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

FORM 8-K

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

Date of Report (Date of earliest event reported): May 9, 2023



**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	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.0001	GPRO	NASDAQ Global Select Market

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

Emerging growth company

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

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## Item 2.02. Results of Operations and Financial Condition.

On May 9, 2023, GoPro, Inc. (the “Company”) issued a press release to report its financial results for its first quarter ended March 31, 2023.

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 May 9, 2023, the Company held a live audio webcast to discuss its financial results for its first quarter ended March 31, 2023.

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

<b>Exhibit Number</b>	<b>Description of Document</b>
<a href="#">99.1</a>	Press Release of GoPro, Inc. dated May 9, 2023 to report its financial results for its first quarter ended March 31, 2023.
<a href="#">99.2</a>	Management’s commentary from Nicholas Woodman, Chief Executive Officer, and Brian McGee, Chief Financial Officer and Chief Operating Officer, dated May 9, 2023 (furnished pursuant to Item 7.01).
<a href="#">104</a>	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

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## SIGNATURE

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

**GoPro, Inc.**  
(Registrant)

Dated: May 9, 2023

By: /s/ Brian McGee

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



## GoPro Announces First Quarter 2023 Results

*Revenue of \$175 million was 6% Above Guidance on Stronger Demand  
GoPro Subscribers Grew 36% Year-over-Year to 2.36 million  
Subscription and Service Revenue of \$23 million, up 24% Year-over-Year*

**SAN MATEO, Calif., May 9, 2023** - GoPro, Inc. (NASDAQ: GPRO) today announced financial results for its first quarter ended March 31, 2023 and posted management commentary, including forward-looking guidance, in the investor relations section of its website at <https://investor.gopro.com>.

"In Q1 2023, GoPro exceeded expectations thanks to better-than-expected demand for our products and subscription services," said Nicholas Woodman, GoPro's founder and CEO. "Capitalizing on our momentum, effective today, we're implementing an updated go-to-market strategy that restores our product pricing to pre-pandemic levels, which we believe will accelerate growth in units, subscribers, revenue and earnings."

"Our pandemic strategy allowed us to address supply chain and retail channel constraints while driving ASPs, increasing profitability and rapidly growing our subscriber base to more than two million subscribers," said Brian McGee, GoPro's CFO and COO. "In our post-pandemic world, we are now implementing an updated go-to-market strategy that we believe will result in revenue and earnings growth that we will use to drive innovation and significantly increase share buy backs."

To read about GoPro's updated go-to-market strategy, please see the management commentary referenced above and posted in the investor relations section of its website at <https://investor.gopro.com>.

### Q1 2023 Financial Results

- Revenue was \$175 million, down 19% year-over-year and ahead of the midpoint of our prior Q1 guidance.
- GoPro subscriber count ended Q1 at approximately 2.36 million, up 36% year-over-year.
- GoPro.com revenue, including subscription and service revenue, was up 7% year-over-year at \$95 million, or 54% of total revenue. Revenue from the retail channel was \$80 million, down 38% year-over-year.
- Subscription and service revenue increased 24% year-over-year to \$23 million.
- Attach rate via our app from cameras purchased at retail was approximately 50% in the quarter, up from 39% a year ago, a 23% improvement.
- GAAP net loss was \$30 million, or negative \$0.19 per share, down from net income of \$6 million or \$0.04 per share in the prior year period. Non-GAAP net loss was \$29 million, or negative \$0.18 per share, down from non-GAAP net income of \$15 million, or \$0.09 per share, in the prior year period.
- GAAP and non-GAAP gross margin was 30.0% and 30.3%, respectively, and as estimated on a constant currency basis was 32.9% and 33.1%, respectively. This compares to GAAP and non-GAAP gross margin of 41.8% and 42.0%, respectively, in the prior year period.
- Adjusted EBITDA was negative \$28 million. This compares to positive \$21 million, or 10% of revenue, in the prior year period. The difference is primarily related to our new product pricing strategy which resulted in \$24 million in price protection charges as well as a decline in revenue on a year-over-year basis.
- Cameras with retail prices at or above \$400 represented 87% of Q1 2023 camera revenue.
- Q1 2023 Street ASP was \$378, a 9% decrease year-over-year, and \$394 as estimated on a constant currency basis, down 5% year-over-year.
- Days' sales outstanding was 29 days or flat compared to the prior year period.

