 2023 compared to the same period of 2022 was primarily driven by a $3.1 million increase in marketing campaigns, a $1.5 million increase in cash based personnel-related costs, a $1.0 million increase in travel related expenses, and a $0.5 million increase in stock based compensation expense, partially offset by a $1.9 million decrease in credit card fees from sales on GoPro.com, and a $1.5 million decrease in allocated facilities, depreciation, and supporting overhead expenses.

General and administrative

(dollars in thousands)	Three months ended September 30, 2023	2022	% Change	Nine months ended September 30, 2023	2022	% Change
General and administrative	$ 12,350	$ 11,812	5 %	$ 38,650	$ 36,529	6 %
Stock-based compensation	2,679	2,684	—	8,909	8,926	—
Restructuring costs	—	(1)	(100)	3	75	(96)
Total general and administrative	$ 15,029	$ 14,495	4 %	$ 47,562	$ 45,530	4 %
Percentage of revenue	*5.1 %*	*4.8 %*		*6.7 %*	*5.9 %*	

The year-over-year increase of $0.5 million, or 4%, in total general and administrative expense for the third quarter of 2023 compared to the same period of 2022 primarily reflected a $1.0 million increase in cash based personnel-related costs, and a $0.3 million increase in bad debt expense, partially offset by a $0.4 million decrease in consulting and professional services, and a $0.4 million decrease in allocated facilities, depreciation and other supporting overhead expenses.

The year-over-year increase of $2.0 million, or 4%, in total general and administrative expense in the first nine months of 2023 compared to the same period of 2022 was primarily driven by a $2.1 million increase in consulting and professional services, and a $0.4 million increase in bad debt expense, partially offset by a $1.0 million decrease in allocated facilities, depreciation, and supporting overhead expenses.

Restructuring costs

Fourth quarter 2022 restructuring. In December 2022, we approved a restructuring plan to reduce camera production-related costs by globally realigning our manufacturing footprint to concentrate our production activities in two primary locations: China and Thailand. Under the fourth quarter 2022 restructuring, we recorded restructuring charges of $8.1 million, including $7.0 million for camera production line closure costs and $1.1 million for related transitional costs to migrate production to our remaining manufacturing locations.

See Note 11 Restructuring charges, to the Notes to Condensed Consolidated Financial Statements.

Other income (expense)

(dollars in thousands)	Three months ended September 30, 2023	2022	% Change	Nine months ended September 30, 2023	2022	% Change
Interest expense	$ (1,171)	$ (1,185)	(1)%	$ (3,463)	$ (4,932)	(30)%
Other income (expense), net	1,963	284	591	7,231	(523)	(1,483)
Total other income (expense), net	$ 792	$ (901)	(188)%	$ 3,768	$ (5,455)	(169)%

Total other expense, net, decreased $1.7 million for the third quarter of 2023 compared to the same period of 2022, primarily due to higher available yields on our cash and marketable securities resulting in an increase in interest income of $1.5 million and a $0.2 million increase in net foreign exchange rate-based gains.

Total other expense, net decreased $9.2 million in the first nine months of 2023 compared to the same period of 2022, primarily due to higher available yields on our cash and marketable securities resulting in an increase in interest income of $6.7 million, a $1.4 million decrease in cash interest expense as our 2022 Notes matured and were paid in the second quarter of 2022, and a $1.1 million increase in net foreign exchange rate-based gains.

Income taxes

	Three months ended September 30,			Nine months ended September 30,		
(dollars in thousands)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Income tax expense (benefit)	$ 689	$ 5,960	(88)%	$ (11,562)	$ 6,019	(292)%

We recorded an income tax expense of $0.7 million for the three months ended September 30, 2023, on pre-tax net loss of $3.0 million. Our income tax expense for the three months ended September 30, 2023 primarily resulted from a tax benefit on pre-tax book loss, partially offset by the nondeductible equity tax expense from stock-based compensation, an income tax expense related to the restructuring charges, and an income tax benefit related to the foreign provision to income tax return adjustments.

We recorded an income tax benefit of $11.6 million for the first nine months ended September 30, 2023, on pre-tax net loss of $62.3 million. Our income tax benefit for the nine months ended September 30, 2023 primarily resulted from a tax benefit on pre-tax book loss, partially offset by the nondeductible equity tax expense from stock-based compensation, an income tax expense related to the foreign provision to income tax return adjustments, and an income tax expense related to the restructuring charges.

See Note 8 Income taxes, to the Notes to Condensed Consolidated Financial Statements for additional information.

Liquidity and Capital Resources

The following table presents selected financial information as of September 30, 2023 and December 31, 2022:

(dollars in thousands)	**September 30, 2023**	**December 31, 2022**
Cash and cash equivalents	$ 220,984	$ 223,735
Marketable securities	38,488	143,602
Total cash, cash equivalents and marketable securities	$ 259,472	$ 367,337
Percentage of total assets	*25 %*	*34 %*

Our primary source of cash is receipts from sales of our products, and subscription and service. Other sources of cash are from proceeds from the issuance of convertible notes, employee participation in the employee stock purchase plan, the exercise of employee stock options, tax refunds and facility subleases. Our primary uses of cash are for inventory procurement, payroll-related expenses, general operating expenses, including advertising, marketing, office rent, purchases of property and equipment, other costs of revenue, share repurchases, repurchases of convertible notes, interest, and taxes.

Our liquidity position has been historically impacted by seasonality, which is primarily driven by higher revenues during the second half of the year as compared to the first half. For example, net cash provided by operating activities during the second half of 2022 was $66.3 million, which represented more than 100% of the total cash provided by operating activities for the full year 2022.

As of September 30, 2023, our cash, cash equivalents and marketable securities totaled $259.5 million. Our cash, net of the outstanding principal balance of the 2025 Notes, as of September 30, 2023, was $115.7 million. The overall cash used in operating activities of $76.6 million for the nine months ended September 30, 2023 was primarily attributable to a net loss of $50.8 million and net cash outflows from changes in our working capital of $44.5 million, and a deferred income tax benefit of $17.9 million, partially offset by net cash inflows from other non-cash expenses of $36.6 million. Working capital changes for the nine months ended September 30, 2023 of $44.5 million were the result of an increase in accounts receivable of $30.6 million, an increase in inventory of $27.7 million, an increase in prepaid expenses and other assets of $6.9 million, and a decrease in deferred revenue of $4.9 million, partially offset by an increase in accounts payable and other liabilities of $25.7 million. As of September 30, 2023, $13.8 million of cash was held by our foreign subsidiaries.

Convertible Notes

In November 2020, we issued $143.8 million aggregate principal amount of 2025 Notes in a private placement to purchasers for resale to qualified institutional buyers. The 2025 Notes mature on November 15, 2025, unless earlier repurchased or converted into shares of Class A common stock subject to certain conditions. The 2025 Notes are convertible into cash, shares of the Class A common stock, or a combination thereof, at our election, at an initial conversion rate of 107.1984 shares of common stock per $1,000 principal amount of the 2025 Notes, which is equivalent to an initial conversion price of approximately $9.3285 per share of common stock, subject to adjustment. We pay interest on the 2025 Notes semi-annually, which is due on May 15 and November 15 of each year.

In connection with the offering of the 2025 Notes, we entered into privately negotiated capped call transactions with certain financial institutions (Capped Calls). We used $10.2 million of the net proceeds from the sale of the 2025 Notes to purchase the Capped Calls and $56.2 million of the net proceeds to repurchase $50.0 million of the $175.0 million aggregate principal amount of the 2022 Notes, which we issued in April 2017. The remaining net proceeds were used for general corporate purposes. On April 15, 2022, we repaid the remaining $125.0 million of principal and $2.2 million of accrued interest in cash to the debt holders to fully settle the 2022 Notes on the maturity date.

As market conditions warrant, we may, from time to time, repurchase our outstanding debt securities in the open market, in privately negotiated transactions, by tender offer, by exchange transaction or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity and other factors and may be commenced or suspended at any time. The amounts involved and total consideration paid may be material.

There have been no significant changes to our contractual obligations and commitments disclosed in our 2022 Annual Report.

Liquidity

Based on our most current projections, we believe that our cash, cash equivalents, marketable securities and amounts available under our credit facility, will be sufficient to address our working capital needs, capital expenditures, outstanding commitments, and other liquidity requirements for at least one year from the issuance of these financial statements.

- We expect that operating expenses and inventory purchases will constitute a material use of our cash balances. We intend to continue to manage our operating activities in line with our existing cash and available financial resources.
- In January 2021, we entered into the 2021 Credit Agreement, which provides for a revolving credit facility under which we may borrow up to an aggregate amount of $50.0 million. As amended in March 2023, our credit facility will terminate and any outstanding borrowings become due and payable on the earlier of (i) January 2027 and (ii) unless we have cash in a specified deposit account in an amount equal to or greater than the amount required to repay our 1.25% convertible senior notes due November 2025, 91 days prior to the maturity date of such convertible notes. No borrowings have been made from the credit facility to date (See Note 4 Financing arrangements, in the Notes to Condensed Consolidated Financial Statements for additional information).
- The $143.8 million aggregate principal amount of the 2025 Notes matures on November 15, 2025, unless earlier repurchased or converted into shares of Class A common stock subject to certain conditions. We intend to deliver cash up to the principal amount of the 2025 Notes, based on our current and projected liquidity levels.

In the future, we may require additional financing to respond to business opportunities, challenges or unforeseen circumstances. If we are unable to obtain adequate debt or equity financing when we require it or on terms acceptable to us, our ability to grow or support our business, repay debt and respond to business challenges could be significantly limited. Although we believe we have adequate sources of liquidity over the long term, the success of our operations and the global economic outlook, among other factors, could impact our business and liquidity.

Summary of Cash Flow

The following table summarizes our cash flows for the periods indicated:

	Nine months ended September 30,		
(in thousands)	**2023**	**2022**	**% Change**
Net cash provided by (used in):			
Operating activities	$ (76,592)	$ (19,815)	287 %
Investing activities	$ 107,437	$ 2,711	3863 %
Financing activities	$ (33,270)	$ (164,259)	(80)%

Cash flows from operating activities

Cash used in operating activities of $76.6 million for the nine months ended September 30, 2023 was primarily attributable to a net loss of $50.8 million, net cash outflows from changes in our working capital of $44.5 million, and a deferred income tax benefit of $17.9 million, partially offset by net cash inflows from other non-cash expenses of $36.6 million. Working capital changes for the nine months ended September 30, 2023 of $44.5 million were the result of an increase in accounts receivable of $30.6 million, an increase in inventory of $27.7 million, an increase in prepaid expenses and other assets of $6.9 million, and a decrease in deferred revenue of $4.9 million, partially offset by an increase in accounts payable and other liabilities of $25.7 million

Cash flows from investing activities

Cash provided by investing activities of $107.4 million for the nine months ended September 30, 2023 was primarily attributable to maturities of marketable securities of $134.2 million, partially offset by purchases of marketable securities of $25.8 million and net purchases of property and equipment of $1.0 million.

Cash flows from financing activities

Cash used in financing activities of $33.3 million for the nine months ended September 30, 2023 was primarily attributable to repurchases of our outstanding common stock of $30.0 million and $7.1 million in tax payments for net restricted stock unit (RSU) settlements, partially offset by $3.9 million of cash inflows from stock purchases made through our employee stock purchase plan and employee stock option exercises.

Indemnifications

The information set forth under Note 9 Commitments, contingencies and guarantees to the condensed consolidated financial statements under the caption Indemnifications is incorporated herein by reference.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates from those disclosed in our 2022 Annual Report.

Non-GAAP Financial Measures

We report net income (loss) and diluted net income (loss) per share in accordance with United States generally accepted accounting principles (GAAP) and on a non-GAAP basis. We additionally report non-GAAP adjusted EBITDA. Revenue is presented on a constant currency basis to show performance unaffected by fluctuations in currency exchange rates. We calculate constant currency amounts by translating current period amounts at the prior period’s average exchange rate and compare that to current period performance. We use 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, manufacturing consolidation charges, facilities consolidation charges recorded in connection with restructuring actions, including right-of-use asset impairment charges (if applicable), and the related ongoing operating lease cost of those facilities recorded under ASC 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;
- 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 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) 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;

- GAAP and non-GAAP net income (loss) per share includes the dilutive, tax effected cash interest expense associated with our 2022 Notes and 2025 Notes in periods of net income, as if converted at the beginning of the period; and
- other companies may calculate these non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.

