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

FORM 8-K

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

Date of Report (Date of earliest event reported): November 3, 2022



GOPRO, INC.

(Exact name of registrant as specified in its charter)

001-36514

(Commission File No.)

Delaware
(State or Other Jurisdiction
of Incorporation)

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

3025 Clearview Way, San Mateo, CA 94402

(Address of Principal Executive Offices) (Zip Code)

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

N/A

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

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

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

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

Title of each class
Class A common stock

Trading Symbol(s)
GPRO

Name of each exchange on which registered
NASDAQ Global Select Market

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

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition

On November 3, 2022, GoPro, Inc. (the “Company”) issued a press release to report its financial results for its third quarter ended September 30, 2022.

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

The information in Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed “filed” for the purposes of Section 18 of the Exchange Act of 1934, as amended (“Exchange Act”), or otherwise subject to the liabilities of that section. The information in Item 2.02 of this Current Report on Form 8-K shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended (“Securities Act”), except as may be expressly set forth by specific reference in such filing or document.

Item 7.01. Regulation FD Disclosure.

On November 3, 2022, the Company held a live audio webcast to discuss its financial results for its third quarter ended September 30, 2022.

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

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

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit Number	Description of Document
<u>99.1</u>	Press Release of GoPro, Inc. dated November 3, 2022 to report its financial results for its third quarter ended September 30, 2022.
<u>99.2</u>	Management’s commentary from Nicholas Woodman, Chief Executive Officer, and Brian McGee, Chief Financial Officer and Chief Operating Officer, dated November 3, 2022 (furnished pursuant to Item 7.01).
<u>104</u>	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

SIGNATURE

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

GoPro, Inc.
(Registrant)

Dated: November 3, 2022

By: /s/ Brian McGee

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



GoPro Announces Third Quarter 2022 Results

GoPro Subscribers Grew 55% year-over-year to 2.1 million

GAAP EPS of \$0.10 and non-GAAP EPS of \$0.19

Revenue of \$305 Million 3% Above Consensus

SAN MATEO, Calif., November 3, 2022 - GoPro, Inc. (NASDAQ: GPRO) today announced financial results for its third quarter ended September 30, 2022, and posted management commentary in the investor relations section of its website at <https://investor.gopro.com>.

"In Q3 GoPro delivered revenue at the high-end of guidance and solid GAAP and non-GAAP earnings," said Nicholas Woodman, GoPro's founder and CEO. "GoPro's resilience during this challenging economic environment is testament to the meaningful role GoPro plays in the lives of the world's most active and creative people."

"GoPro continued to drive solid operating and financial results, including effective management of key balance sheet metrics," said Brian McGee, GoPro's CFO and COO. "Revenue of \$305 million was down 4% on a dollar basis and up 2% year-over-year on a constant currency basis, while subscription and service revenue grew 48% year-over-year to \$21 million for the quarter. Now that we have crossed the two million subscriber threshold, we are positioned to generate more than \$100 million in annual recurring high-margin subscription revenue moving forward."

Q3 2022 Financial Results & Recent Business Highlights

- Revenue was \$305 million, down 4% on a dollar basis, and up 2% in constant currency compared to the prior year period.
 - GoPro.com revenue, including subscription and service revenue, increased 4% year-over-year to \$99 million, or 32% of total revenue. Subscription and service revenue increased 48% year-over-year to \$21 million.
 - GoPro subscriber count increased 55% year-over-year to 2.1 million.
 - Third quarter cash net of debt was \$205 million, nearly doubling from \$110 million in Q3'21.
 - GAAP and non-GAAP gross margin was 38.0% and 38.2% respectively, down from the prior year period at 43.6% and 43.8%, respectively.
 - GAAP net income was \$18 million, or \$0.10 per share, down year-over-year from net income of \$312 million or \$1.92 per share, which was primarily driven by the release of a \$263 million tax valuation allowance during the third quarter of 2021.
 - Non-GAAP net income was \$32 million, or \$0.19 per share, down 42% from \$55 million, or \$0.34 per share in the prior year period.
 - Adjusted EBITDA was \$35 million, or 12% of revenue, compared to \$60 million, or 19% of revenue in the prior year period.
 - Cameras with retail prices at or above \$400 represented 87% of Q3 2022 camera revenue, down from 88% in Q3 2021.
 - Q3 2022 Street ASP increased 1% year-over-year to \$383, or up 6% year-over-year in constant currency.
 - Days' sales outstanding was 25 days, down from 28 days in Q3'21.
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- Announced three new cameras - HERO11 Black, HERO11 Black Creator Edition and HERO11 Black Mini - and auto highlight videos for subscribers.
- Revenue grew sequentially across all geographies led by Asia Pacific, which also delivered year-over-year revenue growth.

Results Summary:

(\$ in thousands, except per share amounts)	Three months ended September 30,		
	2022	2021	% Change
Revenue	\$ 305,130	\$ 316,669	(3.6)%
Gross margin			
GAAP	38.0 %	43.6 %	-560 bps
Non-GAAP	38.2 %	43.8 %	-560 bps
Operating income			
GAAP	\$ 24,431	\$ 48,601	(49.7)%
Non-GAAP	\$ 33,356	\$ 58,798	(43.3)%
Net income			
GAAP	\$ 17,570	\$ 311,761	(94.4)%
Non-GAAP	\$ 31,847	\$ 55,224	(42.3)%
Diluted net income per share			
GAAP	\$ 0.10	\$ 1.92	(94.8)%
Non-GAAP	\$ 0.19	\$ 0.34	(44.1)%
Adjusted EBITDA	\$ 35,200	\$ 60,442	(41.8)%

Conference Call

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

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

To listen to the live conference call, please call +1 833-927-1758 (US) or +1 929-526-1599 (International) and enter access code 695322, approximately 15 minutes prior to the start of the call. A live webcast of the conference call will be accessible on the "Events & Presentations" section of the Company's website at <https://investor.gopro.com>. A recording of the webcast will be available on GoPro's website, <https://investor.gopro.com>, from approximately two hours after the call through February 1, 2023.