## Recent Business Highlights

- In Q1 2023, GoPro launched its 5<sup>th</sup> Million Dollar Challenge Awards campaign, resulting in another 100% user-generated [highlight reel](#) published in late April and featuring 55 creators from 21 countries. The campaign generated a record 42,446 video clip submissions from 126 countries, representing a year-over-year increase of 66% in community submissions.
- In Q1 2023, GoPro bought back \$5 million in stock, and we plan to continue executing on our stock repurchase plan in 2023.

## Results Summary:

(\$ in thousands, except per share amounts)	Three months ended March 31,		
	2023	2022	% Change
<b>Revenue</b>	\$ 174,720	\$ 216,705	(19.4)%
<b>Gross margin</b>			
GAAP	30.0 %	41.8 %	(1,180) bps
Non-GAAP	30.3 %	42.0 %	(1,170) bps
<b>Operating income (loss)</b>			
GAAP	\$ (39,814)	\$ 8,162	(587.8)%
Non-GAAP	\$ (29,761)	\$ 18,124	(264.2)%
<b>Net income (loss)</b>			
GAAP	\$ (29,869)	\$ 5,685	(625.4)%
Non-GAAP	\$ (28,577)	\$ 15,196	(288.1)%
<b>Diluted net income (loss) per share</b>			
GAAP	\$ (0.19)	\$ 0.04	(575.0)%
Non-GAAP	\$ (0.18)	\$ 0.09	(300.0)%
<b>Adjusted EBITDA</b>	\$ (27,526)	\$ 20,649	(233.3)%

## Conference Call

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

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

To listen to the live conference call, please call +1 833-470-1428 (US) or +1 404-975-4839 (International) and enter access code 957521, 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 August 1, 2023.

## About GoPro, Inc. (NASDAQ: GPRO)

Founded in 2002, 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 percentage, 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, 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 margin percentage, adjusted EBITDA in dollars and 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; product pricing strategy, expanded distribution 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, volatility in the global banking system, and fluctuations in interest rates or currency exchange rates may adversely affect consumer discretionary spending and demand for our products; the fact that our goal to grow revenue and be

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profitable relies upon our ability to grow sales from our direct-to-consumer business and our retail partners and distributors; our ability to acquire and retain subscribers; 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 or other service disruptions and may increase costs due to the impact of the COVID-19 pandemic and the war in Ukraine, inflation or the negative impact on exchange rates; 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 we rely 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; the risk that we may not 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; 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; and other factors detailed in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2022, which is on file with the Securities and Exchange Commission (SEC), and as updated in filings with the SEC. These forward-looking statements speak only as of the date hereof or as of the date otherwise stated herein. GoPro disclaims any obligation to update these forward-looking statements.

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

(in thousands, except per share data)	Three months ended March 31,	
	2023	2022
Revenue	\$ 174,720	\$ 216,705
Cost of revenue	122,218	126,229
Gross profit	52,502	90,476
<b>Operating expenses:</b>		
Research and development	38,185	31,598
Sales and marketing	38,055	35,373
General and administrative	16,076	15,343
Total operating expenses	92,316	82,314
Operating income (loss)	(39,814)	8,162
<b>Other income (expense):</b>		
Interest expense	(1,153)	(2,209)
Other income (expense), net	2,845	(319)
Total other income (expense), net	1,692	(2,528)
Income (loss) before income taxes	(38,122)	5,634
Income tax benefit	(8,253)	(51)
Net income (loss)	\$ (29,869)	\$ 5,685
<b>Net income (loss) per share:</b>		
Basic	\$ (0.19)	\$ 0.04
Diluted	\$ (0.19)	\$ 0.04
<b>Shares used to compute net income (loss) per share:</b>		
Basic	155,402	156,864
Diluted	155,402	188,737