The following table presents a reconciliation of net income (loss) to adjusted EBITDA:

	Three months ended		
(in thousands)	**September 30, 2023**	**June 30, 2023**	**September 30, 2022**
Net income (loss)	$ (3,684)	$ (17,212)	$ 17,570
Income tax expense (benefit)	689	(3,998)	5,960
Interest (income) expense, net	(1,208)	(1,635)	262
Depreciation and amortization	1,444	1,748	2,035
POP display amortization	459	405	448
Stock-based compensation	10,017	11,117	9,339
Restructuring and other costs	(485)	(715)	(414)
Adjusted EBITDA	$ 7,232	$ (10,290)	$ 35,200

The following table presents a reconciliation of net income (loss) to non-GAAP net income (loss):

	Three months ended		
(in thousands, except per share data)	**September 30, 2023**	**June 30, 2023**	**September 30, 2022**
Net income (loss)	$ (3,684)	$ (17,212)	$ 17,570
Stock-based compensation	10,017	11,117	9,339
Restructuring and other costs	(485)	(715)	(414)
Income tax adjustments	461	(4,481)	5,352
Non-GAAP net income (loss)	$ 6,309	$ (11,291)	$ 31,847
GAAP net income (loss) - basic	$ (3,684)	$ (17,212)	$ 17,570
Add: Interest on convertible notes, tax effected	—	—	485
GAAP net income (loss) - diluted	$ (3,684)	$ (17,212)	$ 18,055
Non-GAAP net income (loss) - basic	$ 6,309	$ (11,291)	$ 31,847
Add: Interest on convertible notes, tax effected	461	—	485
Non-GAAP net income (loss) - diluted	$ 6,770	$ (11,291)	$ 32,332
GAAP diluted net income (loss) per share	$ (0.02)	$ (0.11)	$ 0.10
Non-GAAP diluted net income (loss) per share	$ 0.04	$ (0.07)	$ 0.19
GAAP shares for basic net income (loss) per share	152,409	154,562	155,819
Add: Effect of dilutive securities	—	—	17,365
GAAP shares for diluted net income (loss) per share	152,409	154,562	173,184
Add: Effect of non-GAAP only dilutive securities	16,272	—	—
Non-GAAP shares for diluted net income (loss) per share	152,409	154,562	173,184

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily include foreign currency and interest rate risks as follows:

Foreign currency risk. Revenue generated from GoPro.com is denominated in U.S. dollars and various foreign currencies. To date, the majority of our inventory purchases have been denominated in our functional currency of the U.S. dollar. Our operations outside of the United States hold foreign denominated cash balances and incur a majority of their operating expenses in foreign currencies. We therefore have foreign currency risk related to these currencies, which are primarily the Euro, British pound, Japanese yen, Australian dollar, and Korean won. Changes in exchange rates, and in particular, a weakening of foreign currencies relative to the U.S. dollar will negatively affect our revenue and operating income as expressed in U.S. dollars.

To date, we have not entered into any foreign currency exchange contracts or derivatives, and we will continue to reassess our approach to manage our risk relating to fluctuations in currency rates. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy.

Interest rate risk. Our exposure to market risk for changes in interest rates primarily relates to our cash and cash equivalents and marketable securities. Our cash equivalents and marketable securities are comprised of money market funds, U.S. treasury securities, commercial paper, government securities and corporate debt securities. The primary objectives of our investment activities are to preserve principal and provide liquidity without significantly increasing risk. Our cash and cash equivalents are held for working capital purposes. We do not enter into investments for trading or speculative purposes. Due to the nature of our investment portfolio, we do not believe that an immediate 10% shift in interest rates would have a material effect on the fair value of our investment portfolio.

The fair value of our 2025 Convertible Senior Notes (2025 Notes) is subject to interest rate risk, market risk and other factors due to the conversion feature. The capped call that was entered into concurrently with the issuance of our 2025 Notes were completed to reduce the potential dilution from the conversion of the 2025 Notes. The fair value of the 2025 Notes will generally increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of the 2025 Notes will generally increase as our Class A common stock price increases and will generally decrease as our Class A common stock price declines. The interest and market value changes affect the fair value of the 2025 Notes but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligation.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (Exchange Act)), as of September 30, 2023. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of September 30, 2023, our disclosure controls and procedures were effective to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended September 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

Refer to Legal proceedings and investigations included in Part I, Item 1, Note 9 Commitments, contingencies and guarantees, to the Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q for the three months ended September 30, 2023.

Item 1A. Risk Factors

The risks described in Risk Factors in our 2022 Annual Report on Form 10-K (the 2022 Annual Report), and as supplemented below, could materially and adversely affect our business, financial condition, and results of operations. The risk factors below do not identify all risks that we face; our operations or financial condition could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. In that event, the trading price of our shares may decline, and you may lose part or all of your investment.

Risk Factor Summary

- ***We may not be able 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.***
- ***An economic downturn or economic uncertainty in the United States and international markets, as well as inflation, market volatility, increasing interest rates or fluctuations in currency exchange rates, may adversely affect consumer spending and demand for our products, which could impact our operating results or financial position.***
- ***Our goal to grow revenue and be profitable relies upon our ability to grow unit sales, and we may not be successful in doing so.***
- ***We may not be able to acquire and retain subscribers at all or at historical rates, which could adversely impact our results of operations and our ability to be profitable.***
- ***To remain competitive and stimulate consumer demand, we must effectively manage product introductions, product transitions, product pricing and marketing.***
- ***If our sales fall below our forecasts, especially during the holiday season, our overall financial condition and results of operations could be adversely affected.***
- ***We rely on third-party suppliers, some of which are sole-source suppliers, to provide services and components for our products which may lead to supply shortages and other services, long lead times for components, and supply changes, any of which could disrupt our supply chain or our operations and may increase our costs.***
- ***If we do not successfully coordinate or if we encounter issues with our manufacturers, suppliers, or supply chain, business, brand, and results of operations could be harmed and we could lose sales.***
- ***Our future growth depends, in part, on further penetrating our total addressable market, and we may not be successful in doing so.***
- ***We depend on 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.***
- ***We face substantial risks related to inventory, purchase commitments and long-lived assets, and we could incur material charges related to these items that adversely affect our operating results.***
- ***Security and data breaches and cyber-attacks could disrupt our web platform, products, services, internal operations, information technology systems, or those of our strategic partners, and any***

such disruption could reduce our expected revenue, increase our expenses, damage our reputation, and cause our stock price to decline significantly.

- ***Our international operations account for a significant portion of our revenue and operating expenses and are subject to challenges and risks. Adverse developments in global economic or geopolitical conditions, or the occurrence of other world events, could materially adversely affect our revenue and results of operations.***
- ***We depend on key personnel and qualified personnel to operate our business. If we are unable to attract, engage and retain qualified personnel, our ability to develop, transform and successfully operate our business could be harmed.***
- ***Our gross margin can vary significantly depending on multiple factors, which can result in unanticipated fluctuations in our operating results.***
- ***We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can. New entrants also enter the digital imaging market category from time-to-time. These market factors could result in a loss of our market share and a decrease in our revenue and profitability.***
- ***Adverse changes to trade agreements, trade policies, tariffs and import/export regulations may have a negative effect on our business and results of operations.***
- ***If we fail to manage our operating expenses effectively, our financial performance may suffer.***
- ***A small number of retailers and distributors account for a substantial portion of our revenue, and if our relationships with any of these retailers or distributors were to be terminated or the level of business with them significantly reduced, our business could be harmed.***
- ***Our success depends on our ability to maintain the value and reputation of our brand.***
- ***Consumers may be injured while engaging in activities with our products, and we may be exposed to claims, or regulations could be imposed, which could adversely affect our brand, operating results, and financial condition.***
- ***We may be subject to warranty claims that could result in significant direct or indirect costs, or we could experience greater returns from retailers and customers than expected, which could harm our business and operating results.***
- ***We may grow our business in part through acquisitions, joint ventures, investments and partnerships, which could require significant management attention, disrupt our business, dilute stockholder value and adversely affect our operating results.***
- ***Catastrophic events or political instability could disrupt and cause harm to our business.***
- ***Our aspirations and disclosures related to environmental, social and governance (ESG) matters expose us to risks that could adversely affect our reputation and performance.***

Risks related to our business and industry

We may not be able 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 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. For example, our annual revenue decreased slightly from 2021 to 2022 from $1.16 billion to $1.09 billion, respectively. In addition, we incurred operating income of $39.0 million and $113.2 million for the full year in 2022 and 2021, respectively. In future periods, sales or revenue could decline, remain flat, or grow more slowly than we expect, or we could be negatively impacted by foreign currency exchange rate fluctuations, which could have a material negative effect on our future operating results. For example, foreign currency exchange rate fluctuations negatively impacted revenue and operating income by $50.4 million in 2022.

Lower levels of revenue, lower product margins or higher levels of operating expenses in future periods may result in losses or limited profitability. We may experience lower levels of revenue, lower product margins or higher levels of operating expenses for a variety of reasons, including, among other factors: ineffective investments in product innovation; advertising and marketing; increasing freight rates; shipping delays; increased supply chain costs; impact of currency exchange rates; failure to maintain higher average sales pricing for our cameras; or a recession or other sustained adverse market events that materially impacts consumer purchases of discretionary items, such as our products. For example, in the second quarter of 2023, our margins were negatively impacted by price protection charges, an increased volume of sales of our entry-level price point cameras, and an increase to our retail sales channel mix.

Additionally, we have implemented company-wide restructurings of our business resulting in a reduction in our global workforce and the elimination of certain open positions, consolidation of certain leased office facilities, as well as the elimination of several high-cost initiatives, in order to focus our resources on cameras, accessories, and subscription and service. We may continue to experience fluctuating revenue, expenses, and profitability for a number of reasons, including other risks described in this Quarterly Report on Form 10-Q and in our 2022 Annual Report, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors.

An economic downturn or economic uncertainty in the United States and international markets, as well as inflation, market volatility, increasing interest rates or fluctuations in currency exchange rates, may adversely affect consumer spending and demand for our products, which could impact our operating results or financial position.

Factors affecting the level of consumer spending include general market and macroeconomic conditions, geopolitical conditions, regional conflicts, tax rates, inflation, a potential temporary federal government shutdown, fluctuations in foreign exchange rates and interest rates, and other factors such as consumer confidence, the availability and cost of consumer credit, levels of unemployment and a reduction in consumer spending or discretionary income that may affect us more significantly than companies in other industries and companies with more diversified products. For example, if any of the current regional conflicts in Israel or Ukraine were to escalate or expand, it could lead to disruption of our supply chain and have a negative impact on consumer discretionary spending.

The majority of our sales occur in United States dollars (U.S. dollar). An increase or decrease in the value of the U.S. dollar against the Euro and other foreign currencies could impact sales of our products, which could have a material impact on our operating results. For example, a strengthening U.S. dollar relative to other currencies could increase the real cost to consumers of our products in those markets outside the United States, which could lower sales and/or cause us to reduce our selling price to retailers and distributors in those markets. If global economic conditions are volatile or deteriorate, consumers may delay or reduce purchases of our products resulting in lower consumer demand for our products such that we may not reach our sales targets. Some product costs have become subject to inflationary pressure, and we may not be able to fully offset such higher costs through price increases; our inability or failure to offset any such higher costs as necessary could harm our business, financial condition, and operating results. Additionally, in 2022, the Euro, Japanese yen and British pound all experienced declines in value relative to the U.S. dollar, which negatively affected our results of operations during the second, third, and fourth quarter of 2022 when compared to the prior year periods, and could continue to negatively impact our results of operations in future periods if the U.S. dollar strengthens relative to foreign currencies.

Moreover, there has been recent turmoil in the global banking system. For example, in March 2023, Silicon Valley Bank (SVB) was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. While we did not hold any cash directly at SVB, we regularly maintain cash balances at third-party financial institutions more than the FDIC insurance limit and there is no guarantee that the federal government would guarantee all depositors if such financial institutions were to fail, as they did with SVB depositors, in the event of further bank closures and continued instability in the global banking system. Any future adverse developments in the global banking system could directly or indirectly negatively impact our results of operations.

Our goal to grow revenue and be profitable relies upon our ability to grow unit sales, and we may not be successful in doing so.

Our ability to grow revenue and be profitable relies on increasing unit sales. We depend upon maintaining and developing effective sales channels between our retailers, distributors, and direct-to-consumer via GoPro.com.

Our future growth relies, in part, on increasing sales through our current retail partners and distributors, as well as expanding our retail footprint, and building and maintaining strong relationships with retail partners and distributors to promote our brand and to market and sell our products. Slower than forecasted growth or any reduction in sales by our retail and distribution channels could adversely affect our revenue, operating results, and financial condition. We depend on retailers to provide adequate and attractive space for our products and POP displays in their stores and acquiesce to our policies. Due to macroeconomic factors and risk of theft, some retailers carry and display less inventory, which has impacted sales. We further depend on our retailers to employ, educate, and motivate their sales personnel to effectively sell our products. If our retailers do not adequately display our products, choose to reduce the space for our products and POP displays in their stores or locate them in less than premium positioning, or choose not to carry some or all of our products or promote competitors' products over ours or do not effectively explain to customers the advantages of our products, our sales could decrease and our business could be harmed. Increasing retail and distributor sales requires significant investment and resources. For example, we are investing in new POP displays and updating existing POP displays for both existing stores and new retailers which we believe will attract, inform consumers, and assist sales personnel to effectively sell our products; however, there can be no assurance that this investment will lead to increased revenue and profit.