About GoPro, Inc. (NASDAQ: GPRO)

Celebrating its 20th anniversary in 2022, GoPro helps the world to capture and share itself in immersive and exciting ways.

For more information, visit [GoPro.com](https://gopro.com). Open roles can be found on our [careers page](#). Members of the press can access official logos and imagery on our [press portal](#). GoPro customers can submit their photos and videos to [GoPro Awards](#) for an opportunity to be featured on GoPro's social channels and receive gear and cash awards. Connect with GoPro on [Facebook](#), [Instagram](#), [LinkedIn](#), [TikTok](#), [Twitter](#), [YouTube](#), and GoPro's blog [The Current](#).

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

GoPro's Use of Social Media

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

Note Regarding Use of Non-GAAP Financial Measures

GoPro reports gross profit, gross margin, operating expenses, operating income (loss), other income (expense), tax expense, net income (loss) and diluted net income (loss) per share in accordance with U.S. generally accepted accounting principles (GAAP) and on a non-GAAP basis. Additionally, GoPro reports non-GAAP adjusted EBITDA. Non-GAAP items exclude, where applicable, the effects of stock-based compensation, acquisition-related costs, restructuring and other related costs, non-cash interest expense, gain on sale and license of intellectual property and the tax impact of these items. When planning, forecasting, and analyzing gross margin, operating expenses, operating income (loss), other income (expense), tax expense, net income (loss) and net income (loss) per share for future periods, GoPro does so primarily on a non-GAAP basis without preparing a GAAP analysis as that would require estimates for reconciling items which are inherently difficult to predict with reasonable accuracy. GoPro also reports revenue, gross profit, gross profit percentage, adjusted EBITDA as a percentage of revenue, and street average selling price on a constant currency basis to show performance unaffected by fluctuations in currency exchange rates. GoPro calculates constant currency amounts by translating current period amounts at the prior period's average exchange rate and compare that to current period performance.

Note on Forward-looking Statements

This press release may contain projections or other forward-looking statements within the meaning Section 27A of the Private Securities Litigation Reform Act. Words such as "anticipate," "believe," "estimate," "expect," "intend," "should," "will" and variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. Forward-looking statements in this press release may include but are not limited to statements regarding our expectations for profitability and subscription growth; and overall consumer demand for our products. These statements involve risks and uncertainties, and actual events or results may differ materially. Among the important factors that could cause actual results to differ materially from those in the forward-looking statements include the inability to achieve our revenue growth or profitability in the future, and if revenue

growth or profitability is achieved, we may not be able to sustain it; the fact that an economic downturn or economic uncertainty in our key U.S. and international markets, inflation, and fluctuations in interest rates or currency exchange rates may adversely affect consumer discretionary spending and demand for our products; the risk that growing our direct-to-consumer and subscription business while reducing our reliance on our other sales channels could impact profitability; our reliance on third party suppliers, some of which are sole source suppliers, to provide services and components for our products which may be impacted due to supply shortages, long lead times for components, and supply changes, any of which could disrupt our supply chain or our operations and may increase our costs such as increased freight rates or shipping delays; the continuing impact of the COVID-19 pandemic and the war in Ukraine and their effects on the United States and global economies and our business in particular; our ability to maintain the value and reputation of our brand and protect our intellectual property and proprietary rights; the risk that our sales fall below our forecasts, especially during the holiday season; the risk we fail to manage our operating expenses effectively, and may result in our financial performance suffering the fact that our continued profitability depends in part on further penetrating our total addressable market, and we may not be successful in doing so; the fact that sales of our cameras, mounts and accessories for substantially all of our revenue, and any decrease in the sales or change in sales mix of these products could harm our business; any inability to successfully manage product introductions, product transitions, product pricing and marketing; the fact that a small number of retailers and distributors account for a substantial portion of our revenue and our level of business with them could be significantly reduced; the impact of fluctuations in foreign currency exchange rates on our results of operations; our ability to attract, engage and retain qualified personnel; any changes to trade agreements, trade policies, tariffs, and import/export regulations; the effects of the highly competitive market in which we operate, including new market entrants; the fact that we may experience fluctuating revenue, expenses and profitability in the future; risks related to inventory, purchase commitments and long-lived assets; the risk that we may not be able to maintain the value and reputation of our brand; the risk that we will encounter problems with our distribution system; the threat of a security breach or other disruption including cyberattacks; the concern that our intellectual property and proprietary rights may not adequately protect our products and services; and other factors detailed in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2021, which is on file with the Securities and Exchange Commission (SEC), and as updated in future filings with the SEC including the Quarterly Report on Form 10-Q for the quarter ended September 30, 2022. These forward-looking statements speak only as of the date hereof or as of the date otherwise stated herein. GoPro disclaims any obligation to update these forward-looking statements.