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

(in thousands)	March 31, 2023	December 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 157,826	\$ 223,735
Marketable securities	136,814	143,602
Accounts receivable, net	56,988	77,008
Inventory	154,804	127,131
Prepaid expenses and other current assets	30,078	34,551
Total current assets	536,510	606,027
Property and equipment, net	12,160	13,327
Operating lease right-of-use assets	20,336	21,819
Goodwill	146,459	146,459
Other long-term assets	307,101	289,293
Total assets	\$ 1,022,566	\$ 1,076,925
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 80,032	\$ 91,648
Accrued expenses and other current liabilities	105,247	118,877
Short-term operating lease liabilities	9,301	9,553
Deferred revenue	55,948	55,850
Total current liabilities	250,528	275,928
Long-term taxes payable	10,557	9,536
Long-term debt	141,255	141,017
Long-term operating lease liabilities	31,048	33,446
Other long-term liabilities	4,028	5,439
Total liabilities	437,416	465,366
Stockholders' equity:		
Common stock and additional paid-in capital	969,363	960,903
Treasury stock, at cost	(158,231)	(153,231)
Accumulated deficit	(225,982)	(196,113)
Total stockholders' equity	585,150	611,559
Total liabilities and stockholders' equity	\$ 1,022,566	\$ 1,076,925

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

(in thousands)	Three months ended March 31,	
	2023	2022
<b>Operating activities:</b>		
Net income (loss)	\$ (29,869)	\$ 5,685
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	1,809	2,302
Non-cash operating lease cost	1,483	1,678
Stock-based compensation	10,314	9,836
Deferred income taxes	(9,921)	2,931
Other	(1,240)	1,004
Net changes in operating assets and liabilities	(39,678)	(96,843)
Net cash used in operating activities	(67,102)	(73,407)
<b>Investing activities:</b>		
Purchases of property and equipment, net	(483)	(520)
Purchases of marketable securities	(25,782)	(23,111)
Maturities of marketable securities	34,000	15,900
Net cash provided by (used in) investing activities	7,735	(7,731)
<b>Financing activities:</b>		
Proceeds from issuance of common stock	2,324	2,599
Taxes paid related to net share settlement of equity awards	(4,251)	(7,175)
Repurchase of outstanding common stock	(5,000)	(10,000)
Net cash used in financing activities	(6,927)	(14,576)
Effect of exchange rate changes on cash and cash equivalents	385	(54)
Net change in cash and cash equivalents	(65,909)	(95,768)
Cash and cash equivalents at beginning of period	223,735	401,087
Cash and cash equivalents at end of period	\$ 157,826	\$ 305,319

**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 margin percentage, adjusted EBITDA in dollars and 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, manufacturing consolidation charges, 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 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
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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 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 March 31,	
	2023	2022
<b>GAAP net income (loss)</b>	\$ (29,869)	\$ 5,685
Cost of revenue	466	447
Research and development	4,746	4,158
Sales and marketing	2,178	2,123
General and administrative	2,924	3,108
Total stock-based compensation	10,314	9,836
Acquisition-related costs:		
Cost of revenue	—	47
Total acquisition-related costs	—	47
Restructuring and other costs:		
Cost of revenue	(14)	5
Research and development	(135)	39
Sales and marketing	(75)	22
General and administrative	(37)	13
Total restructuring and other costs	(261)	79
Income tax adjustments	(8,761)	(451)
<b>Non-GAAP net income (loss)</b>	<b>\$ (28,577)</b>	<b>\$ 15,196</b>
GAAP net income (loss) - basic	\$ (29,869)	\$ 5,685
Add: Interest on convertible notes, tax effected	—	1,521
GAAP net income (loss) - diluted	<b>\$ (29,869)</b>	<b>\$ 7,206</b>
Non-GAAP net income (loss) - basic	\$ (28,577)	\$ 15,196
Add: Interest on convertible notes, tax effected	—	1,521
Non-GAAP net income (loss) - diluted	<b>\$ (28,577)</b>	<b>\$ 16,717</b>
<b>GAAP and non-GAAP shares for diluted net income (loss) per share</b>	<b>155,402</b>	<b>188,737</b>
<b>GAAP diluted net income (loss) per share</b>	<b>\$ (0.19)</b>	<b>\$ 0.04</b>
<b>Non-GAAP diluted net income (loss) per share</b>	<b>\$ (0.18)</b>	<b>\$ 0.09</b>