Our future growth also relies, in part, on our continued ability to attract consumers to our GoPro.com sales channel, which has and will require significant expenditures in marketing, software development and infrastructure. There can be no assurance that this investment will be successful.

We may not be able to acquire and retain subscribers at all or at historical rates, which could adversely impact our results of operations and our ability to be profitable.

We have experienced continuous growth in our subscription service over the past several years, but we may not be able to sustain such growth in the future. Our revenue growth and profitability is dependent on our ability to continuously attract and retain subscribers, and we cannot be certain that efforts to do so will be successful. Any changes to our subscription offerings could have an adverse effect on the success of our subscription service, attracting new subscribers and retaining existing subscribers. There are many factors that could lead to slowing subscriber growth or a decline in subscribers, including a decline in camera sales, attach rates or retention rates, our failure to introduce new features, benefits, products, or services that customers desire, changes to existing products, services and pricing that are not favorably received by our customers, or changes in the perceived value of our offerings. For example, part of our subscription growth strategy is dependent on expanding our distribution and retail channels and increasing unit sales which we believe will lead to an increase in subscribers. If the attach rate is less than what we forecasted, particularly the retail attach rate, this could have a negative impact on our overall subscriber growth plans. A decline in subscribers could have an adverse effect on our business, financial condition, and operating results.

To remain competitive and stimulate consumer demand, we must effectively manage product introductions, product transitions, product pricing and marketing.

We believe that we must continually develop and introduce new products, enhance our existing products, anticipate consumer preferences, and effectively stimulate consumer demand for new and upgraded products and services to maintain or increase our revenue. Our products and services are subject to changing consumer preferences that cannot be predicted with certainty and development lead times may make it more difficult for us to respond rapidly to new or changing consumer preferences. The markets for our products and services are characterized by intense competition, evolving distribution models, disruptive technology developments, short product life cycles, customer price sensitivity and frequent product introductions. Additionally, increasing concern over climate change could also result in shifting customer preferences with respect to our products, including reduced demand for our products and services based on their environmental impact, such as recyclability of components or packaging and energy usage required to develop and manufacture our products.

The success of new product introductions, such as the HERO12 Black and HERO12 Black Creator Edition, depends on a number of factors including, but not limited to, timely and successful research and development of next generation systems, pricing, market and consumer acceptance, the ability to successfully identify and originate product trends, effective forecasting and management of product demand, purchase commitments and inventory levels, availability of products in appropriate quantities to meet anticipated demand, ability to obtain timely and adequate delivery of components for our new products from third-party suppliers, management of any changes in major component suppliers, management of manufacturing and supply costs, management of risks and delays associated with new product design and production ramp-up issues, logistics, and the risk that new products may have quality issues or other defects or bugs in the early stages of introduction including testing of new parts and features.

Our research and development efforts are complex and require us to incur substantial expenses to support the development of our next generation cameras, editing applications and other products and services. Our research and development expenses were $139.9 million, $141.5 million and $131.6 million for 2022, 2021 and 2020, respectively and we expect that our research and development expenses will continue to be substantial through the full year of 2023 as we develop innovative technologies. Unanticipated problems in developing products could divert substantial resources, which may impair our ability to develop new products and enhancements of existing products and could further increase our costs. We may not be able to achieve an acceptable return, if any, on our research and development efforts, and our business may be adversely affected. As we continually seek to enhance our products, we will incur additional costs to incorporate new or revised features. We might not be able to, or determine that it is not in our interests to, raise prices to compensate for any additional costs.

Additionally, as a result of the macroeconomic environment, we may not be able to accurately forecast consumer demand and inventory requirements and appropriately manage inventory to meet demand. For example, inflationary pressures may have an impact on consumers' share of wallet or our ability to raise prices. We have, and may in the future, reduce prices to stimulate demand. We offer retroactive price protection to certain of our retailers and distributors. For example, as a result of our May 2023 price drop, we recorded a total price protection charge of $26.7 million in the six months ended June 30, 2023, based on estimated channel inventory levels. Actual price protection claims may differ from our estimates. If price protection adjustments are higher than expected, our future results of operations could be materially and adversely affected. With respect to management and supply costs, we may be impacted by heightened demand for specialty memory, components and batteries that are not supported by our manufacturing partners. Such supply shortages may affect our ability to manage appropriate supply levels of our products and pricing pressures may negatively affect our gross margins.

In addition, the introduction or announcement of new products or product enhancements may shorten the life cycle of our existing products or reduce demand for our current products, thereby offsetting any benefits of successful product introductions and potentially lead to challenges in managing inventory of existing products.

Additionally, our brand and product marketing efforts are critical to stimulating consumer demand. We market our products globally through a range of advertising and promotional programs and campaigns, including social media. If we do not successfully market our products or invest in the right campaigns or promotions for the right products at the right time, the lack of success or increased costs of promotional programs could have an adverse effect on our business, financial condition, and results of operations.

If our sales fall below our forecasts, especially during the holiday season, our overall financial condition and results of operations could be adversely affected.

Seasonal consumer shopping patterns significantly affect our business. We have traditionally experienced greater revenue in the fourth quarter of each year due to demand related to the holiday season, and in some years, including 2022, greater demand associated with the launch of new products heading into the holiday season. Fourth quarter revenue comprised 29%, 34% and 40% of our 2022, 2021 and 2020 revenue, respectively. Given the strong seasonal nature of our sales, appropriate forecasting is critical to our operations. We anticipate that this seasonal impact is likely to continue and any shortfalls in expected fourth quarter revenue due to macroeconomic conditions, the inflationary impact on consumers' share of wallet, product release patterns, declines in the effectiveness of our promotional activities or product mix, charges incurred against new products to support promotional activities for such new products, pricing pressures, supply chain disruptions, shipping delays, or for any other reason, could cause our annual results of operations to suffer significantly.

In addition, we typically experience lower revenue in the first half of the year as a percentage of total revenue for the year, as compared to second half revenue. First half revenue comprised 43%, 39% and 28% of our annual 2022, 2021 and 2020 revenue, respectively.

We rely on third-party suppliers, some of which are sole-source suppliers, to provide services and components for our products which may lead to supply shortages and other services, long lead times for components, and supply changes, any of which could disrupt our supply chain or our operations and may increase our costs.

Our ability to meet customer demand depends, in part, on our ability to obtain timely and adequate delivery of components for our products. We do not have internal manufacturing capabilities and rely on several contract manufacturers, located in China and Thailand, to manufacture our products. All of the components that go into the manufacturing of our cameras and accessories are sourced from third-party suppliers. We do not control our contract manufacturers or suppliers, including their capacity, bandwidth, or costs of their labor, environmental or other practices.

Some of the key components used to manufacture our products come from a limited or single source of supply, or by a supplier that could potentially become a competitor. Our contract manufacturers generally purchase these components on our behalf from approved suppliers. We are subject to the risk of shortages and long lead times in the supply of these components and the risk that our suppliers discontinue or modify components used in our products. In addition, the lead times associated with certain components are lengthy and preclude rapid changes in quantities and delivery schedules and such lead times could increase as a result of shipping disruptions, global conflicts (including the ongoing conflicts in Israel and Ukraine and any escalations or expansions of those conflicts), or other factors. We have in the past experienced and may in the future experience component shortages, and the availability of these components may be unpredictable, including as a result of global conflict and pandemics.

If we lose access to components from a particular supplier or experience a significant disruption in the supply of products and components from a current supplier, we may be unable to locate alternative suppliers of comparable quality at an acceptable price, or at all, and our business could be materially and adversely affected. In addition, if we experience a significant increase in demand for our products, our suppliers might not have the capacity or elect not to meet our needs as they allocate components to other customers. Developing suitable alternate sources of supply for these components may be time-consuming, difficult and costly, and we may not be able to source these components on terms that are acceptable to us, or at all, which may adversely affect our ability to meet our development requirements or to fill our orders in a timely or cost-effective manner.

We also rely on third-party distribution facilities and logistics operators for substantially all of our product distribution to distributors, retailers, and to consumers. Our distribution facilities include computer controlled and automated equipment, which means their operations may be vulnerable to computer viruses or other security risks, the proper operation of software and hardware, electronic or power interruptions or other system failures.

Our reliance on single source, or a small number of suppliers, involves a number of additional risks, including risks related to supplier capacity constraints, component availability, price increases, timely delivery, component quality, failure of a key supplier to remain in business and adjust to market conditions, delays in, or the inability to execute on, a supplier roadmap for components and technologies, and natural disasters, fire, acts of terrorism, global conflicts, pandemics or other catastrophic events.

In particular, for our camera designs we incorporate system on chips, sensors, lens, batteries and memory solutions that critically impact the performance of our products. These components have unique design and performance profiles, and as a result, it is not commercially practical to support multiple sources for these components for our products. For example, we incorporate the GP1 system on chip in our MAX camera as well as our HERO9 and HERO8 Black cameras and the GP2 system on chip in our HERO12 Black, HERO11 Black, HERO11 Black Mini, HERO10 Black and HERO10 Black Bones cameras and rely on a single source for GP1 and GP2, and we are subject to price increases for those components. Costs for the components that comprise GP1 and GP2 could continue to increase even as prices for commodity components decline.

Additionally, we rely on third parties to provide software and enterprise services. For example, we host our software applications and firmware upgrades for our cameras using Amazon Web Services (AWS). A prolonged AWS service disruption affecting our subscription products would negatively impact our ability to serve our consumers and could damage our reputation with current and potential consumers, expose us to liability, cause us to lose consumers, or otherwise harm our business. In the event that our AWS service agreements are terminated, or there is a lapse of service, elimination of AWS services or features that we use, interruption of internet service provider connectivity, or damage to such facilities, we could experience interruptions in access to the GoPro or Quik subscription as well as significant delays and additional expense in arranging or creating new facilities and services and/or re-architecting our solutions for deployment on a different cloud infrastructure service provider, which could materially adversely affect our business, results of operations and financial condition.

If we do not successfully coordinate or if we encounter issues with our manufacturers, suppliers, or supply chain, business, brand, and results of operations could be harmed and we could lose sales.

Our business requires us to coordinate the manufacture and distribution of our products. Our manufacturers and supply chain partners may experience disruptions in their operations due to equipment breakdowns, component or material shortages, labor strikes or shortages, shipping delays, transportation or logistics challenges, natural disasters, cyber-attacks or other cybersecurity incidents, cost increases, pandemics, or other similar problems. If we do not successfully coordinate with our service providers, we may have insufficient supply of products to meet customer demand or face increased or additional costs, and as a result, we could lose sales, and our financial performance may be adversely affected.

The effect of seasonal demand fluctuations on supply chains, transportation costs, fuel costs, labor unrest, natural disasters, global conflicts, regional or global pandemics, and other adverse effects on our ability, timing and cost of delivering products can increase our inventory, decrease our margins, adversely affect our relations with distributors and other customers and otherwise adversely affect our results of operations and financial condition.

Environmental regulations or changes in the supply, demand or available sources of natural resources may affect the availability and cost of goods and services necessary to run our business. We require our contract manufacturers and suppliers to comply with our formal supplier code of conduct and relevant standards and have ongoing audit programs in place to assess our suppliers' compliance with our requirements. We periodically conduct audits of our contract manufacturers' and suppliers' compliance with our code of conduct, applicable laws and good industry practices. However, these audits may not be frequent or thorough enough to detect non-compliance. Deliberate violations of labor, environmental or other laws by our contract manufacturers or suppliers, or a failure of these parties to follow ethical business practices, could lead to negative publicity and harm our reputation or brand.

As a company engaged in manufacturing and distribution, we are subject to the risks inherent in such activities, including disruptions or delays in supply chain. During the course of the COVID-19 pandemic and as a result of governmental responses to the COVID-19 pandemic among other macroeconomic factors, certain of our suppliers and manufacturers experienced disruptions, resulting in supply shortages and costs increases, staffing shortages, manufacturing facility closures, and similar disruptions could occur in the future. Any increases in the costs of goods and services for our business may also adversely affect our profit margins particularly if we are unable to achieve higher price increases or otherwise increase cost or operational efficiencies to offset the higher costs.

Our future growth depends, in part, on further penetrating our total addressable market, and we may not be successful in doing so.

Historically, the majority of our growth has been fueled by the adoption of our products by people looking to self-capture images of themselves participating in exciting physical activities and our subscription products to help those people create compelling edits to share with friends, family and followers. We believe that our future growth depends on continuing to reach and expand our core community of customers of our products and services, followers, and fans, and then utilizing that energized community as brand ambassadors to an extended community.

We may not be able to expand our subscription and service offerings and cannot be certain that these efforts will be successful, and as a result, we may not be able to increase our total addressable market, revenue, or operating profit. We may not be able to expand our market, revenue and gross margin through this strategy on a timely basis, or at all, or recognize the benefits of our investments in this strategy, and we may not be successful in providing tools that our users adopt or believe are easy to use, which will negatively affect our future growth.