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

(in thousands, except per share data)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 305,130	\$ 316,669	\$ 772,520	\$ 769,935
Cost of revenue	189,085	178,616	469,995	453,904
Gross profit	116,045	138,053	302,525	316,031
Operating expenses:				
Research and development	36,043	36,458	103,859	106,688
Sales and marketing	41,076	37,352	115,888	108,812
General and administrative	14,495	15,642	45,530	45,940
Total operating expenses	91,614	89,452	265,277	261,440
Operating income	24,431	48,601	37,248	54,591
Other income (expense):				
Interest expense	(1,185)	(5,748)	(4,932)	(17,160)
Other income (expense), net	284	(1,320)	(523)	435
Total other expense, net	(901)	(7,068)	(5,455)	(16,725)
Income before income taxes	23,530	41,533	31,793	37,866
Income tax expense (benefit)	5,960	(270,228)	6,019	(280,679)
Net income	\$ 17,570	\$ 311,761	\$ 25,774	\$ 318,545
Net income per share:				
Basic	\$ 0.11	\$ 2.01	\$ 0.16	\$ 2.07
Diluted	\$ 0.10	\$ 1.92	\$ 0.16	\$ 1.96
Shares used to compute net income per share:				
Basic	155,819	155,009	156,464	153,618
Diluted	173,184	162,746	180,038	162,728

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

(in thousands)	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 217,161	\$ 401,087
Marketable securities	131,619	137,830
Accounts receivable, net	85,022	114,221
Inventory	153,394	86,409
Prepaid expenses and other current assets	36,078	42,311
Total current assets	623,274	781,858
Property and equipment, net	15,301	19,003
Operating lease right-of-use assets	23,154	27,320
Goodwill	146,459	146,459
Other long-term assets	286,524	285,239
Total assets	\$ 1,094,712	\$ 1,259,879
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 138,789	\$ 171,545
Accrued expenses and other current liabilities	99,115	128,572
Short-term operating lease liabilities	9,509	9,819
Deferred revenue	48,592	42,505
Short-term debt	—	122,391
Total current liabilities	296,005	474,832
Long-term taxes payable	8,526	7,319
Long-term debt	140,780	111,289
Long-term operating lease liabilities	35,522	43,025
Other long-term liabilities	6,144	7,500
Total liabilities	486,977	643,965
Stockholders' equity:		
Common stock and additional paid-in capital	952,152	1,008,872
Treasury stock, at cost	(145,231)	(113,613)
Accumulated deficit	(199,186)	(279,345)
Total stockholders' equity	607,735	615,914
Total liabilities and stockholders' equity	\$ 1,094,712	\$ 1,259,879

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

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Operating activities:				
Net income	\$ 17,570	\$ 311,761	\$ 25,774	\$ 318,545
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,035	2,370	6,590	8,598
Non-cash operating lease cost	1,858	1,352	4,166	3,798
Stock-based compensation	9,339	9,329	29,426	28,227
Deferred income taxes	3,750	(269,913)	6,147	(269,922)
Non-cash restructuring charges	—	—	—	(99)
Non-cash interest expense	—	3,590	—	10,535
Other	367	1,705	2,383	874
Net changes in operating assets and liabilities	5,817	7,429	(94,301)	(35,251)
Net cash provided by (used in) operating activities	40,736	67,623	(19,815)	65,305
Investing activities:				
Purchases of property and equipment, net	(1,911)	(2,822)	(3,205)	(4,840)
Purchases of marketable securities	(56,656)	(49,380)	(103,733)	(82,270)
Maturities of marketable securities	44,500	—	109,649	—
Net cash provided by (used in) investing activities	(14,067)	(52,202)	2,711	(87,110)
Financing activities:				
Proceeds from issuance of common stock	2,000	3,025	4,686	7,225
Taxes paid related to net share settlement of equity awards	(3,839)	(7,038)	(12,327)	(15,013)
Repurchase of outstanding common stock	(9,856)	—	(31,618)	—
Repayment of borrowings	—	—	(125,000)	—
Net cash used in financing activities	(11,695)	(4,013)	(164,259)	(7,788)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,092)	(857)	(2,563)	(1,704)
Net change in cash, cash equivalents and restricted cash	13,882	10,551	(183,926)	(31,297)
Cash, cash equivalents and restricted cash at beginning of period	203,279	285,806	401,087	327,654
Cash, cash equivalents and restricted cash at end of period	\$ 217,161	\$ 296,357	\$ 217,161	\$ 296,357

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

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

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

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

- adjusted EBITDA does not reflect tax payments that reduce cash available to us;
 - adjusted EBITDA excludes depreciation and amortization and, although these are non-cash charges, the property and equipment being depreciated and amortized often will have to be replaced in the future, and adjusted EBITDA does not reflect any cash capital expenditure requirements for such replacements;
 - adjusted EBITDA excludes the amortization of point of purchase (POP) display assets because it is a non-cash charge, and is treated similarly to depreciation of property and equipment and amortization of acquired intangible assets;
 - adjusted EBITDA and non-GAAP net income (loss) exclude restructuring and other related costs which primarily include severance-related costs, stock-based compensation expenses, facilities consolidation charges recorded in connection with restructuring actions, including right-of-use asset impairment charges, and the related ongoing operating lease cost of those facilities recorded under Accounting Standards Codification 842, *Leases*. These expenses do not reflect expected future operating expenses and do not contribute to a meaningful evaluation of current operating performance or comparisons to the operating performance in other periods;
 - adjusted EBITDA and non-GAAP net income (loss) exclude stock-based compensation expense related to equity awards granted primarily to our workforce. We exclude stock-based compensation expense because we believe that the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In particular, we note that companies calculate stock-based compensation expense for the variety of award types that they employ using different valuation methodologies and subjective assumptions. These non-cash charges are not factored into our internal evaluation of net income (loss) as we believe their inclusion would hinder our ability to assess core operational performance;
 - non-GAAP net income (loss) excludes acquisition-related costs including the amortization of acquired intangible assets (primarily consisting of acquired technology), the impairment of acquired intangible assets (if applicable), as well as third-party transaction costs incurred for legal and other professional services. These costs are not factored into our evaluation of potential acquisitions, or of our performance after completion of the acquisitions, because these costs are not related to our core operating performance or reflective of ongoing operating results in the period, and the frequency and amount of such costs vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the
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businesses being acquired. Although we exclude the amortization of acquired intangible assets from our non-GAAP net income (loss), management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation. Additionally, in connection with the adoption of ASU 2020-06 on January 1, 2022, we add back the tax effected cash interest expense associated with our 2022 Notes and 2025 Notes, as if converted at the beginning of the period, if the impact is dilutive;