(dollars in thousands)	Three months ended March 31,	
	2023	2022
<b>GAAP gross margin as a % of revenue</b>	30.0 %	41.8 %
Stock-based compensation	0.3	0.2
<b>Non-GAAP gross margin as a % of revenue</b>	30.3 %	42.0 %
<b>GAAP operating expenses</b>	\$ 92,316	\$ 82,314
Stock-based compensation	(9,848)	(9,389)
Restructuring and other costs	247	(74)
<b>Non-GAAP operating expenses</b>	\$ 82,715	\$ 72,851
<b>GAAP operating income (loss)</b>	\$ (39,814)	\$ 8,162
Stock-based compensation	10,314	9,836
Acquisition-related costs	—	47
Restructuring and other costs	(261)	79
<b>Non-GAAP operating income (loss)</b>	\$ (29,761)	\$ 18,124

(in thousands)	Three months ended March 31,	
	2023	2022
<b>GAAP net income (loss)</b>	\$ (29,869)	\$ 5,685
Income tax benefit	(8,253)	(51)
Interest (income) expense, net	(1,683)	2,111
Depreciation and amortization	1,809	2,302
POP display amortization	417	687
Stock-based compensation	10,314	9,836
Restructuring and other costs	(261)	79
<b>Adjusted EBITDA</b>	\$ (27,526)	\$ 20,649

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**Investor Contact**

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**Media Contact**

[pr@gopro.com](mailto:pr@gopro.com)



May 9th, 2023  
**GoPro, Inc. (NASDAQ: GPRO)**  
Management Commentary  
Q1 2023 Earnings Call

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**Christopher Clark**

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

Enclosed is GoPro's first quarter 2023 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. This means that results could change at any time 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, 2022, which is on file with the Securities and Exchange Commission ("SEC") and other reports that we may file from time to time with the SEC.

In the management commentary, we may discuss gross margin, operating expense, net profit and loss, adjusted EBITDA as well as basic and diluted net profit and loss per share in accordance with GAAP, and on a non-GAAP basis. 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. Unless otherwise noted, all income statement-related numbers that are discussed in the management commentary, other than revenue, are non-GAAP.

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**Nicholas Woodman**

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

Thank you for reading GoPro's Q1 2023 management commentary. Today I'm going to briefly touch on our Q1 performance and then dive deeper into an updated strategy that we believe will accelerate growth in units, subscribers, revenue, adjusted EBITDA and earnings.

Demand for our products during Q1 exceeded expectations. Sell-through was approximately 575,000 units, nearly 10% above our previous guidance of 525,000 units and flat year-over-year. Regionally, North America and Asia Pacific led our Q1 outperformance and demand was better than expected in our direct-to-consumer channel on GoPro.com. We reduced channel inventory in the quarter by nearly 95,000 units to below 600,000 units, setting us up well for the rest of the year.

Our high-margin subscription and service revenue continues to contribute meaningfully to our bottom line, generating \$23 million of revenue in the quarter, which was up 24% year-over-year and represented 13% of revenue. We ended the quarter with 2.36 million GoPro subscribers, up 36% year-over-year. We continue to see improvements in retention of annual subscribers, who represent nearly 90% of our total subscriber count. In Q1, our first year renewal was between 60% to 65% and second year renewal was between 70% to 75%. We expect to finish the year with between 2.45 million and 2.60 million subscribers, which should result in \$100 million in subscription and service revenue for the year.

For more than a year now, we have generated more new subscribers via our retail channel than via GoPro.com, even with GoPro.com's subscriber attach rate remaining above 90%. In Q1 2023, our subscription attach rate from consumers who purchased a camera at retail and later subscribed via our app was approximately 50% – a 23% year-over-year improvement. This is largely due to improved in-app marketing of GoPro subscription benefits.

With the world having essentially moved on from the pandemic and consumers spending more of their time and money in retail stores, we believe an updated go-to-market strategy will accelerate growth in units, subscribers, revenue, adjusted EBITDA and earnings.

To help frame the opportunity, I'll first share a brief retrospective on the changes we made in early 2020 to position GoPro for success during the pandemic – when consumers shifted their spending online and physical retailers were either closed or operating under severely restricted conditions. Back then, we effectively:

- Reduced GoPro's retail presence by approximately 30%, globally;
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- Significantly reduced GoPro marketing budgets;
- Increased GoPro flagship camera pricing by \$50 in 2020 and another \$50 in 2021 to \$499 in response to supply chain constraints;
- Exited our higher volume, lower price point entry-level SKU in response to supply chain constraints; and
- Shifted to a more direct-to-consumer business model, growing direct sales at GoPro.com as a percentage of revenue from approximately 10% in 2019 to 38% in 2022.