Our growth also depends on expanding the market with new capture perspectives with our 360-degree camera, MAX, our FPV (first person view) lightweight camera HERO10 Black Bones, and our all-in-one vlogging and filmmaking offerings, HERO12 Black Creator Edition and HERO11 Black Creator Edition, which are initiatives in highly competitive markets, and by adding versatility to our products with expansion mods for HERO12 Black, HERO11 Black, HERO10 Black, and HERO9 Black. We cannot be assured that we will be successful in expanding the market with new capture perspectives or by adding new versatility to our products. If we are not successful in penetrating additional markets, we might not be able to grow our revenue and we may not recognize benefits from our investment in new areas.

We depend on 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.

We expect to derive the majority of our revenue from sales of cameras, mounts and accessories for the foreseeable future and an increasing amount of revenue attributable from our subscription and service. A decline in the price or unit demand for these products, whether due to a shift in our sales channel strategy, or macroeconomic conditions, including variable tariff rates, competition or otherwise, or our inability to increase sales of higher price point products, would harm our business and operating results more seriously than it would if we derived significant revenue from a variety of product lines and services. In particular, a decline in the price or unit demand of our HERO camera line or MAX camera, or our inability to increase sales of these products, could materially harm our business and operating results. Further, any delays or issues with our new product launches could have a material adverse effect on our business, financial condition, and results of operations.

We face substantial risks related to inventory, purchase commitments and long-lived assets, and we could incur material charges related to these items that adversely affect our operating results.

To ensure adequate inventory supply and meet the demands of our retailers and distributors, we must forecast inventory needs and place orders with our contract manufacturers and component suppliers based on our estimates of future demand for particular products as well as accurately track the level of product inventory in the channel to ensure we are not in an over or under supply situation. To the extent we discontinue the manufacturing and sales of any products or services, we must manage the inventory liquidation, supplier commitments and customer expectations.

No assurance can be given that we will not incur additional charges in future periods related to our inventory management or that we will accurately forecast sales in a future period. Our ability to accurately forecast demand for our products is affected by many factors, including product introductions by us and our competitors, channel inventory levels, unanticipated changes in general market demand, macroeconomic conditions, including inflation or recession, and consumer confidence. If we do not accurately forecast customer demand for our products, we may in future periods be unable to meet consumer, retailer, or distributor demand for our products, or may be required to incur higher costs to secure the necessary production capacity and components, and our business and operating results could be adversely affected.

Security and data breaches and cyber-attacks could disrupt our web platform, products, services, internal operations, information technology systems, or those of our strategic partners, and any such disruption could reduce our expected revenue, increase our expenses, damage our reputation, and cause our stock price to decline significantly.

We are dependent on information systems to process transactions, manage our supply chain and inventory, ship goods on a timely basis, maintain cost-efficient operations, complete timely and accurate financial reporting, operate GoPro.com and respond to customer inquiries. Cyber-attacks may threaten our information systems and are increasing in their frequency, sophistication, and intensity, and have become increasingly difficult to detect. Despite the implementation of security measures designed to protect against such threats, our information technology systems, and those of our strategic partners and third parties on whom we rely, are vulnerable to cyber-attacks, security breaches, computer viruses damage, unauthorized access, natural disasters, terrorism, theft or exposure of confidential data, war and other acts of foreign governments, and failures of telecommunication, electrical and other critical systems.

Our products, services and operating systems may contain unknown security vulnerabilities. For example, the firmware and software that are installed on our products may be susceptible to hacking or misuse, or we may experience disruptions to our GoPro.com platform. In addition, we offer a comprehensive online cloud management service through our GoPro subscription. If malicious actors compromise our products and services, including without limitation hacking or breach of such products and services, our business and our reputation will be harmed.

In the ordinary course of our business, we electronically collect, use and store sensitive data, including our intellectual property, our proprietary business information and that of our customers and suppliers, and personally identifiable information of our customers and employees. We collect, use and store user data uploaded by users through the GoPro cloud, mobile and desktop apps and through certain marketing activities. For all of the foregoing, we collect, use and store that information in our or our third-party providers' systems. These systems may be targets of attacks, malware, viruses or phishing attempts by cyber criminals or other wrongdoers seeking to steal our users' content or data, or our customers' information for financial gain or to harm our business operations or reputation.

Any security breach, unauthorized access or usage, or similar breach or disruption of our systems, or the systems of third parties on which we rely including web hosting services, billing and payment processing, or software could result in a disruption to our business or the loss of confidential information, costly investigations, remediation efforts and costly notification to affected consumers. If such content were accessed by unauthorized third parties or deleted inadvertently by us or third parties, our brand and reputation could be adversely affected. Cyber-attacks could also adversely affect our operating results, consume internal resources and result in litigation or potential liability for us and otherwise harm our business and our reputation.

While we maintain industry standard cybersecurity insurance, our insurance may be insufficient for a particular incident or may not cover all liabilities incurred by any such attacks. We also cannot be certain that our insurance coverage will be adequate for data handling or data security liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, litigation to pursue claims under our insurance policies or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, or denials of coverage, could have a material adverse effect on our business, reputation, operating results and financial condition. Moreover, many of our employees, service providers and third parties work more frequently on a remote or hybrid arrangement basis, which may also result in heightened risks related to consumer privacy, network security and fraud. System disruptions, failures, and slowdowns, whether caused by cyber-attacks, update failures or other causes, could affect our financial systems and operations. This could cause delays in our supply chain or cause information, including data related to customer orders, to be lost or delayed which could result in delays in the delivery of merchandise to our stores and to customers, or lost sales, especially if the disruption or slowdown occurred during our quarters of peak demand.

Our international operations account for a significant portion of our revenue and operating expenses and are subject to challenges and risks. Adverse developments in global economic or geopolitical conditions, or the occurrence of other world events, could materially adversely affect our revenue and results of operations.

Revenue from outside the United States comprised 59%, 55% and 52% of our revenue in 2022, 2021 and 2020, respectively, and we expect international revenue to continue to be significant in the future. Further, we currently have foreign operations in China, France, Germany, Hong Kong, Japan, Netherlands, Philippines, Romania, the United Kingdom (U.K.) and a number of other countries in Europe and Asia. Operating in foreign countries requires significant resources and considerable management attention, and we may enter new geographic markets where we have limited or no experience in marketing, selling, and deploying our products. International expansion has required and will continue to require us to invest significant funds and other resources and we cannot be assured our efforts will be successful. International sales and operations may be subject to risks such as:

- difficulties in staffing and managing foreign operations;
- burdens of complying with a wide variety of laws and regulations, including environmental, packaging and labeling laws or regulations, which can change based on new political conditions;
- delays or disruptions in our supply chain;
- adverse tax effects and foreign exchange controls making it difficult to repatriate earnings and cash;
- changes to the taxation of undistributed foreign earnings;
- the effect of foreign currency exchange rates and interest rates, including any fluctuations caused by, inflation, recessionary concerns, or the strengthening of the U.S. dollar relative to the foreign currencies in which we conduct business;
- political conditions, economic instability, geopolitical turmoil, civil disturbances, or social unrest in a specific country or region in which we operate, which could have an adverse impact on our operations in that location, for example, the effects of China-Taiwan relations;
- organized crime activity;
- terrorist activities, acts of war, natural disasters, and pandemics;
- wars and global conflicts, including the ongoing conflicts in Israel and Ukraine;
- quarantines or other disruptions to our operations resulting from pandemics or other widespread public health problems;
- trade restrictions;
- the effects of climate change;
- differing employment practices and laws and labor disruptions;
- the imposition of government controls;
- lesser degrees of intellectual property protection;
- tariffs and customs duties and the classifications of our goods by applicable governmental bodies;
- political instability, including the occurrence of a temporary federal government shutdown;
- a legal system subject to undue influence or corruption; and
- a business culture in which illegal sales practices may be prevalent.

The occurrence of any of these risks could negatively affect our international business and consequently our business, operating results, and financial condition.

We depend on key personnel and qualified personnel to operate our business. If we are unable to attract, engage and retain qualified personnel, our ability to develop, transform and successfully operate our business could be harmed.

We believe that our future success is highly dependent on the contributions of our CEO and our executive officers, as well as our ability to attract and retain highly skilled and experienced research and development and other personnel in the United States and abroad. All of our employees, including our executive officers, are free to terminate their employment relationship with us at any time, and their knowledge of our business and industry may be difficult to replace.

We previously implemented restructuring actions to reduce our operating expenses. Our past restructuring actions and any future restructuring actions could have an adverse effect on our business as a result of decreases in employee morale and the failure to meet operational targets due to the loss of employees. If key employees leave, we may not be able to fully integrate new personnel or replicate the prior working relationships, and our operations could suffer as a result.

Qualified individuals are in high demand, and we may incur significant costs to attract and retain them, including circumstances beyond our control such as increased wages due to inflation, increasing competition among employers in the prevailing labor market, and labor market constraints. We have limited control over these factors. Competition for qualified personnel globally is challenging. In particular, we compete with many other companies for skilled positions, and we may not be successful in attracting and retaining the professionals we need. While we utilize competitive salary, bonus, and long-term incentive packages to recruit new employees, many of the companies with which we compete for experienced personnel also have greater resources to do so.

We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications.

Further, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. Fluctuations in the price of our Class A common stock may make it more difficult or costly to use equity compensation to motivate, incentivize and retain our employees. For example, during the first nine months of 2023, our closing stock price ranged from a high of $6.46 in the first quarter to a low of $3.14 in the third quarter. If we are unable to attract and retain highly skilled personnel, we may not be able to achieve our strategic objectives, and our business, financial condition and operating results could be adversely affected.

Our gross margin can vary significantly depending on multiple factors, which can result in unanticipated fluctuations in our operating results.

Our gross margin can vary due to consumer demand, competition, product pricing, product lifecycle, product mix, new product introductions, GoPro.com sales mix, subscription activation, renewals, and cancellations, commodity costs, supply chain, logistics costs and shipping costs, currency exchange rates, trade policy and tariffs, and the complexity and functionality of new product innovations and other factors. For example, our gross margin was 37.2%, 41.1% and 35.3% for 2022, 2021 and 2020, respectively. In particular, if we are not able to introduce new products in a timely manner at the product cost we expect, if consumer demand for our products is less than we anticipate, if cancellation rates for GoPro subscriptions are higher than expected or if there are product pricing, marketing and other initiatives by our competitors to which we need to react or that are initiated by us to drive sales that lower our margins, then our overall gross margin will be less than we project.

As we innovate with new products, we may have lower gross margins that do not deliver a sufficient return on investment. In addition, depending on competition or consumer preferences, we may face higher up-front investments in development to compete or market our products, and increased inventory write-offs. If we are unable to offset these potentially lower margins by enhancing the margins in our product categories, our profitability may be adversely affected.

The impact of these factors on gross margin can create unanticipated fluctuations in our operating results, which may cause volatility in the price of our shares.

We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can. New entrants also enter the digital imaging market category from time-to-time. These market factors could result in a loss of our market share and a decrease in our revenue and profitability.

The digital imaging market is highly competitive. Further, competition has intensified in digital imaging as new market entrants and existing competitors have introduced new products and more competitive offerings into our markets. Increased competition, tariffs, and changing consumer preferences may result in pricing pressures, reduced profit margins and may impede our ability to continue to increase the sales of our products or cause us to lose market share, any of which could substantially harm our business and results of operations.

We compete against established, well-known camera manufacturers such as Canon Inc. and Nikon Corporation, as well as large, diversified electronics companies such as Samsung Electronics Co. and Sony Corporation, and specialty companies such as Garmin Ltd., the Ricoh Company, Ltd., Arashi Vision Inc (d.b.a. Insta360) and SZ DJI Technology Co., Ltd. Many of our competitors have substantial market share, diversified product lines, well-established supply and distribution systems, strong worldwide brand recognition and greater financial, marketing, research and development and other resources than we do. Additionally, many of our existing and potential competitors enjoy substantial competitive advantages, such as longer operating histories, the capacity to leverage their sales efforts and marketing expenditures across a broader portfolio of products, broader distribution and established relationships with channel partners or vertically integrated business units, access to larger established customer bases, greater resources to make acquisitions, larger intellectual property portfolios, and the ability to bundle competitive offerings with other products and services. Further, new companies may emerge and offer competitive products directly in our category. Certain companies have developed cameras designed and packaged to appear similar to our products, which may confuse consumers or distract consumers from purchasing GoPro products.

Moreover, smartphones and tablets with photo and video functionality have significantly displaced the market for traditional cameras, and the makers of those devices also have mobile and other content editing applications and storage for content captured with those devices. Our mobile app, and GoPro and Quik subscriptions may not be as compelling as those offered by other companies, such as Apple, Adobe or Google, although the mobile application supports content from other platforms including content from iOS and Android. Manufacturers of smartphones and tablets, such as Apple, Google, and Samsung, may continue to design their products for use in a range of conditions similar to our products, including in challenging physical environments and with waterproof capabilities, or develop products with features similar to ours. We rely in part on application marketplaces, such as the Apple App Store and Google Play, to distribute our mobile and desktop apps. Apple and Google may raise commissions, change or modify rules or functionality for apps on the marketplaces, or make access to our apps more difficult, which could adversely impact our business and results of operations.