- non-GAAP net income (loss) excludes non-cash interest expense. Prior to the adoption of ASU 2020-06 in fiscal year 2022, we were required to recognize non-cash interest expense related to the amortization of a debt discount associated with our 2022 Notes and 2025 Notes in accordance with the prior authoritative accounting guidance for convertible debt that may be settled in cash. From fiscal year 2022 and onwards, this debt discount accounting requirement was removed, and as a result, non-cash interest expense will no longer be a reconciling item between GAAP and non-GAAP net income (loss);
 - 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, as if converted at the beginning of the period in connection with the adoption of ASU 2020-06 on January 1, 2022; and,
 - other companies may calculate these non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.
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GoPro, Inc.
Reconciliation of Preliminary GAAP to Non-GAAP Financial Measures
(unaudited)

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

(in thousands, except per share data)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
GAAP net income	\$ 17,570	\$ 311,761	\$ 25,774	\$ 318,545
Stock-based compensation:				
Cost of revenue	441	483	1,371	1,420
Research and development	4,395	4,380	12,958	13,131
Sales and marketing	1,819	1,950	6,171	5,968
General and administrative	2,684	2,516	8,926	7,708
Total stock-based compensation	9,339	9,329	29,426	28,227
Acquisition-related costs:				
Cost of revenue	—	70	47	1,081
Total acquisition-related costs	—	70	47	1,081
Restructuring and other costs:				
Cost of revenue	(21)	51	(12)	150
Research and development	(216)	417	(134)	1,290
Sales and marketing	(116)	199	(70)	677
General and administrative	(61)	131	(35)	419
Total restructuring and other costs	(414)	798	(251)	2,536
Non-cash interest expense	—	3,590	—	10,535
Income tax adjustments	5,352	(270,324)	4,837	(281,003)
Non-GAAP net income	\$ 31,847	\$ 55,224	\$ 59,833	\$ 79,921
GAAP net income - basic	\$ 17,570	\$ 311,761	\$ 25,774	\$ 318,545
Add: Interest on convertible notes, tax effected*	485	—	2,721	—
GAAP net income - diluted	\$ 18,055	\$ 311,761	\$ 28,495	\$ 318,545
Non-GAAP net income - basic	\$ 31,847	\$ 55,224	\$ 59,833	\$ 79,921
Add: Interest on convertible notes, tax effected*	485	—	2,721	—
Non-GAAP net income - diluted	\$ 32,332	\$ 55,224	\$ 62,554	\$ 79,921
GAAP and non-GAAP shares for diluted net income per share	173,184	162,746	180,038	162,728
GAAP diluted net income per share	\$ 0.10	\$ 1.92	\$ 0.16	\$ 1.96
Non-GAAP diluted net income per share	\$ 0.19	\$ 0.34	\$ 0.35	\$ 0.49

* Reflects the use of the if-converted method for our convertible notes, effective January 1, 2022 due to the adoption of ASU 2020-06.

(dollars in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
GAAP gross profit as a % of revenue	38.0 %	43.6 %	39.2 %	41.0 %
Stock-based compensation	0.2	0.2	0.1	0.2
Acquisition-related costs	—	—	—	0.2
Non-GAAP gross profit as a % of revenue	38.2 %	43.8 %	39.3 %	41.4 %
GAAP operating expenses	\$ 91,614	\$ 89,452	\$ 265,277	\$ 261,440
Stock-based compensation	(8,898)	(8,846)	(28,055)	(26,807)
Restructuring and other costs	393	(747)	239	(2,386)
Non-GAAP operating expenses	\$ 83,109	\$ 79,859	\$ 237,461	\$ 232,247
GAAP operating income	\$ 24,431	\$ 48,601	\$ 37,248	\$ 54,591
Stock-based compensation	9,339	9,329	29,426	28,227
Acquisition-related costs	—	70	47	1,081
Restructuring and other costs	(414)	798	(251)	2,536
Non-GAAP operating income	\$ 33,356	\$ 58,798	\$ 66,470	\$ 86,435

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
GAAP net income	\$ 17,570	\$ 311,761	\$ 25,774	\$ 318,545
Income tax expense (benefit)	5,960	(270,228)	6,019	(280,679)
Interest expense, net	262	5,697	3,617	16,977
Depreciation and amortization	2,035	2,371	6,590	8,599
POP display amortization	448	714	1,565	2,022
Stock-based compensation	9,339	9,329	29,426	28,227
Restructuring and other costs	(414)	798	(251)	2,536
Adjusted EBITDA	\$ 35,200	\$ 60,442	\$ 72,740	\$ 96,227

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November 3rd, 2022
GoPro, Inc. (NASDAQ: GPRO)
Management Commentary
Q3 2022 Earnings Call

Jalene Hoover

Vice President, Investor Relations, GoPro, Inc.