This strategy benefitted GoPro, driving ASPs, increasing profitability and rapidly growing our subscriber base. We added 2 million subscribers during this time and generated more than \$260 million of adjusted EBITDA between 2021 and 2022, which enabled us to repay \$125 million in debt, repurchase \$40 million of our stock and end 2022 with cash of approximately \$370 million. We achieved this despite a decline in camera unit sell-through of more than 30%.

But now, in our post-pandemic world, we see an opportunity to adjust our go-to-market strategy to restore our world-class presence at retail and drive unit growth in 2023 to 3.2 million units up from our previously shared expectation of slightly below 2.9 million units, to a range of 3.5 to 4.0 million units by the end of 2024, and over 4 million units by the end of 2025. We believe this investment in our retail channel will also have a meaningful impact on subscriber growth and profitability, and drive adjusted EBITDA of over \$300 million over the combined 2024 and 2025 period.

The key points of our updated go-to-market strategy, which we kicked off this week, include:

- **Restoring pricing of our products to 2019 levels** with an MSRP reduction of \$100 for our flagship HERO11 Black, HERO11 Black Mini, HERO10 Black and HERO9 Black cameras. Our data indicates that sales volume increases and the resulting growth in subscription together combine to make this a financially beneficial strategy. Reductions in inbound freight and product costs along with an improved supply chain are helping to enable this price adjustment from a margin perspective, as will the introduction of new, higher-priced, higher-margin SKUs in the future.
  - **Re-introducing an entry-level price point SKU** with HERO9 Black to drive meaningful volume and subscriber growth. Our data indicates that having an entry-level price point camera is an important contributor of volume. For context, our previous entry level camera represented approximately 600,000 units of sell-through for the full-year 2019. We removed this price point during the pandemic due to supply constraints, but with supply restored and the GoPro subscription providing additional margin, we believe having an entry-level product will drive growth while positively impacting our bottom line.
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- **Restoring our world-class presence at retail** by increasing global distribution to best-in-class retailers that can help us drive awareness and sell-through while elevating our brand.
- **Eliminating camera discounts at the time of purchase at GoPro.com.** Thanks to the strength of in-app subscriber conversion of retail consumers as well as improvements in subscriber retention, we believe we can generate more subscribers with growth in retail sales than if we continue our pandemic-driven strategy of focusing primarily on GoPro.com sales for subscriber growth.

As mentioned, we believe this improved strategy will drive unit sell-in and sell-through to an improved 3.2 million units in 2023, 3.5 million to 4 million units in 2024, and above 4 million units in 2025.

We believe GoPro subscribers will grow to 2.45 million to 2.6 million in 2023, 2.7 million to 2.8 million in 2024, and 2.9 million to 3.1 million by the end of 2025.

We believe we will generate significantly improved adjusted EBITDA of approximately \$300 million over the combined 2024 and 2025 period and we will use these proceeds to accelerate the repurchasing of stock while also investing in growing our business.

Our updated pricing and go-to-market strategy has been well received by retail partners and we're excited to grow our business and brand through this important channel.

In addition to our updated go-to-market strategy, we're also excited to introduce several new products later this year, including the expected Q4 launch of our brand new desktop editing experience that will be included in the current GoPro subscription at no additional charge to subscribers. The GoPro desktop app will sync your editing projects with the GoPro Quik mobile app to make transitioning between apps seamless. Our research indicates that GoPro camera owners will highly value our desktop app and that it should help further improve our already notable subscriber conversion and retention rates.

We're also excited to launch a new premium GoPro subscription tier in Q4, targeting both GoPro camera owners as well as non-owners. We believe GoPro can serve as a convenient solution for getting the most out of your personal content, no matter what camera you use, and we're excited to leverage our software and service offerings to expand GoPro's TAM.

Speaking of serving non-GoPro camera owners, our Quik subscription, which caters mostly to non-GoPro owning consumers looking for a convenient content editing and organizational app, continues to see organic growth despite limited marketing support. At the end of Q1 2023 we had 289,000 Quik

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subscribers paying \$10 per year to access the app's mobile editing tools. We're excited to build on this organic success with the upcoming Q4 launches I mentioned above.