Adverse changes to trade agreements, trade policies, tariffs and import/export regulations may have a negative effect on our business and results of operations.

The United States and other countries in which our products are produced or sold internationally have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations, or may adversely adjust prevailing quota, duty, tariff levels, or export or other licensing requirements. Countries impose, modify and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions, which make it impossible for us to predict future developments regarding tariffs and other trade restrictions. Trade restrictions, including tariffs, quotas, embargoes, safeguards, and customs restrictions, could increase the cost or reduce the supply of products, including components and materials, available to us or may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition and results of operations. We are dependent on international trade agreements and regulations. If the United States were to withdraw from or materially modify certain international trade agreements, our business and operating results could be materially and adversely affected.

We do not have internal manufacturing capabilities and rely on several contract manufacturers, including component vendors, located in China, Thailand and in other countries to manufacture our products. Our contract manufacturer locations expose us to risks associated with doing business globally, including risks related to changes in tariffs or other export and import restrictions, and increased security costs. Additionally, the current United States administration continues to signal that it may continue to alter global trade agreements and terms. For example, the United States imposed additional tariffs on imports from China and continues to potentially impose other restrictions on exports from China to the United States. Any announcement by the United States Trade Representative (USTR) to impose tariffs on GoPro cameras could have a material adverse effect on our United States bound production, business, and results of our United States operations. If these duties are imposed on our cameras, we may be required to raise our prices, which may result in the loss of customers and harm our business and results of operations, or we may choose to pay for these tariffs without raising prices which may negatively impact our results of operations and profitability. Sales of our products in China are material to our business and represent a significant portion of our revenue. This revenue stream from China is at risk in the event China imposes retaliatory tariffs impacting in-bound sales of our products or imposes any other export restrictions on our products.

We continue to monitor manufacturing capabilities outside of China and currently manufacture certain cameras in Thailand to mitigate risks of additional tariffs, duties or other restrictions on our products destined for the United States and may choose to transition more manufacturing outside of China.

If we fail to manage our operating expenses effectively, our financial performance may suffer.

Our success will depend in part upon our ability to manage our operating expenses, including but not limited to our cash management, effectively. We generated positive operating income for the full year of 2022 and 2021, though we incurred significant operating losses in 2020. As of September 30, 2023, we had an accumulated deficit of $246.9 million. We have implemented global reductions-in-force and other restructuring actions to reduce our operating expenses. However, we may not realize the cost savings expected from cost reduction actions.

We will need to continue to maintain and improve our operational, financial and management controls, reporting processes and procedures, and financial and business information systems. We are also investing in areas we believe will grow revenue and our operating expenses might increase as a result of these investments. If we are unable to operate efficiently and manage our costs, we may continue to incur significant losses in the future and may not be able to maintain or achieve profitability.

A small number of retailers and distributors account for a substantial portion of our revenue, and if our relationships with any of these retailers or distributors were to be terminated or the level of business with them significantly reduced, our business could be harmed.

Our ten largest third-party customers, measured by the revenue we derive from them, accounted for 41%, 46% and 44% of our revenue in 2022, 2021 and 2020, respectively. One retailer accounted for 8%, 11% and 10% of our revenue for 2022, 2021 and 2020, respectively. The loss of a small number of our large customers, or the reduction in business with one or more of our large customers, could have a significant adverse effect on our operating results. In addition, we may choose to temporarily or permanently stop shipping product to customers who do not follow the policies and guidelines in our sales agreements, which could have a material negative effect on our revenues and operating results. Our sales agreements with these large customers do not require them to purchase any meaningful amount of our products annually and we grant limited rights to return product to some of these large customers.

Our success depends on our ability to maintain the value and reputation of our brand.

Our success depends on the value and reputation of our brand, including our primary trademarks “GOPRO,” “HERO,” and the GoPro logos. The GoPro brand is integral to the growth of our business and expansion into new markets. Maintaining, promoting and positioning our brand will largely depend on the success of our marketing and merchandising efforts, including through establishing relationships with high profile sporting and entertainment events, venues, sports leagues and sports associations, athletes and celebrity personalities, our ability to provide consistent, high quality products and services, and our consumers’ satisfaction with the technical support and software updates we provide, each of which requires significant expenditures. Failure to grow and maintain our brand, launch new products on schedule and free of defects or negative publicity related to our products, our consumers’ user-generated content, the athletes we sponsor, the celebrities we are associated with, or the labor policies of any of our suppliers or manufacturers could adversely affect our brand, business and operating results. Maintaining and enhancing our brand also requires substantial financial investments, although there is no guarantee that these investments will increase sales of our products or positively affect our operating results.

Consumers may be injured while engaging in activities with our products, and we may be exposed to claims, or regulations could be imposed, which could adversely affect our brand, operating results, and financial condition.

Consumers use our cameras, and their associated mounts and accessories to self-capture their participation in a wide variety of physical activities, including extreme sports, which in many cases carry the risk of significant injury or death. We may be subject to claims that users have been injured or harmed while using our products, including false claims or erroneous reports relating to safety, security, or privacy issues. Although we maintain insurance to help protect us from the risk of such claims, such insurance may not be sufficient or may not apply to all situations. Similarly, proprietors of establishments at which consumers engage in challenging physical activities could seek to ban the use of our products in their facilities to limit their own liability. In addition, if lawmakers or governmental agencies were to determine that the use of our products increased the risk of injury or harm to all or a subset of our users or should otherwise be restricted to protect consumers, they may pass laws or adopt regulations that limit the use of our products or increase our liability associated with the use of our products. Any of these events could adversely affect our brand, operating results, and financial condition.

We may be subject to warranty claims that could result in significant direct or indirect costs, or we could experience greater returns from retailers and customers than expected, which could harm our business and operating results.

We generally provide a 12-month warranty on all of our cameras, except in the European Union (the EU), where we provide a two-year warranty. For certain mounts and accessories, where permitted, we provide a lifetime or limited lifetime warranty. The occurrence of any material defects in our products could make us liable for damages and warranty claims in excess of our current reserves. In addition, we could incur significant costs to correct any defects, warranty claims or other problems, including costs related to product recalls. Any negative publicity related to the perceived quality and safety of our products could affect our brand image, decrease retailer, distributor and consumer confidence and demand, and adversely affect our operating results and financial condition. Additionally, if defects are not discovered until after consumers purchase our products, they could lose confidence in the technical attributes of our products and our business could be harmed. Also, while our warranty is limited to repairs or returns and replacement, warranty claims may result in litigation, the occurrence of which could adversely affect our business and operating results. Based on our historical experience with our camera products, we have an established methodology for estimating warranty liabilities with respect to cameras and accessories; however, this methodology may not accurately predict future rates of warranty claims.

We may grow our business in part through acquisitions, joint ventures, investments and partnerships, which could require significant management attention, disrupt our business, dilute stockholder value and adversely affect our operating results.

We have completed several acquisitions and may evaluate additional acquisitions, partnerships, or joint ventures with, or strategic investments in, other companies, products or technologies that we believe are complementary to our business. Negotiating these transactions can be time-consuming, difficult, and expensive, and our ability to close these transactions may be subject to third-party or government approvals, which are beyond our control. Consequently, we can make no assurance that these transactions, once undertaken and announced, will close.

If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisitions we complete could be viewed negatively by users or investors. In addition, if we encounter difficulties assimilating or integrating the businesses, technologies, products, personnel, or operations of acquired companies, particularly if the key personnel of the acquired business choose not to work for us, or we have difficulty retaining the customers of any acquired business, the revenue and operating results of the combined company could be adversely affected. Acquisitions may disrupt our ongoing operations, divert management from their primary responsibilities, subject us to additional liabilities, increase our expenses and adversely affect our business, financial condition, operating results, and cash flows. In addition, our original estimates and assumptions used in assessing any transaction may be inaccurate, including estimates of accounting charges. We have recorded significant goodwill and intangible assets in connection with our acquisitions, and in the future, if our acquisitions do not yield expected revenue, we may be required to take material impairment charges that could adversely affect our results of operations.

We may have to pay cash, incur debt, or issue equity securities to enter into any such acquisition, joint venture, strategic alliances or partnership, which could affect our financial condition or the value of our capital stock. Furthermore, acquisitions may require large one-time charges and can result in increased debt or contingent liabilities, adverse tax consequences, additional stock-based compensation expense and the recording and subsequent amortization or impairments of amounts related to certain purchased intangible assets, any of which could negatively affect our future results of operations. We cannot assure investors that the anticipated benefits of any acquisition or investment will be realized.

We review goodwill for impairment at least annually or more frequently if indicators of impairment arise, and should market conditions or macroeconomic conditions continue to deteriorate, including a rise in inflationary pressures and interest rates, a sustained decline in our share price, or a decline in our results of operations, the result of such review may indicate a decline in the fair value of goodwill resulting in an impairment charge. In the event we are required to record a non-cash impairment charge to our goodwill, other intangibles, and/or long-lived assets, such non-cash charge could have a material adverse effect on our business, financial condition and results of operations in the reporting period in which we record the charge.

Catastrophic events or political instability could disrupt and cause harm to our business.

Our headquarters are located in the San Francisco Bay Area of California, an area susceptible to earthquakes. A major earthquake or other natural disaster, fire, threat of fire, act of terrorism, public health issues or other catastrophic event in California or elsewhere that results in the destruction or disruption of any of our critical business operations or information technology systems could severely affect our ability to conduct normal business operations and, as a result, our future operating results could be harmed. Our key manufacturing, supply and distribution partners have global operations in, among other countries, China, Thailand, Hong Kong, Japan, Mexico, Netherlands, Singapore, Taiwan, and the United States. Political instability, global conflicts, public health issues, crises, pandemics, or other catastrophic events in any of those countries, including as a result of climate change, could adversely affect our business in the future, our financial condition and operating results. For example, in March 2020, the World Health Organization declared the outbreak of the novel coronavirus, COVID-19, a pandemic and public health emergency of international concern. The COVID-19 pandemic has had a material impact on the U.S. and global economies and any resurgence of the COVID-19 pandemic or other pandemic could materially and adversely impact on our employees, vendors, suppliers, manufacturers, retailers, distributors, and customers, which could adversely and materially impact our business, financial condition, and results of operations.

Our aspirations and disclosures related to environmental, social and governance (ESG) matters expose us to risks that could adversely affect our reputation and performance.

In November 2022, we published our inaugural Sustainability Report to highlighting our efforts to address the environmental impact on the use of materials in our consumer packaging, our commitment to focus on strategic recruiting practices to serve as the foundation for our diverse workforce, and our commitment to legal and ethical business practices. These statements reflect our current plans and aspirations and are not guarantees that we will be able to achieve them. Our ability to achieve any ESG objective is subject to numerous risks, many of which are outside of our control. Examples of such risks include the evolving consumer protection laws applicable to ESG matters and the availability of materials and suppliers that can meet our sustainability and other ESG goals.

Standards for tracking and reporting ESG matters continue to evolve. Our selection of voluntary disclosure frameworks and standards, and the interpretation or application of those frameworks and standards, may change from time to time or differ from those of others. Methodologies for reporting ESG data may be updated and previously reported ESG data may be adjusted to reflect improvement in availability and quality of third-party data, changing assumptions, changes in the nature and scope of our operations and other changes in circumstances. Our processes and controls for reporting ESG matters across our operations and supply chain are evolving along with multiple disparate standards for identifying, measuring, and reporting ESG metrics, including ESG-related disclosures that may be required by the SEC and other regulators, and such standards may change over time, which could result in significant revisions to our current goals, reported progress in achieving such goals, or ability to achieve such goals in the future.

Risks related to our Intellectual Property and technology licenses

Our intellectual property and proprietary rights may not adequately protect our products and services, and our business may suffer if third parties infringe our rights.

We own patents, trademarks, copyrights, trade secrets, and other intellectual property (collectively, intellectual property) related to aspects of our products, software, services, and designs. Our commercial success may depend in part on our ability to obtain, maintain and protect these rights in the United States and abroad.

We regularly file patent applications to protect innovations arising from our research, development, and design as we deem appropriate. We may fail to apply for patents on important products, services, technologies, or designs in a timely fashion, or at all. We may not have sufficient intellectual property rights in all countries where unauthorized third-party copying or use of our proprietary technology occurs, and the scope of our intellectual property might be more limited in certain countries. Our existing and future patents may not be sufficient to protect our products, services, technologies, or designs and/or may not prevent others from developing competing products, services, technologies or designs. We cannot predict the validity and enforceability of our patents and other intellectual property with certainty.