Enclosed is GoPro's third quarter 2022 earnings report. Following this brief introduction is management commentary from GoPro's CEO, Nicholas Woodman, and CFO and COO, Brian McGee. This commentary may include forward-looking statements. Forward-looking statements and all other statements that are not historical facts are not guarantees of future performance and are subject to a number of risks and uncertainties which may cause actual results to differ materially. Additionally, any forward-looking statements made today are based on assumptions as of today, including but not limited to uncertainty related to the duration and impact of the COVID-19 pandemic and the war in Ukraine. This means that results could change at any time. Our commentary about our business results and outlook is based on the information available as of today's date, and we do not undertake any obligation to update these statements as a result of new information or future events. To better understand the risks and uncertainties that could cause actual results to differ from our commentary, we refer you to our most recent annual report on Form 10-K for the year ended December 31, 2021, which is on file with the Securities and Exchange Commission ("SEC") and as updated in future filings with the SEC including the Quarterly Report on Form 10-Q for the quarter ended September 30, 2022.

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

In addition to the earnings press release, we have posted slides containing detailed financial data and metrics for the third quarter of 2022. These slides, as well as a link to today's live webcast and a replay of this conference call are posted on the investor relations section of GoPro's website for your reference. Unless otherwise noted, all income statement-related numbers that are discussed in the management commentary, other than revenue, are non-GAAP.

Nicholas Woodman

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

In Q3'22 GoPro delivered revenue of \$305 million at the high end of guidance and cash flow from operations of \$41 million. GAAP EPS was \$0.10 and non-GAAP EPS was \$0.19.

Like many companies, GoPro's results for the quarter were impacted by a stronger U.S. dollar. On a constant currency basis, Q3 revenue would have been approximately \$18 million higher year-over-year, or up 2%, gross margin over 40% versus 38% actual results and EBITDA to revenue approximately 16% versus 12% actual results. Considering the global Fx and macroeconomic challenges, we're pleased with our Q3'22 results.

Q3 was an exciting period of new product launches and milestones:

- We introduced our new HERO11 lineup of cameras
- We launched an enhanced cloud experience that automatically sends highlight videos to subscribers
- We surpassed two million GoPro subscribers and are positioned to generate more than \$100 million in annual recurring revenue with gross margin between 70% and 80%

GoPro subscription continues to drive value for our customers while serving as a powerful financial engine for our business. At the end of Q3, GoPro subscribers and subscription and service revenue grew respectively by 55% and 48% year-over-year to 2.1 million and \$21 million, which positively contributes to gross margin and our bottom line.

Subscriber growth is coming from multiple sources, including customers who purchase at GoPro.com as well as those who purchase their cameras at retail. GoPro.com customers have consistently subscribed at a rate of approximately 95%. An important area of focus for us has been to improve the attach rate of retail customers who later subscribe via our app. In Q3, we successfully grew the attach rate of this cohort approximately 50% year-over-year, to between 35% and 40%.

September was an exciting time as we announced three new industry-defining cameras: HERO11 Black, HERO11 Black Creator Edition and HERO11 Mini. All three cameras feature:

- A new, larger sensor that enables enhanced video stabilization and new aspect ratios optimized for today's leading social platforms
 - Professional quality 10-bit color
-

- The highest resolution, highest level of video stabilization and widest field of view ever featured natively in a HERO camera
- Simplified “Easy Mode” option to make each camera easier to use for beginner and casual users

HERO11 Black

Featuring GoPro’s market-leading HERO camera design, durability, and performance, HERO11 Black is the ideal ‘go anywhere / capture anything’ camera for professionals and enthusiasts that demand maximum image quality, versatility and control. HERO11 Black is available in stores for \$499.99 MSRP and for a reduced price of \$399.99 for GoPro subscribers who purchase at GoPro.com.

HERO11 Black Creator Edition

HERO11 Black Creator Edition is an all-in-one content capturing powerhouse. Whether you’re vlogging, live streaming, filmmaking or just out capturing your daily adventures – HERO11 Black Creator Edition is like having “Hollywood in your hand” in terms of performance and creative capability. HERO11 Black Creator Edition builds on the performance of HERO11 Black with a long-lasting battery grip that delivers over four hours of 4K recording per charge, a directional microphone for enhanced audio, an external mic input, an HDMI port for external displays, a high-output LED light and two cold shoe mounts for additional accessories. HERO11 Black Creator Edition is available in stores for \$699.99 MSRP and for a reduced price of \$579.99 for GoPro subscribers who purchase at GoPro.com

HERO11 Black Mini

HERO11 Black Mini is a smaller, lighter, simpler version of HERO11 Black featuring all the performance of its larger sibling. HERO11 Black Mini’s smaller size and simple design makes it the perfect choice for people who want maximum simplicity without sacrificing performance or quality. Mini’s compact, simplified design also makes it the ideal GoPro for sports-minded customers looking for the simplest way to capture immersive footage during their favorite activities. HERO11 Black Mini is available for pre-order at GoPro.com for \$399.99 MSRP and for a reduced price of \$299.99 for GoPro subscribers. Shipments to GoPro.com customers will begin the week of November 7 and retail availability of Mini will begin the week of November 14.

In addition to new creative capture features like light painting, star trails and vehicle light trails, all of which have proven to be a hit with our customers, all three cameras also take advantage of our new,

hugely convenient automatic highlight video feature. While the camera is charging (HERO5 or newer), a GoPro subscriber's footage uploads automatically to their GoPro cloud account and a highlight video is automatically created for them. This is a major step forward in automating the GoPro experience and meeting our customers' expectations for convenience. Now that this automated upload-to-video edit feature is live, we're excited to continue advancing what we believe is an important engagement and TAM expanding experience.