This is a very exciting time at GoPro and we believe our best days are ahead of us. Our products are market leading, our roadmap is strong, and we're excited to leverage our updated go-to-market strategy to meaningfully grow unit sales, subscribers and adjusted EBITDA in the near term and beyond.

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**Brian McGee**

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

Q1'23 revenue was \$175 million, ahead of guidance by 6% due to stronger end market demand. While revenue was down year-over-year as expected, sell-through was flat year-over-year and channel inventory reduced nearly 95,000 units sequentially, putting us in good shape for the balance of the year. Our strategic pricing action impacted Q1'23 revenue, gross margin and EPS by \$23.5 million. Revenue from GoPro.com was \$95 million, or 54%, and subscription and service revenue grew 24% year-over-year to \$23 million. GoPro continued to drive its subscriber base reaching 2.36 million, or 36% growth year-over-year. In addition, year-over-year, our annual GoPro subscriber retention rate improved approximately 11% to between 60% and 65%. Q1'23 GAAP and non-GAAP loss per share were \$0.19 and \$0.18, respectively, and non-GAAP net loss was \$29 million.

We expect our recent strategic pricing decision coupled with our product roadmap will result in unit, subscriber, revenue, and earnings per share growth through 2025 and beyond. Our expectation is that demand will increase to approximately 3.2 million units in 2023, up from our previously shared expectation of slightly less than 2.9 million units. In addition, we expect 2024 demand to be between 3.5 million and 4.0 million units. We expect unit growth will naturally result in subscriber growth based on our current attach and retention rates. We estimate we can grow our subscriber community to between 2.45 and 2.60 million in 2023, between 2.7 and 2.8 million in 2024 and between 2.9 and 3.1 million GoPro subscribers in 2025. As a result of these changes, we expect gross margin to be in a range of 33% to 34% in 2023 and improve to a range of 36% to 40% in 2024 and 2025. If major foreign currencies strengthen by 10%, or near 2021 levels, we would expect the gross margin range in 2024 and 2025 to be approximately 39% to 43%. Putting this all together, we expect our pricing moves and product roadmap to result in significantly stronger unit and profitability growth for GoPro.

We believe our expected unit and subscriber growth outlined above will generate cumulative adjusted EBITDA for 2024 and 2025 that exceeds \$300 million, which is at least 15% more than the \$263 million in cumulative adjusted EBITDA we achieved for 2021 and 2022. Increased profitability and adjusted EBITDA would be used to accelerate the repurchasing of stock while also investing in growing our business.

In Q1 2023, GoPro repurchased \$5 million in stock, and should we remain on track for the above growth targets, we plan to aggressively execute our stock repurchase plan in 2023 and repurchase up to \$70 million in stock. In addition, based on our outlook we would look to further accelerate share repurchases in 2024 and 2025 to more than \$100 million each year, subject to board approval. At the current share

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price, this cumulative dollar amount between 2023 and 2025 would result in the repurchase of approximately 35% of the current shares outstanding.

Based on all of this, we expect to be able to pay back our convertible debt of \$144 million in November 2025 and end 2025 with cash of more than \$200 million.

Actual Q1'23 results compared to guidance for the same period was as follows:

### First Quarter Results and Prior Guidance

	Q1'23 Results	Q1'23 Guidance
Revenue	\$ 175 M	\$165M +/- \$5M
Unit sell-through	~575ku	~525ku
Street ASP	\$ 378	~\$400
Gross margin	30.3 %	36.0.% +/- 50bps
Non-GAAP loss per share	\$ (0.18)	\$(0.17) +/- \$0.02

CCB = Constant Currency Basis (\$ in millions, except ASP)	Actual			CCB	
	Q1'23	Q1'22	Q1'23vs22	Q1'23*	Q1'23vs22
Revenue	\$ 175	\$ 217	(19.4) %	\$ 182	(16.1) %
Gross Profit \$	\$ 53	\$ 91	(41.8) %	\$ 60	(34.1) %
Gross Margin %	30.3 %	42.0 %	(1,170)bps	33.1 %	(890)bps
Adj. EBITDA as % Revenue	(15.8)%	9.5 %	(2,530)bps	(11.1)%	(2,060)bps
Street ASP	\$ 378	\$ 414	(8.6) %	\$ 394	(4.8) %