We have registered, applied to register, and/or used certain of our trademarks in several jurisdictions worldwide. In some of those jurisdictions, third-party registrations, filings, or common law use exist for the same, similar or otherwise related products or services, which could block the registration of or ability to use our marks. Even if we are able to register our marks, competitors may adopt or file similar marks to ours, seek to cancel our trademark registrations, register domain names that mimic or incorporate our marks, or otherwise infringe upon or harm our trademark rights. Although we police our trademark rights carefully, there can be no assurance that we are aware of all third-party uses or that we will prevail in enforcing our rights in all such instances. Any of these negative outcomes could affect the strength, value and effectiveness of our brand, as well as our ability to market our products.

We have also registered domain names for websites that we use in our business, such as GoPro.com, as well as social media handles. If we are unable to protect our domain names or social media handles, our brand, business, and operating results could be adversely affected. Domain names or social media handles similar to ours have already been registered in the United States and elsewhere, and we may not be able to prevent third parties from acquiring and using domain names or social media handles that infringe, are similar to, or otherwise decrease the value of, our trademarks. In addition, we might not be able to, or may choose not to, acquire, or maintain trademark registrations, domain names, social media handles or other related rights in certain jurisdictions.

Unauthorized third parties may try to copy or reverse engineer our products, infringe upon or misappropriate our intellectual property, or otherwise gain access to our technology. We may discover unauthorized products in the marketplace that are knock-offs, infringements, or counterfeit reproductions of our products. If we are unable to stop producers or sellers of infringing or counterfeit products, sales of these products could adversely impact our brand and business.

Litigation may be necessary to enforce our intellectual property rights. Initiating infringement proceedings against third parties can be expensive, may take significant time, and may divert management's attention from other business concerns. We may not prevail in litigation to enforce our intellectual property rights against unauthorized use.

We have been, and in the future may be, subject to intellectual property and proprietary rights claims from third parties and may be sued by third parties for alleged infringement.

Third parties, including competitors and non-practicing entities, have made allegations of and brought intellectual property infringement, misappropriation, and other intellectual property rights claims against us, including the matter described in Note 9 Commitments, contingencies and guarantees in the Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q. While we will defend ourselves vigorously against any such existing and future legal proceedings, the effort and expense to support such disputes and litigation is considerable and we may not prevail or obtain favorable outcomes against all such allegations, including in the matter described in Note 9 Commitments, contingencies and guarantees in the Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

We may seek licenses from third parties where appropriate, but they could refuse to grant us a license or demand commercially unreasonable terms. Further, an adverse ruling in an infringement proceeding could force us to suspend or permanently cease the production or sale of products/services, face a temporary or permanent injunction, redesign or rebrand our products/services, pay significant settlement costs, pay third-party license fees or damage awards or give up some of our intellectual property. The occurrence of any of these events may materially and adversely affect our business, financial condition, operating results, or cash flows.

If we are unable to maintain, license, or acquire rights to include intellectual property owned by others in the products, services or content distributed by us, our marketing, sales or future business strategy could be affected, or we could be subject to lawsuits relating to our use of this content.

The distribution of GoPro content helps to market our brand, products, and subscription and service. If we cannot continue to acquire rights to distribute user-generated content or to use and distribute music, athlete and celebrity names and likenesses or other content for our original productions or third-party entertainment distribution channels or for our mobile app, our marketing efforts could be diminished, our sales could be harmed and our future content strategy could be adversely affected. In addition, third-party content providers or owners may allege that we have violated their intellectual property rights. If we are unable to obtain sufficient rights, successfully defend our use of or otherwise alter our business practices on a timely basis in response to claims of infringement, misappropriation, misuse or other violation of third-party intellectual property rights, our business may be adversely affected. As a user and distributor of content, we face potential liability for rights of publicity and privacy, as well as copyright, or trademark infringement or other claims based on the nature and content of materials that we distribute. If we are found to violate such third-party rights, then our business may suffer.

We use open-source software in our platform that may subject our technology to general release or require us to re-engineer our solutions, which may harm our business.

We use open-source software in connection with our products and services. From time to time, companies that incorporate open-source software into their products or services have faced claims challenging the ownership of open-source software and/or compliance with open-source license terms. Therefore, we could be subject to suits by parties claiming ownership of what we believe to be open-source software or noncompliance with open-source licensing terms. Some open-source software licenses require users who distribute or make available open-source software as part of their software to publicly disclose all or part of the source code to such software or make available any derivative works of the open-source code on unfavorable terms or at no cost. While we monitor our use of open-source software and try to ensure that none is used in a manner that would require us to disclose the source code or that would otherwise breach the terms of an open-source agreement, such use could nevertheless occur despite policies and controls that we have in place, and we may be required to publicly release our proprietary source code, pay damages for breach of contract, re-engineer our applications, discontinue sales in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts, any of which could adversely affect our business, financial condition or operating results.

In addition to risks related to license requirements, use of open-source software can involve greater risks than those associated with use of third-party commercial software, as open-source licensors generally do not provide warranties, assurances of title, performance, non-infringement, or controls on the origin of the software. There is typically no support available for open-source software, and we cannot assure you that the authors of such open-source software will not abandon further development and maintenance. Open-source software may contain security vulnerabilities, and we may be subject to additional security risk by using open-source software. Many of the risks associated with the use of open-source software cannot be eliminated, and could, if not properly addressed, negatively affect our business. We have established processes to help alleviate these risks, including a review process for screening requests from our development organizations for the use of open-source software, but we cannot be sure that all open-source software is identified or submitted for approval prior to use in our solution.

Risks related to regulatory compliance

We are subject to governmental regulation and other legal obligations, particularly related to privacy, data protection and information security, and our actual or perceived failure to comply with such obligations could adversely affect our business and operating results.

Personal privacy, data protection and information security are significant issues in the United States and the other jurisdictions where we offer our products and services. The regulatory framework for privacy and security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Our handling of data is subject to a variety of laws and regulations, including regulation by various government agencies, including the United States Federal Trade Commission (FTC) and various state, local and foreign regulators, and agencies. Our agreements with certain customers and business partners may also subject us to certain requirements related to our processing of personal information, including obligations to use industry-standard or reasonable security measures to safeguard personal information.

The United States and various state and foreign governments have adopted or proposed limitations on the collection, distribution, use and storage of personal information of individuals, including end-customers and employees. In the United States, the FTC and many state attorneys general are applying federal and state consumer protection laws to the online collection, use, processing, storage, deletion, and dissemination of personal information. Further, all states have enacted laws requiring companies to notify individuals, regulatory authorities and others of security breaches involving personal information.

We also expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in the United States, the EU and other jurisdictions, and we cannot yet determine the impact of such future laws, regulations and standards may have on our business. We expect that existing laws, regulations and standards may even be interpreted differently in the future. For example, California implemented the California Privacy Rights Act (CPRA), effective as of January 1, 2023, with enforcement beginning on July 1, 2023, which amends the existing California Consumer Privacy Act. Additionally, comparable consumer privacy laws have or are set to take effect in 2023 in other several states, such as the Virginia Consumer Data Protection Act (effective January 1, 2023), the Colorado Privacy Act and the Connecticut Data Privacy Act (both effective July 1, 2023), and the Utah Consumer Privacy Act (effective December 31, 2023). Failure to comply with these new state regulations may result in significant civil penalties, injunctive relief, or statutory or actual damages. Complying with this new privacy legislation may result in additional costs and expenses.

Additionally, many foreign countries and governmental bodies, including Australia, the EU, India, Japan, and numerous other jurisdictions in which we operate or conduct our business, have laws and regulations concerning the collection, use, processing, storage and deletion of personal information obtained from their residents or by businesses operating within their jurisdiction. These laws and regulations often are more restrictive than those in the United States.

For example, in the EU, the General Data Protection Regulation (GDPR) imposes more stringent data protection requirements, provides an enforcement authority, and imposes large penalties for noncompliance. If we fail to comply with the GDPR or if regulators assert that we have failed to comply with the GDPR, we may be subject to fines of up to 4% of our worldwide annual revenue.

Among other requirements, the GDPR regulates transfers of personal data outside of the EU to countries that have not been found to provide adequate protection to personal data, including the United States, requiring that certain steps are taken to legitimize those transfers. We have undertaken certain efforts to conform transfers of personal data from the EU to the United States and other jurisdictions based on our understanding of current regulatory obligations and the guidance of data protection authorities. Despite this, we may be unsuccessful in establishing or maintaining conforming means of transferring such data from the European Economic Area particularly as a result of continued legal and legislative activity within the EU that has challenged or called into question the legal basis for existing means of data transfers to countries that have not been found to provide adequate protection for personal data.

Further, the U.K. exited the EU on January 31, 2020 (also known as “Brexit”), which resulted in additional regulation of data protection in the U.K. that may continue to lead to further legislative and regulatory changes. In response to Brexit, the U.K. implemented the Data Protection Act that contains provisions that substantially implements the GDPR, including its own derogations for how GDPR is applied in the U.K., with penalties for noncompliance of up to the greater of £17.5 million (€20 million) or up to 4% of our worldwide revenues. These changes have led and may continue to lead to additional costs as we try to ensure compliance with new privacy legislation and will increase our overall risk exposure.

In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards. These and other industry standards may legally or contractually apply to us, or we may elect to comply with such standards. It is possible that if our practices are not consistent, or are viewed as not consistent, with legal and regulatory requirements, including changes in laws, regulations and standards or new interpretations or applications of existing laws, regulations and standards, we may become subject to audits, inquiries, whistleblower complaints, adverse media coverage, investigations, loss of export privileges, or severe criminal or civil sanctions, all of which may have a material adverse effect on our business, operating results, reputation, and financial condition. One example of such a self-regulatory standard is the Payment Card Industry Data Security Standard (PCI DSS), which relates to the processing of payment card information. In the event we are required to comply with the PCI DSS but fail to do so, fines and other penalties could result, and we may suffer reputational harm and damage to our business.

Future laws, regulations, standards and other obligations, as well as changes in the interpretation of existing laws, regulations, standards and other obligations could impair our ability to collect, use or disclose information relating to individuals, which could decrease demand for our products, require us to restrict our business operations, increase our costs and impair our ability to maintain and grow our customer base and increase our revenue.

Any inability to adequately address privacy and security concerns, even if unfounded, or comply with applicable laws, regulations, policies, industry standards, contractual obligations or other legal obligations could result in additional cost and liability to us, damage our reputation, inhibit sales, and adversely affect our business and operating results.

We could be adversely affected by violations of the United States Foreign Corrupt Practices Act, the United Kingdom Bribery Act or similar anti-bribery laws in other jurisdictions in which we operate.

The global nature of our business and the significance of our international revenue create various domestic and local regulatory challenges and subject us to risks associated with our international operations. The United States Foreign Corrupt Practices Act (FCPA), the United Kingdom Bribery Act 2010 (the U.K. Bribery Act), and similar anti-bribery and anti-corruption laws in other jurisdictions generally prohibit United States based companies and their intermediaries from making improper payments to non-United States officials for the purpose of obtaining or retaining business, directing business to another, or securing a competitive advantage. In addition, United States public companies are required to maintain records that accurately and fairly represent their transactions and have an adequate system of internal accounting controls. Under the FCPA, United States companies may be held liable for the corrupt actions taken by their directors, officers, employees, agents, or other strategic or local partners or representatives. As such, if we or our intermediaries fail to comply with the requirements of the FCPA or similar legislation, governmental authorities in the United States and elsewhere could seek to impose substantial civil and/or criminal fines and penalties, which could have a material adverse effect on our business, reputation, operating results, and financial condition.

We operate in areas of the world that experience corruption by government officials to some degree and, in certain circumstances, compliance with anti-bribery and anti-corruption laws may conflict with local customs and practices. Our global operations require us to import and export to and from several countries, which geographically expands our compliance obligations. In addition, changes in such laws could result in increased regulatory requirements and compliance costs which could adversely affect our business, financial condition, and results of operations. We cannot be assured that our directors, officers, employees, agents or other strategic or local partners or representatives will not engage in prohibited conduct and render us responsible under the FCPA or the U.K. Bribery Act. While we have compliance programs in place, they may not be effective to prevent violations from occurring and our directors, officers, employees, or agents may engage in prohibited conduct, nonetheless. If we are found to be in violation of the FCPA, the U.K. Bribery Act or other anti-bribery or anti-corruption laws (either due to the acts or inadvertence of our employees or due to the acts or inadvertence of others), we could suffer criminal or civil penalties or other sanctions, which could have a material adverse effect on our business, reputation, operating results and financial condition.

If we fail to comply with environmental regulations and conflict minerals disclosures, our business, financial condition, operating results, and reputation could be adversely affected.

We are subject to various federal, state, local and international environmental laws and regulations including laws regulating the manufacture, import, use, discharge and disposal of hazardous materials, labeling and notice requirements relating to potential consumer exposure to certain chemicals, and laws relating to the collection of and recycling of electrical and electronic equipment and their packaging.