We believe *Digital Trends* summed up our 2022 fall launch well:

“Over the last few years, GoPro has mastered the art of evolving its cameras year after year with meaningful upgrades. It's done this by creating what is very close to the perfect exterior housing, allowing GoPro to focus its efforts on maximizing the performance of sensors, processing hardware, and software updates... Add on top of that the impressive value of GoPro's subscription service, and you have not just a great camera, but an ecosystem that videographers can trust and rely on.”

While we love the recognition, we're even more excited about what's on tap for 2023, including a sync'd mobile, cloud and desktop software experience that we believe will drive additional subscriber engagement and enable us to offer a new, higher-priced subscription tier for those looking for even more from GoPro.

GoPro's ongoing execution is thanks entirely to our talented and passionate employees. Supporting our employees has long been a priority at GoPro and I'm happy to report that this focus is yielding impressive results in the form of record-high employee engagement scores for the Company. Employee engagement is a clear sign of employee satisfaction and enthusiasm, and we are thrilled that our scores are well above our industry benchmark.

We believe our efforts to be a better global corporate citizen are contributing to our high employee engagement. In the coming weeks, we will publish our inaugural sustainability report which shares our progress toward inclusivity, environmental impact reductions, and governance best practices. This report will be available in the corporate social responsibility page of our website.

GoPro's resilience during these challenging macroeconomic times is testament to the meaningful role GoPro plays in peoples' lives – helping them capture and share experiences that would otherwise be impossible to document. We believe we're advancing our global relevance as a digital imaging solutions company that serves the world's most active and creative people.

Looking ahead to 2023, we plan to invest in people, technology and innovation that yield leading-edge products and services with an emphasis on subscription value creation and growth. While we anticipate continued macroeconomic headwinds in 2023 and potentially beyond, we are confident in our ability to operate GoPro as a profitable company and to strategically position the company for when the global economy improves and currency exchange rates normalize.

Our business is strong. Our products are market leading. And we feel well positioned for the future.

Brian McGee

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

GoPro continues to drive solid operating and financial results. In Q3'22, revenue was at the high end of guidance at \$305 million, with subscription and service revenue growing 48% year-over-year to over \$21 million. Third quarter 2022 GAAP EPS was \$0.10 and non-GAAP EPS was \$0.19.

Despite our strong third quarter performance, the strengthening U.S. dollar continued to unfavorably impact third quarter revenue and profitability on a year-over-year basis, as summarized below. We offset some of these impacts through operating expense savings to preserve profitability and cash, as well as to deliver non-GAAP EPS at the high end of guidance for the quarter.

Actual Q3'22 results compared to guidance for the same period follows:

Third Quarter 2022 Results and Prior Guidance

	Q3'22 Results	Q3'22 Guidance
Revenue	\$305 M	\$300M +/- \$5M
Unit sell-through	~700ku	700k +/- 25ku
Street ASP	\$383	~\$400
Gross margin	38.2 %	39.0% +/- 50bps
Non-GAAP earnings per share	\$0.19	\$0.17 +/- \$0.02

CCB = Constant Currency Basis

	Actual			CCB	
	Q322	Q321	Q322vs21	Q322	Q322vs21
Revenue	\$ 305	\$ 317	(3.6) %	\$ 323	2.0 %
Gross Profit \$	116	139	(16.0) %	134	(3.2) %
Gross Profit %	38.2 %	43.8 %	(560)bps	41.6 %	(220)bps
Adj. EBITDA as % Revenue	11.5 %	19.1 %	(760)bps	16.4 %	(270)bps
Street ASP	\$ 383	\$ 381	0.6 %	\$ 405	6.4 %

Notable third quarter performance highlights follow, with year-over-year compares to Q3'21:

- Revenue was \$305 million, down 4% on a dollar basis, or up 2% in constant currency, over the prior year
- Direct-to-consumer (DTC) revenue grew 4% year-over-year to \$99 million, or 32% of revenue. In constant currency, DTC revenue grew 14% year-over-year.
- Sequentially, revenue grew across all geographies led by Asia Pacific, which also delivered year-over-year revenue growth
- Camera sell-through was approximately 700,000 units
- Street ASP was \$383, up slightly from \$381 in Q3'21 and in constant currency grew 6%

- Subscription and service revenue grew 48% year-over-year to \$21 million
- GoPro subscribers grew 55% year-over-year to approximately 2.1 million
- Quik subscribers grew 68% year-over-year to 282,000
- Gross margin was 38.2%, or 41.6% in constant currency
- GAAP EPS was \$0.10
- Non-GAAP EPS was \$0.19
- Adjusted EBITDA was \$35 million, or 12% of revenue, and in constant currency it was 16% of revenue
- Repurchased approximately \$10 million of GoPro stock (\$32 million cumulatively through Q3'22 YTD) under the current \$100 million buy-back authorization
- Cash flow from operations was \$41 million

We ended Q3'22 with \$349 million in cash, cash equivalents and marketable securities (collectively "Cash"), up \$26 million sequentially including \$10 million in share buy-backs. Third quarter Cash net of debt was \$205 million, nearly doubling from \$110 million in Q3'21.

Beginning January 2021, we had approximately \$704 million in Federal net operating losses (NOLs), which we expect to use to minimize paid taxes for the next several years. Since January 2021, we have utilized nearly \$230 million in NOLs including an estimated \$170 million in Federal NOLs in 2022. This translates into expected utilization of roughly 25% of our NOLs in 2022.