\*We estimate the table above in constant currency

Notable first quarter performance highlights follow:

- Unit sell-through was approximately 575,000, flat year-over-year
- Channel inventory decreased to below 600,000 units, or down nearly 95,000 sequentially
- Subscription and service revenue grew 24% year-over-year to \$23 million
- GoPro subscribers grew 36% year-over-year to 2.36 million
- Subscription attach rate via our app from cameras purchased at retail was approximately 50% in the first quarter, up from approximately 39% a year ago, a 23% improvement
- Street ASP was \$378, down 8.6% year-over-year, or down 5% in constant currency
- GAAP loss per share was \$0.19 and non-GAAP loss per share was \$0.18
- Repurchased approximately \$5 million in shares of GoPro stock in Q1'23

Our strategic pricing decision negatively impacted our Q1'23 gross margin of 30% by 600 bps compared to guidance of 36%. The majority of the price protection expense incurred in the quarter related to the strategic price move was not contemplated in our guidance in early February 2023.

First quarter street ASP was \$378 compared to \$414 in Q1'22. In Q1'23, 87% of our camera revenue mix was from suggested retail prices of \$400 and above, down from 92% in the year-ago quarter. Street ASP is defined as total reported revenue divided by camera units shipped.

Looking at Q1'23 revenue by geography, Asia Pacific decreased 25%, Europe decreased 25%, and the Americas decreased 13% year-over-year. Within the Americas region, U.S. revenue was down 11% year-over-year as big box retailers continued to maintain reduced on-hand inventory levels, which drove revenue, specifically at big box accounts, down 35% year-over-year.

Q1'23 demand as measured via sell-through was approximately 50,000 units above our expectations at approximately 575,000 units or flat year-over-year. Looking at Q1'23 sell-through by geography, North America was flat at approximately 285,000 units, Europe decreased 8% to approximately 148,000 units and Asia Pacific increased 5% to approximately 142,000 units. This strong sell-through resulted in channel inventory being slightly below 600,000 units at the end of Q1'23.

First quarter revenue from our GoPro.com channel was \$95 million, or 54% of total revenue. On a year-over-year basis, GoPro.com revenue increased 7%. Retail revenue was \$80 million in Q1'23, down 38% year-over-year.

GoPro subscriber count increased 36% year-over-year to 2.36 million, with Q1'23 subscriber storage nearly doubling year-over-year. New subscriber attach rates on GoPro.com held in the mid-90%*s*, while the attach rate via our app from cameras purchased at retail was approximately 50% in the first quarter, up from approximately 39% a year ago, an improvement of approximately 23%. In Q1'23 new subscribers from the GoPro app continued to exceed new subscribers from GoPro.com. GoPro subscriber attach rate from sales on GoPro.com is defined as the number of new subscriptions sold on GoPro.com in the period over the number of camera unit sales to customers eligible for a new GoPro subscription on GoPro.com for the same period. Our GoPro subscriber attach rate from post-camera purchases through retail on our Quik app is defined as the number of new GoPro subscribers in the period over the corresponding number of estimated camera units sold through the retail channel.

Additionally, we continue to see improvements in annual subscriber retention and, as a reminder, our annual subscribers now account for nearly 90% of total subscribers. Our annual subscriber retention rate for the first-year renewal is between 60% and 65%. In addition, annual subscribers renewing for the second renewal year has a retention rate of between 70% and 75%. Year-over-year, our total annual subscriber retention rate improved approximately 11%.

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Our Quik mobile subscription, which serves non-GoPro-owning consumers that use our app to edit their smartphone footage, also continues to do well, growing 12% year-over-year to 289,000 subscribers at the end of Q1'23. Serving smartphone-centric Quik subscribers is helping us learn how to engage and retain consumers that don't own a GoPro — an important TAM-expanding opportunity that we plan to target further with the launch of our upcoming premium subscription tier later this year.

First quarter operating expenses increased 14% year-over-year to \$83 million, largely due to our continued investment in research and development to support our roadmap. Our operating expenses have remained within a tight range since 2020 when we took early action to align our expenses with our business, putting ourselves in a position to weather the current economic environment.