We are also subject to the SEC’s conflict minerals rule which requires disclosure by public companies of the origin, source, and chain of custody of specified minerals, known as “conflict minerals”, that are necessary to the functionality or production of products manufactured or contracted to be manufactured. We have and will continue to incur costs associated with complying with the rule, such as costs related to sourcing of certain minerals (or derivatives thereof), the determination of the origin, source and chain of custody of the minerals used in our products, the adoption of conflict minerals-related governance policies, processes and controls, and possible changes to products or sources of supply as a result of such activities. Within our supply chain, we may not be able to sufficiently verify the origins of the relevant minerals used in our products through the data collection and due diligence procedures that we implement, which may harm our reputation.

Although we have policies and procedures in place requiring our contract manufacturers and major component suppliers to comply with applicable federal, state, local and international requirements, we cannot confirm that our manufacturers and suppliers consistently comply with these requirements. In addition, if there are changes to these or other laws (or their interpretation) or if new similar laws are passed in other jurisdictions, we may be required to re-engineer our products to use components compatible with these regulations. This re-engineering and component substitution could result in additional costs to us or disrupt our operations or logistics.

Changes in interpretation of any federal, state, local or international regulation may cause us to incur costs or have additional regulatory requirements to meet in the future in order to comply with such regulations, or with any similar laws adopted in other jurisdictions. Our failure to comply with past, present, and future similar laws could result in reduced sales of our products, substantial product inventory write-offs, reputational damage, penalties and other sanctions, which could harm our business and financial condition.

We also expect that our products will be affected by new environmental laws and regulations, including but not limited to laws and regulations focused on climate change, on an ongoing basis. Concerns about climate change have driven significant legislative and regulatory changes on a global basis, and there are expected to be additional changes to the regulations in these areas. These changes could directly increase the cost of energy, which may have an impact on the way we manufacture products or utilize energy to produce our products. We may also become subject to regulations resulting in increased disclosure obligations with respect to our greenhouse gas emissions. In addition, any new regulations or laws in the environmental area might increase the cost of raw materials we use in our products and the cost of compliance, or cause disruptions in the manufacture of our products and result in increased procurement, production, and distribution costs. Our reputation and brand could be harmed if we fail, or are perceived as having failed, to respond responsibly and effectively to changes in legal and regulatory measures adopted to address climate change. Other regulations in the environmental area may require us to continue to monitor and ensure proper disposal or recycling of our products. Since we operate on a global basis, this is a complex process that requires continual monitoring.

To date, our expenditures for environmental compliance have not had a material effect on our results of operations or cash flows and, although we cannot predict the future effect of such laws or regulations, they will likely result in additional costs and may increase penalties associated with violations or require us to change the content of our products or how they are manufactured, which could have a material adverse effect on our business and financial condition.

We are subject to governmental export and import controls and economic sanctions laws that could subject us to liability and impair our ability to compete in international markets.

The United States and various foreign governments have imposed controls, export license requirements and restrictions on the import or export of some technologies. Our products are subject to United States export controls, and exports of our products must be made in compliance with various economic and trade sanctions laws. Furthermore, United States export control laws and economic sanctions prohibit the provision of products and services to countries, governments and persons targeted by United States sanctions. Even though we take precautions to prevent our products from being provided to targets of United States sanctions, our products, including our firmware updates, could be provided to those targets, or provided by our customers. Any such provision could have negative consequences, including government investigations, penalties and reputational harm. Our failure to obtain required import or export approval for our products could harm our international and domestic sales and adversely affect our revenue.

We could be subject to future enforcement action with respect to compliance with governmental export and import controls and economic sanctions laws that result in penalties, costs, and restrictions on export privileges that could have a material effect on our business and operating results.

Risks related to our need for additional capital

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.

In the future, we may require additional capital to respond to business opportunities, challenges, acquisitions, or unforeseen circumstances and may determine to engage in equity or debt financings or enter into credit facilities for other reasons. We may not be able to timely secure additional financing on favorable terms, or at all, due to among other things, general macroeconomic conditions, including rising interest rates, market volatility, and inflation.

Additionally, our current credit facilities contain restrictive covenants relating to our capital raising activities and other financial and operational matters, and any debt financing obtained by us in the future could involve further restrictive covenants, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. Further, even if we are able to obtain additional financing, we may be required to use such proceeds to repay a portion of our debt.

If we raise additional funds through the issuance of equity or convertible debt or other equity-linked securities, our existing stockholders could suffer significant dilution. If we are unable to obtain adequate financing under our credit facility, or alternative sources, when we require it, our ability to grow or support our business and to respond to business challenges could be significantly limited. In the event additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all.

Risks related to ownership of our Class A common stock

Our stock price has been and will likely continue to be volatile.

Since shares of our Class A common stock were sold in our initial public offering in July 2014 at a price of $24.00 per share, our closing stock price has ranged from $2.01 to $93.85 per share through September 30, 2023. Our stock price may fluctuate in response to a number of events and factors, such as quarterly operating results, changes in our financial projections provided to the public or our failure to meet those projections, the public's reaction to our press releases, other public announcements and filings with the SEC, significant transactions, or new features, products or services offered by us or our competitors, changes in our business lines and product lineup, changes in financial estimates and recommendations by securities analysts, media coverage of our business and financial performance, the operating and stock price performance of, or other developments involving, other companies that investors may deem comparable to us, trends in our industry, any significant change in our management, and general economic conditions. These factors, as well as the volatility of our Class A common stock, could also affect the price of our convertible senior notes.

In addition, the stock market in general, and the market prices for companies in our industry, have experienced volatility that often has been unrelated to operating performance. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Price volatility over a given period may cause the average price at which we repurchase our own stock to exceed the stock's price at a given point in time. Volatility in our stock price also affects the value of our equity compensation, which affects our ability to recruit and retain employees. In addition, some companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We have been subject to past shareholder class action lawsuits as well as derivative lawsuits and may continue to be a target for such litigation in the future. Securities litigation against us could result in substantial costs and liability and divert our management's attention from other business concerns, which could harm our business. See Note 9 Commitments, contingencies and guarantees, in the Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q for a discussion on legal proceedings.

If we fail to meet expectations related to future growth, profitability, or other market expectations, our stock price may decline significantly, which could have a material adverse effect on investor confidence and employee retention. A sustained decline in our stock price and market capitalization could lead to impairment charges.

The dual class structure of our common stock has the effect of concentrating voting control with our CEO and we cannot predict the effect our dual class structure may have on our stock price or our business.

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. Stockholders who hold shares of Class B common stock hold approximately 67.6% of the voting power of our outstanding capital stock as of September 30, 2023 with Mr. Woodman, our Chairman and CEO, holding approximately 64.6% of the outstanding voting power. Mr. Woodman is able to control all matters submitted to our stockholders, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets or other major corporate transaction. This concentrated control could delay, defer, or prevent a change of control, merger, consolidation, or sale of all or substantially all of our assets that our other stockholders support, or conversely this concentrated control could result in the consummation of such a transaction that our other stockholders do not support. This concentrated control could also discourage a potential investor from acquiring our Class A common stock due to the limited voting power of such stock relative to the Class B common stock and might harm the trading price of our Class A common stock.

In addition, we cannot predict whether our dual class structure, combined with the concentrated control by Mr. Woodman, will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other adverse consequences. For example, certain index providers, including FTSE Russell and S&P Dow Jones, previously announced restrictions on including companies with multiple-class share structures in certain of their indexes that were then reversed. Because of our dual class structure, we may be excluded from these indexes in the future if new restrictions are announced, and we cannot assure you that other stock indexes will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indexes, exclusion from stock indexes would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the market price of our Class A common stock could be adversely affected.

Delaware law and provisions in our restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our Class A common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult without the approval of our board of directors, or otherwise adversely affect the rights of the holders of our Class A and Class B common stock.

Risks related to our indebtedness and capped call transactions

We have indebtedness in the form of convertible senior notes.

In November 2020, we completed an offering of $143.8 million aggregate principal amount of 1.25% convertible senior notes due 2025 (2025 Notes). As a result of the 2025 Notes, we incurred an additional $143.8 million principal amount of indebtedness, the principal amount of which we may be required to pay at maturity in 2025.

Holders of the 2025 Notes will have the right to require us to repurchase their 2025 Notes upon the occurrence of a fundamental change at a purchase price equal to 100% of the principal amount of the 2025 Notes to be purchased, plus accrued and unpaid interest, if any. In addition, the indentures for the 2025 Notes provide that we are required to repay amounts due under such indenture in the event that there is an event of default for the 2025 Notes that results in the principal, premium, if any, and interest, if any, becoming due prior to the maturity of the 2025 Notes. There can be no assurance that we will be able to repay our indebtedness when due, or that we will be able to refinance our indebtedness, all or in part, on acceptable terms. In addition, our indebtedness could, among other things:

- heighten our vulnerability to adverse general economic conditions and heightened competitive pressures;
- require us to dedicate a larger portion of our cash flow from operations to interest payments, limiting the availability of cash for other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes, or other purposes.

In addition, our ability to purchase the 2025 Notes or repay prior to maturity any accelerated amounts under the 2025 Notes upon an event of default or pay cash upon conversion of the 2025 Notes may be limited by law, by regulatory authority or by agreements governing our indebtedness outstanding at the time, including our credit facility. Our credit facility restricts our ability to repurchase the 2025 Notes for cash or repay prior to maturity any accelerated amounts under the 2025 Notes upon an event of default or pay cash upon conversion of the 2025 Notes, to the extent that on the date of such repurchase, repayment or conversion, as the case may be, we do not meet certain financial criteria set forth in the credit facility.

Any of our future indebtedness may contain similar restrictions. Our failure to repurchase the 2025 Notes at a time when the repurchase is required by the indentures (whether upon a fundamental change or otherwise under the indentures) or pay cash payable on future conversions of the 2025 Notes as required by the indentures would constitute a default under the indentures. A default under the indentures or the fundamental change itself could also lead to a default under agreements governing our existing or future indebtedness, including our credit facility. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness, repurchase the 2025 Notes or make cash payments upon conversions thereof.

Our credit facility imposes restrictions on us that may adversely affect our ability to operate our business.

Our credit facility contains restrictive covenants relating to our capital raising activities and other financial and operational matters which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, our credit facility contains, and the agreements governing the 2025 Notes will contain, a cross-default provision whereby a default under one agreement would likely result in cross defaults under agreements covering other borrowings. The occurrence of a default under any of these borrowing arrangements would permit the holders of the 2025 Notes or the lenders under our credit facility to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable. If the 2025 Note holders or the trustee under the indentures governing the 2025 Notes or the lenders under our credit facility accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay those borrowings.

Conversion of the 2025 Notes will, to the extent we deliver shares upon conversion of such 2025 Notes, dilute the ownership interest of existing stockholders, including holders who had previously converted their 2025 Notes, or may otherwise depress our stock price or may adversely affect our financial condition.

The conversion of some or all of the 2025 Notes will dilute the ownership interests of existing stockholders to the extent we deliver shares upon conversion of any of the 2025 Notes. Any sales in the public market of the Class A common stock issuable upon such conversion could adversely affect prevailing market prices of our Class A common stock. In addition, the existence of the 2025 Notes may encourage short selling by market participants because the conversion of the 2025 Notes could be used to satisfy short positions, or anticipated conversion of the 2025 Notes into shares of our Class A common stock could depress our stock price.

In the event the conditional conversion feature of the 2025 Notes is triggered, holders of the 2025 Notes will be entitled to convert the 2025 Notes at any time during specified periods at their option. If one or more holders elect to convert their 2025 Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class A common stock (other than cash in lieu of any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders of the 2025 Notes do not elect to convert their 2025 Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the 2025 Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for convertible debt securities that may be settled in cash, such as the 2025 Notes, may have a material effect on our reported financial results.

Under current GAAP, effective January 1, 2022, the treasury stock method for convertible instruments has been eliminated and instead, the application of the “if-converted” method is required for the determination of diluted net income (loss) per share on a GAAP and non-GAAP basis. Under the if-converted method, diluted net income (loss) per share for GAAP and non-GAAP would generally be calculated assuming that all of the 2025 Notes were converted solely into shares of Class A common stock at the beginning of the reporting period, unless the result would be anti-dilutive, which would negatively affect diluted net income (loss) per share. The impact from the “if converted” method added approximately 15 million shares to the diluted share count. Under the if-converted method, some of the incremental dilution is offset as we are able to add back the after tax effected interest expense from the 2025 Notes, to the extent the result would not be anti-dilutive.

In addition, if the conditional conversion feature of the 2025 Notes is triggered, even if holders do not elect to convert their 2025 Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the 2025 Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The Capped Call transactions may affect the value of the 2025 Notes and our Class A Common Stock and we are subject to counterparty risk with respect to Capped Call transactions.

In connection with the pricing of the 2025 Notes, we entered into privately negotiated capped call transactions (Capped Calls) with one or more financial institutions. The Capped Calls are expected generally to reduce the potential economic dilution to holders of our Class A common stock upon any conversion of the 2025 Notes, with such reduction and/or offset subject to a cap.