A decline in camera unit sell-in of 4% on a year-over-year basis, primarily due to eliminating low-end cameras from our line-up, has positively impacted our ASPs. In Q3'22, cameras with suggested retail prices of \$400 and above made up 87% of our camera revenue, nearly flat from 88% of revenue in Q3'21, primarily due to the strong U.S. dollar.

Q3'22 demand as measured via sell-through met our expectations of approximately 700,000 units, down 10% year-over-year. If we narrow the lens on our Q3'22 sell-through to the \$300 and above price point, our year-over-year unit sell-through was down approximately 2%. As anticipated, channel inventory increased to above 700,000 units reflecting channel load-in of new products. We expect to exit the year with channel inventory in the mid-600,000 units, which we believe is the right level and consistent with prior years.

Street ASP is defined as total reported revenue divided by camera units shipped. Our Q3'22 Street ASP was \$383, up 1% year-over-year. On a constant currency basis, Q3'22 Street ASP would have been approximately \$405, or up 6% year-over-year.

Looking at revenue by geography, all regions delivered sequential growth, with Asia Pacific up 53%, Europe up 19% and the Americas up 10%. We are especially pleased to see continued growth in Europe as well as accelerated growth in Asia Pacific. Third quarter year-over-year, Asia Pacific grew 22%, Europe grew 14%, and the Americas declined 13% on a constant currency basis.

Revenue from retail and direct-to-consumer (DTC) channels in the third quarter was \$206 million and \$99 million, respectively, representing a year-over-year decline of 7% and growth of 4%, respectively. On a constant currency basis, third quarter retail revenue declined 3%, while DTC revenue grew 14% year-over-year.

On a percentage basis, third quarter 2022 DTC revenue was 32% of revenue, up from 30% in Q3'21, with the increase due to growth in subscription and service revenue. As a reminder, direct-to-consumer revenue is primarily transacted in local currency and includes all revenue generated from GoPro.com including camera, accessory, and subscription and service revenue.

As Nick referenced, we have several initiatives under way that we expect will drive continued engagement and growth in subscriptions. Subscription and services are integral to our strategy and represent our fastest growing and most profitable revenue stream, generating 70-80% gross margin. Third quarter subscription and service revenue grew to \$21 million, or 7% of revenue, up 48% year-over-year.

GoPro subscriber count increased 55% year-over-year to approximately 2.1 million, with year-over-year subscriber storage doubling. New subscriber attach rates on GoPro.com held in the mid-90%s. A positive development in the quarter was retail attach rates which improved to between 35% and 40%, up approximately 50% from the mid-20%s in the year ago quarter. We see additional runway for growth and are pursuing further strategies to increase retail attach and improve overall subscriber retention. Our retention rate for annual subscribers has continued to improve and was up more than 5% over this time last year.

Our Quik mobile subscription also continues to do well with subscribers growing more than 68% year-over-year, to 282,000 in Q3'22, up from 168,000 in Q3'21.

Third quarter 2022 gross margin of 38.2% was slightly below our guidance range entirely due to the strong U.S. dollar. On a constant currency basis, Q3'22 gross margin would have been approximately 41.6%. Gross margin was 43.8% in Q3'21.

Third quarter operating expenses increased 4% year-over-year, to \$83 million, largely due to increases in marketing and advertising expenses. We also added headcount in development to support our roadmap.

Our balance sheet is healthy, and through effective management we tightened-up key balance sheet metrics. In particular, days' sales outstanding was 25 days, down from 28 days in Q3'21. And, we have managed supply chain and maintained inventory at 73 days.

Looking ahead, we anticipate continued impact from key macro dynamics on our business, which we've contemplated in our fourth quarter and full year guidance:

- We expect the U.S. dollar to remain at current levels relative to the Australian dollar, British pound, Euro, and Japanese yen. Our 2022 outlook reflects anticipated Fx impact to revenue, margin and earnings of more than \$55 million compared to 2021, up more than \$20 million since our August earnings call. We have assumed the following exchange rates for Q4'22 and 2023:

AUD	0.6333
EURO	0.9782
GPB	1.1206
JPY	147.0

- Inflation, rising interest rates and other macroeconomic issues may broadly impact demand as well as competition for share of wallet.
- As has been widely reported, Big Box retailers have actively reduced their inventories along with weeks of supply. Year-over-year, U.S. Big Box retailers reduced on hand inventory nearly 25% and weeks of inventory reduced to approximately 8 weeks.

Fourth quarter has historically been our strongest quarter and we expect it to remain so. However, we're navigating some unique dynamics this year, which we've also considered in our guidance:

- Unlike last year when retailers struggled to secure inventory, many have an abundance of merchandise resulting in reductions in "open to buy dollars"
 - Consumers are prioritizing living expenses and experiences over things while also paying more for food, housing, health care and other items as inflation hovers around a four-decade high
 - As a result, retailers are accelerating and increasing their promotional activities to reduce inventory (e.g., Black Friday deals being announced weeks in advance)
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Fourth Quarter 2022 Guidance

	Q4'22 Guidance
Revenue	\$325M +/- \$40M
Unit sell-through	~950ku
Street ASP	~\$370
Gross margin	35.0% +/- 50bps
Non-GAAP earnings per share	\$0.09 +/- \$0.06