Turning to the balance sheet, we ended Q1'23 with \$295 million in cash, cash equivalents and marketable securities. Cash decreased \$73 million sequentially primarily from reductions in net working capital of \$40 million, a net loss of \$29 million and \$5 million in GoPro share repurchases. First quarter collective cash net of debt was \$151 million.

Our days' sales outstanding was 29 days or flat compared to Q1'22.

### Second Quarter 2023 Guidance

	<b>Q2'23 Guidance</b>
Revenue	\$220M +/- \$5M
Unit sell-through	~700ku
Street ASP	~\$360
Gross margin	33.5% +/- 50bps
Non-GAAP loss per share	\$(0.07) +/- \$0.02

The second quarter has historically been an up quarter sequentially. Our expectation with the price move is sell-through will be flat year-over-year at approximately 700,000 units.

For the second quarter of 2023, we expect to deliver revenue of approximately \$220 million, down 12% year-over-year. Our second-quarter revenue guidance includes approximately \$10 million in price protection related to our strategic price move. We estimate second quarter Street ASP to be approximately \$360.

Our guidance assumes channel inventory continues to decline slightly during the quarter. We believe there will still be macroeconomic pressures on consumers as well as retailers constraining channel inventory.

We expect second quarter gross margin to be 33.5% at the midpoint of guidance, down from 38.5% in the prior year quarter. The year-over-year decline in gross margin percentage is primarily related to price protection and reduced camera pricing.

We expect a non-GAAP net loss per share for Q2'23 of \$0.07 at the mid-point of guidance. We expect shares outstanding to be approximately 150 million shares in the second quarter based on our current stock price, expectation of a loss position and offset by share repurchases of \$20 million in the second quarter.

We expect our GAAP effective tax rate in 2023 to be in a range of 20% to 25%. 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 in a range of \$2.0 million to \$2.5 million in 2023. And, for the second quarter, we expect less than \$0.5 million in tax expense.

For 2023 we will manage the business with the following priorities:

- Commitment to maintaining profitability and cash generation
- Commitment to continued share buy-backs, with up to \$70 million share-buy-backs for the year
- Investments in the people, technology and innovation that we believe will drive unit and subscriber growth
- Grow our subscription and service revenue to \$100 million

## 2023 Guidance

	2023 Guidance
Revenue	\$1.1B +/- \$20M
Unit sell-through	~3.2mu
Street ASP	~\$350
Gross margin	34.0% +/- 50bps
Non-GAAP net income per share	\$0.15 +/- \$0.06

For 2023, we expect revenue of approximately \$1.1 billion, up slightly from 2022. We expect units sold to grow by approximately 12% year-over-year, primarily as a result of our recent price moves. We expect

our retail and distribution partners to drive approximately 20% unit growth year-over-year, which implies some rebalancing of unit sales from GoPro.com under our updated go-to-market strategy. Revenue, gross margin and earnings per share includes approximately \$28 million in additional price protection to support the strategic price move, the bulk of which will be incurred in the first half of the year.

We expect gross margin to be 34% at the midpoint of guidance in 2023, which reflects both lower ASPs and the related price protection cost required to achieve lower pricing at retail to drive unit volume. We expect gross margin to improve sequentially each quarter in 2023, with component pricing providing a tailwind in the fourth quarter and into 2024.

We expect operating expenses to be approximately \$350 million in 2023, up about 6% from 2022, largely driven by investments in research and development and marketing.

We expect EPS of approximately \$0.15 for 2023, with EPS growing sequentially each quarter in 2023 and to be net income positive in the second half of the year.

We expect to end the year with cash of \$295 million, which includes an estimated \$70 million in share repurchases. Excluding share repurchases, we expect that cash would end the year flat to 2022.

The go-to-market changes we are implementing come at a time of strength in demand, but also recognize where the world is potentially headed, economically. Pandemic-related supply challenges are easing, and lower product and freight costs are enabling us to shift value back to the consumer with more accessible pricing and an entry-level SKU, both of which we expect will bolster growth in units, subscribers, revenue and adjusted EBITDA that we will use to drive innovation and significantly increase share buy backs. This is a very exciting time at GoPro and we believe our best days are ahead of us.