The capped call counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our Class A common stock and/or purchasing or selling our Class A common stock or other securities of ours in secondary market transactions prior to the maturity of the 2025 Notes (and are likely to do so during any observation period related to a conversion of the 2025 Notes or following an repurchase of the 2025 Notes by the Company on any fundamental change repurchase date or otherwise). This activity could also cause or avoid an increase or a decrease in the market price of our Class A common stock or the 2025 Notes.

The potential effect, if any, of these transactions and activities on the trading price of our Class A common stock or the 2025 Notes will depend in part on market conditions. Any of these activities could adversely affect the trading price of our Class A common stock or the 2025 Notes.

Additionally, we will be subject to the risk that the capped call counterparties might default under the Capped Calls. Our exposure to the credit risk of the capped call counterparties is not secured by any collateral. Global economic conditions have in the recent past resulted in, and may again result in, the actual or perceived failure or financial difficulties of many financial institutions. If the capped call counterparties become subject to insolvency proceedings, we will become an unsecured creditor in those proceedings, with a claim equal to our exposure at that time under our transactions with the capped call counterparties. Our exposure will depend on many factors, but, generally, an increase in our exposure will be correlated to an increase in the market price of our Class A common stock. In addition, upon a default by the capped call counterparties, we may suffer more dilution than we currently anticipate with respect to our Class A common stock. We can provide no assurances as to the financial stability or viability of the capped call counterparties to the Capped Calls.

General Risk Factors

Our effective tax rate and the intended tax benefits of our corporate structure and intercompany arrangements depend on the application of the tax laws of various jurisdictions and on how we operate our business, and such tax rates and tax benefits may change in the future.

We are subject to income taxes in the United States and various jurisdictions outside the United States. Our effective tax rate could be adversely affected by changes in, or our interpretation of, tax law changes and related new or revised guidance and regulations, changes in our geographical earnings mix, unfavorable government reviews of our tax returns, material differences between our forecasted and actual annual effective tax rates, or by evolving enforcement practices.

In 2017, the Tax Cuts and Jobs Act (the Tax Act) was enacted, which contained significant and impactful changes to the U.S. tax law, including, effective as of January 1, 2022, requiring the capitalization and amortization of research and development expenses, which accelerates the utilization of our net operating losses. There are various proposals in Congress to amend certain provisions of the Tax Act. The state of these proposals and other future legislation remains uncertain and, if enacted, may materially affect our financial position.

On August 16, 2022, the United States enacted the Inflation Reduction Act (IRA), which introduced, among other items, an excise tax that imposes a 1% surcharge on stock repurchases, net of stock issuances, that occur after December 31, 2022. We repurchase our Class A common stock on the open market pursuant to a repurchase program initially authorized by the Company's board of directors on January 27, 2022 for the repurchase of up to $100 million of our Class A common stock and supplemented by a subsequent authorization by the board of directors on February 9, 2023 for the repurchase of an additional $40 million of our Class A common stock. As such, we could be subject to this new excise tax, depending on various factors, including the amount and frequency of any future stock repurchases and any permitted reductions or exceptions to the amount subject to the tax. We are continuing to evaluate the impact the IRA may have on our financial position and results of operations in connection with our repurchase program.

The United States, the European Commission, countries in the EU, Australia, and other countries where we do business have been considering changes in relevant tax, accounting and other laws, regulations and interpretations, including changes to tax laws applicable to corporate multinationals. Changes in the tax laws of foreign jurisdictions could arise as a result of the base erosion and profit shifting project that was undertaken by the Organization for Economic Co-operation and Development (OECD). The OECD, which represents a coalition of member countries, recommended changes to numerous long-standing tax principles related to transfer pricing and continues to develop new proposals including allocating greater taxing rights to countries where customers are located and establishing a minimum tax on global income. A global consensus has been reached among approximately 138 countries, including the European Union and the OECD regarding a planned two-pillar approach to address tax challenges in the digital commerce era. The first pillar focuses on profit allocation and nexus, while the second pillar aims to establish a minimum global effective tax rate of 15%. The United States has not implemented Pillar Two legislation, but other OECD members including the EU, plan to do so with Pillar Two taking effect in 2024, which would likely affect large U.S. and non-U.S. multinational enterprises. These changes, as adopted by countries, may increase tax uncertainty and may adversely affect our provision for income taxes and cash flows.

We are subject to the examination of our income tax returns by the United States Internal Revenue Service and other domestic and foreign tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and other taxes and have reserved for adjustments that may result from the current examinations. The final determination of tax audits and any related legal proceedings could materially differ from amounts reflected in our income tax provisions and accruals. In such case, our income tax provision and cash flows in the period or periods in which that determination is made could be negatively affected.

We maintain significant deferred tax assets related to net operating losses, temporary differences, and tax credits. Our ability to use these tax attributes are dependent upon having sufficient future taxable income in the relevant jurisdiction and, in the case of tax credits, how such credits are treated under current and potential future tax law. Changes to the Tax Act, other regulatory changes, and changes in our forecasts of future income could result in an adjustment to the deferred tax asset and a related charge to earnings that could materially affect our financial results.

Our reported financial results may be negatively impacted by the changes in the accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results and may even affect the reporting of transactions completed before the announcement or effectiveness of a change. Other companies in our industry may apply these accounting principles differently than we do, which may affect the comparability of our condensed consolidated financial statements.

If our estimates or judgments relating to our critical accounting policies and estimates prove to be incorrect, our operating results could be adversely affected.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in our 2022 Annual Report in the section titled Management’s Discussion and Analysis of Financial Condition and Results of Operations. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in our stock price. Significant estimates and assumptions made by management include those related to revenue recognition (including sales incentives, sales returns and implied post contract support), inventory valuation, product warranty liabilities, the valuation, impairment and useful lives of long-lived assets (property and equipment, operating lease right-of-use assets, intangible assets and goodwill), the fair value of our convertible senior notes, and income taxes.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Issuer Purchases of Equity Securities

Share repurchase activity for our Class A and Class B common stock during the three months ended September 30, 2023 was as follows (in thousands, except per share amounts):

Period	Total Number of Shares Repurchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans (1)
July 1- 31, 2023	—	$ —	—	$ 80,382
August 1 - 31, 2023	2,605	$ 3.84	2,605	$ 70,382
September 1 - 30, 2023	—	$ —	—	$ 70,382
Total	2,605		2,605	

(1) Represents shares repurchased pursuant to the stock repurchase program. On January 27, 2022, our board of directors authorized the repurchase of up to $100 million of our Class A common stock, and on February 9, 2023, our board of directors authorized the repurchase of an additional $40 million of our Class A common stock. This stock repurchase program has no time limit and may be modified, suspended, or discontinued at any time.

(2) Represents the average price paid per share, inclusive of commissions.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Trading Plans of Directors and Executive Officers

Set forth below is certain information regarding “Rule 10b5-1 trading arrangements” (Rule 10b5-1 trading plans) or a “non-Rule 10b5-1 trading arrangements” (non-Rule 10b5-1 trading plans), each as defined in Regulation S-K Item 408, adopted by our directors and officers (as defined in Rule 16a-1(f)) during the third quarter of fiscal year 2023. The Rule 10b5-1 trading plans listed below are each intended to satisfy the affirmative defense of Rule 10b5-1(c).

Name	Title	Date Plan was Adopted	Expiration Date	Total Amount of Class A Common Stock to be Sold Under the Plan
Brian McGee [(1)]	Executive Vice President, Chief Financial Officer, Chief Operating Officer	8/10/2023	8/30/2024	378,665
Eve T. Saltman [(3)]	Senior Vice President, Corporate & Business Development, Chief Legal Officer and Secretary	11/22/2022; amended 8/17/2023 [(2)]	11/29/2024	134,013

(1) On August 10, 2023, Brian McGee, our Executive Vice President, Chief Financial Officer and Chief Operating Officer, entered into a Rule 10b-5-1 trading plan (the “McGee Plan”). The McGee Plan provides for the sale of up to a maximum of 378,665 shares of Class A common stock comprised of shares acquired upon the vesting of restricted stock units and performance-based restricted stock units and previously vested restricted stock units and the exercise of stock options. During the term of the McGee Plan, all vested shares received pursuant to equity awards granted to Mr. McGee will exclude any shares withheld by the Company to satisfy its income tax withholding and remittance obligations in connection with the net settlement of the equity awards. Performance-based restricted stock units are subject to the satisfaction of certain performance criteria and have a payout range of 0% - 150%. Due to pricing conditions in the McGee Plan and the vesting conditions of the awards, the number of shares actually sold under the McGee Plan may be less than the maximum number of shares that can be sold, as noted in the table above. The McGee Plan will expire on August 30, 2024, or earlier if all transactions under the McGee Plan are completed.

(2) On August 17, 2023, Eve T. Saltman, our Senior Vice President, Corporate and Business Development, Chief Legal Officer and Secretary, amended a prior Rule 10b5-1 trading plan which was entered into on November 22, 2022 and is considered to have established a new Rule 10b5-1 trading plan (the “Saltman Plan”).

(3) The Saltman Plan provides for the sale of up to a maximum of 134,013 shares of Class A common stock comprised of shares acquired upon the vesting of restricted stock units and performance-based restricted stock units and previously vested restricted stock units. During the term of the Saltman Plan, all vested shares received pursuant to equity awards granted to Ms. Saltman will exclude any shares withheld by the Company to satisfy its income tax withholding and remittance obligations in connection with the net settlement of the equity awards. Performance-based restricted stock units are subject to the satisfaction of certain performance criteria and have a payout range of 0% - 150%. Due to pricing conditions in the Saltman Plan and the vesting conditions of the awards, the number of shares actually sold under the Saltman Plan may be less than the maximum number of shares that can be sold, as noted in the table above. The Saltman Plan will expire on November 29, 2024, or earlier if all transactions under the Saltman Plan are completed.

On July 11, 2023, Kevin Hinge, the Company’s former Chief Supply Chain Officer, terminated a Rule 10b5-1 trading plan which was adopted on August 30, 2022, and intended to satisfy the affirmative defense conditions of Rule 10b5-1 under the Exchange Act. As of the date of termination of his Rule 10b5-1 trading plan, Mr. Hinge had sold 85,880 shares of Class A common stock under its terms.

No other officers or directors, as defined in Rule 16a-1(f), adopted, modified, or terminated a Rule 10b5-1 trading plan or a non-Rule 10b5-1 trading plan during the third quarter of fiscal 2023.

Item 6. Exhibits

Exhibit Listing

Exhibit Number	Exhibit Title	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
31.01	Certification of Principal Executive Officer Required Under Rule 13(a)-14(a) and 15(d)-14(a) of the Securities Exchange Act of 1934, as amended.					X
31.02	Certification of Principal Financial Officer Required Under Rule 13(a)-14(a) and 15(d)-14(a) of the Securities Exchange Act of 1934, as amended.					X
32.01‡	Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.					X
101.INS	Inline XBRL Instance Document					X
101.SCH	Inline XBRL Taxonomy Extension Schema					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase					X
104	Inline XBRL For the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set					X

‡ As contemplated by SEC Release No. 33-8212, these exhibits are furnished with this Quarterly Report on Form 10-Q and are not deemed filed with the SEC and are not incorporated by reference in any filing of GoPro, Inc. under the Securities Act of 1933 or the Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in such filings.

SIGNATURES

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 7, 2023	By: /s/ Nicholas Woodman Nicholas Woodman Chief Executive Officer (Principal Executive Officer)
Dated:	November 7, 2023	By: /s/ Brian McGee Brian McGee Chief Financial Officer and Chief Operating Officer (Principal Financial Officer)
Dated:	November 7, 2023	By: /s/ Charles Lafrades Charles Lafrades Chief Accounting Officer (Principal Accounting Officer)

EXHIBIT 31.01

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER REQUIRED UNDER RULE 13(a)-14(a) AND 15(d)-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Nicholas Woodman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of GoPro, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 7, 2023**

/s/ Nicholas Woodman

Nicholas Woodman
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.02

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER REQUIRED UNDER RULE 13(a)-14(a) AND 15(d)-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Brian McGee, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of GoPro, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 7, 2023**

/s/ Brian McGee

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

EXHIBIT 32.01

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Nicholas Woodman, Chief Executive Officer of GoPro, Inc., do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge, the Quarterly Report on Form 10-Q of GoPro, Inc. for the quarter ended September 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of GoPro, Inc. for the periods presented herein.

By: /s/ Nicholas Woodman

Nicholas Woodman
Chief Executive Officer
(Principal Executive Officer)

November 7, 2023

I, Brian McGee, Chief Financial Officer and Chief Operating Officer of GoPro, Inc., do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge, the Quarterly Report on Form 10-Q of GoPro, Inc. for the quarter ended September 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of GoPro, Inc. for the periods presented herein.

By: /s/ Brian McGee

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

November 7, 2023

A signed original of this written statement required by Section 906 has been provided to GoPro, Inc. and will be retained by GoPro, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.