CCB = Constant Currency Basis

	A = Actual, e = Estimated*			CCB	
	Q422e	Q421A	Q422vs21e	Q422e	Q422vs21e
Revenue	\$ 325	\$ 391	(16.9) %	\$ 351	(10.3) %
Gross Profit \$	114	162	(29.6) %	140	(13.5) %
Gross Profit %	35.0 %	41.3 %	(630)bps	39.8 %	(150)bps
Adj. EBITDA as % Revenue	6.5 %	18.3 %	(1,180)bps	13.4 %	(490)bps
Street ASP	\$ 370	\$ 379	(2.3) %	\$ 400	5.5 %

* Estimated based on the midpoint of guidance

For fourth quarter 2022, we expect to deliver revenue of approximately \$325 million, down 17% year-over-year based on the midpoint of guidance, or down approximately 10% in constant currency. We estimate fourth quarter Street ASP to decline 2% to \$370, or increase approximately 6% in constant currency. We anticipate Q4'22 unit sell-through to be approximately 950,000 units, or down 3% year-over-year. On a positive note, October sell through tracked to our expectations.

We continue to effectively manage the supply chain, with fourth quarter 2022 and first quarter 2023 inventory secured.

We expect fourth quarter gross margin to be 35% at the midpoint of guidance, or approximately 40% in constant currency, and down from 41.3% in the prior year quarter. The year-over-year decline in gross margin percentage is primarily related to a strengthening U.S. dollar, followed by component price increases and product mix.

We expect to deliver EPS of \$0.09 at the mid-point of guidance, down from \$0.41 in Q4'21.

We expect shares outstanding to decline slightly to approximately 170 million shares in the fourth quarter based on our current stock price.

Full Year 2022 Guidance

	FY 2022 Guidance
Revenue	\$1,100M +/- \$40M
Unit sell-through	~2.9mu
Street ASP	~\$390
Gross margin	~38.0%
Non-GAAP net income per share	\$0.45 +/- \$0.07

CCB = Constant Currency Basis

	A = Actual, e = Estimated*			CCB	
	FY22e	FY21A	FY22vs21e	FY22e	FY22vs21e
Revenue	\$ 1,100	\$ 1,161	(5.3) %	\$ 1,156	(0.5) %
Gross Profit \$	418	480	(13.0) %	474	(1.4) %
Gross Profit %	38.0 %	41.4 %	(340)bps	41.0 %	(40)bps
Adj. EBITDA as % Revenue	8.5 %	14.5 %	(600)bps	12.9 %	(160)bps
Street ASP	\$ 390	\$ 369	5.6 %	\$ 410	11.0 %

* Estimated based on the midpoint of guidance

For full year 2022, we expect to sell-in between 2.75 million and 2.95 million units, which is down from our prior guidance of approximately 3.0 million units, as well as down 10% year-over-year due to the current macroeconomic environment. We expect 2022 ASPs to increase 6% over 2021, or approximately 11% growth in constant currency.

We anticipate 2022 DTC revenue mix to increase from 34% in 2021 to the mid-30%s range.

We expect GoPro subscribers to grow 40% annually, ending at 2.2 million, and translating into approximately \$83 million in subscription and service revenue for full year 2022 and annual recurring revenue of more than \$100 million, at 70-80% gross margin.

We expect to deliver full year 2022 gross margin of approximately 38%, below our target range of 40% to 43%, primarily due to a strengthening U.S. dollar. In constant currency, we estimate FY2022 margin would be 41%, or down 40 bps year-over-year.

We continue to actively review our operating expenses for opportunities to reprioritize spending, with our current estimate for 2022 between \$332 million and \$336 million, up slightly from prior guidance in our second quarter 2022 earnings call due to the timing of R&D investments, marketing and employee expenses. To execute on planned product roadmap launches we will continue to invest in product

innovation in hardware, software and the cloud experience, as well as in targeted marketing, while continuing to drive efficiencies throughout our business.

We expect our GAAP effective tax rate in 2022 and 2023 to be approximately 20% and 25%, respectively. Non-GAAP tax expense is primarily related to actual cash tax paid as we utilize our U.S. NOLs and other tax attributes to offset tax expenses. We expect non-GAAP tax expense to remain low at approximately \$1.6 million in 2022 and in 2023.

We expect the above factors to result in 2022 EBITDA of approximately \$95 million, at the mid-point of guidance, down from \$168 million in 2021, with more than \$55 million of the decline attributed to Fx.

Shifting to the balance sheet, we expect to exit 2022 with cash of approximately \$400 million, which contemplates continued share repurchases under our existing program. We expect free cash flow for 2022 to be approximately equal to our expected EBITDA.

As Nick mentioned, looking ahead into 2023, we will manage the business with the following priorities:

- Laser-focus on remaining cash flow positive
- Laser-focus on subscription growth and retention
- Develop leading-edge technologies and innovative products
- Grow our global TAM
- Manage appropriate levels of channel and owned inventory

A few high-level thoughts regarding 2023:

- A strong USD at current levels (or worse) will continue to pressure revenue growth, margins and profitability
- We expect the macroeconomic environment to remain challenged through 2023 including the possibility of a recession leading to continued cautious consumer spending
- We will continue to invest in technology and innovation to add complimentary technologies to our portfolio that increase TAM and are accretive to our core business
- We expect unit volumes to be nominally below 2022 levels

While challenging in the present, currencies and the macroeconomic environment will improve over time. We are the market leader with a highly effective business model which we believe will once again generate impressive earnings once macroeconomic conditions improve and currency exchange rates normalize. We expect to be profitable in 2023 while continuing to drive operating cash flow. We have the

balance sheet strength to navigate the current economic environment and believe we will emerge an even stronger GoPro in the future as our business fundamentals are sound.