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

FORM 8-K

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

Date of Report (Date of earliest event reported): February 2, 2017



GOPRO, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-36514
(Commission File No.)

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

3000 Clearview Way, San Mateo, California 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))
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Item 2.02 Results of Operations and Financial Condition

On February 2, 2017, GoPro, Inc. (the "Company") issued a press release to report its financial results for its fourth quarter and full year ended December 31, 2016.

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

The information contained herein and in the accompanying exhibit shall not be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference to this or such filing. The information in this report, including the exhibit hereto, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

| Exhibit Number | Description of Document |
|---------------------------|--|
| 99.1 | Press Release of GoPro, Inc. dated February 2, 2017 to report its financial results for its fourth quarter and full year ended December 31, 2016 |

SIGNATURE

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

GoPro, Inc.
(Registrant)

Dated: February 2, 2017

By: /s/ Brian McGee

Brian McGee
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Description of Document</u> |
|------------------------------|--|
| 99.1 | Press Release of GoPro, Inc. dated February 2, 2017 to report its financial results for its fourth quarter and full year ended December 31, 2016 |



GoPro Announces Fourth Quarter and Full Year 2016 Results

SAN MATEO, Calif., Feb. 2, 2017

*Second Highest Revenue Quarter in Company History
Record Quarterly Revenue for EMEA and APAC Regions
HERO5 Black was the Best-Selling Digital Imaging Device in Units and Dollars in the U.S. and EMEA
Four Million Installs of Quik Mobile App in 4Q16, Up Nearly 30% Sequentially
Quik Mobile December Monthly Active Users More Than Tripled Year-Over-Year*

GoPro, Inc. (NASDAQ: GPRO) announced financial results for its fourth quarter and full year ended December 31, 2016 .

"In 2016, big investments in hardware, cloud, and mobile yielded a solid foundational experience for our customers." said Nicholas Woodman, GoPro's Founder and CEO. "In 2017, we will build on this foundation for our customers while improving efficiency and managing cost to achieve profitability."

Recent GoPro Highlights Include:

- GoPro's Board of Directors appointed **CJ Prober** to serve as the Chief Operating Officer.
 - GoPro experienced a GAAP loss of \$116 million, or \$0.82 loss per diluted share, in the fourth quarter of 2016, which included charges of \$102 million for a full valuation allowance on U.S. deferred tax assets and nearly \$37 million for restructuring costs.
 - GoPro was profitable in fourth quarter of 2016 on a non-GAAP basis with income of \$42 million, or \$0.29 per diluted share.
 - **According to The NPD Group's Retail Tracking Service**, in the U.S. in the fourth quarter GoPro accounted for 3 of the top 5 products, including the top 2 spots, on a unit basis in the digital camera/camcorder category. HERO5 Black was the best-selling digital image camera on a unit basis in the U.S. By our estimate, HERO Session was the #2 best-selling camera in the U.S. on a unit basis .
 - **According to NPD**, GoPro's fourth quarter combined digital camera/camcorder unit share increased over 400 basis points year-over-year to 26.7% in the U.S.
 - **According to GfK**, in the fourth quarter GoPro's digital imaging unit share in Europe increased 90 basis points year-over-year to 12.2%, Also in the fourth quarter, HERO5 Black sold thru more units in a single quarter in Europe than any other GoPro camera ever.
 - **China remains a top-ten country for GoPro** with fourth quarter and 2016 sell-thru up 61% and 90%, respectively, year-over-year.
 - In the fourth quarter, we released several GoPro accessories including **Karma Grip** , a handheld and wearable stabilization accessory, **Remo** , a voice-activated waterproof remote for HERO5 cameras, and **Quik Key** , a mobile microSD card reader that enables fast editing and sharing from a smartphone .
 - **Instagram followers** were up 53% year-over-year to nearly 12 million followers in the fourth quarter, driven by a 245% year-over-year increase in international followers.
 - **Social media views** of GoPro content reached approximately 238 million, up over 40% year-over-year , driven by a 160% year-over-year increase in views on Facebook .
 - According to YouTube, the equivalent of **twenty-two years of content with GoPro in the title, description or keyword** was uploaded to YouTube in 2016, a year-over-year increase of 35%. The hours of GoPro-related content watched on YouTube in 2016 increased 86% year-over-year to approximately 78 million hours.
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- **GoPro Plus** to debut in International markets in the coming months. High retention rate amongst early U.S. adopters.
- In the fourth quarter, the number of shares per month initiated from the **Capture App** increased 128% year-over-year. The number of people sharing content monthly increased 45% year-over-year.
- The **Quik mobile app** was named one of Google Play's Best Apps of 2016. December monthly active users and monthly exports tripled over the prior year period.

| (\$ in thousands, except per share amounts) | Three Months Ended December 31, | | | Year Ended December 31, | | |
|---|---------------------------------|-------------|----------|-------------------------|--------------|-----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Revenue | \$ 540,621 | \$ 436,603 | 23.8% | \$ 1,185,481 | \$ 1,619,971 | (26.8)% |
| Gross margin | | | | | | |
| GAAP | 39.2% | 29.4% | 980 bps | 39.0% | 41.6% | (260) bps |
| Non-GAAP | 39.5% | 29.6% | 990 bps | 39.3% | 41.7% | (240) bps |
| Operating income (loss) | | | | | | |
| GAAP | \$ (26,568) | \$ (41,294) | | \$ (372,969) | \$ 54,748 | |
| Non-GAAP | \$ 31,639 | \$ (21,629) | | \$ (243,007) | \$ 140,798 | |
| Net income (loss) | | | | | | |
| GAAP | \$ (115,709) | \$ (34,451) | | \$ (419,003) | \$ 36,131 | |
| Non-GAAP | \$ 42,367 | \$ (11,396) | | \$ (201,247) | \$ 111,564 | |
| Diluted net income (loss) per share | | | | | | |
| GAAP | \$ (0.82) | \$ (0.25) | | \$ (3.01) | \$ 0.25 | |
| Non-GAAP | \$ 0.29 | \$ (0.08) | | \$ (1.44) | \$ 0.76 | |
| Adjusted EBITDA | \$ 44,343 | \$ (9,268) | | \$ (192,807) | \$ 179,309 | |

Business Outlook

GoPro is providing the following guidance:

- First Quarter 2017
 - Revenue of \$200 million +/- \$10 million
 - GAAP and non-GAAP gross margin in the low 30% range
 - GAAP operating expenses of between \$168 million and \$178 million
 - Non-GAAP operating expenses of between \$145 million and \$155 million
- 2017
 - GAAP operating expenses below \$688 million
 - Non-GAAP operating expenses below \$600 million

Upcoming Events

Management will participate in investor conference on February 14, 2017 in San Francisco. GoPro will furnish a link to the webcast of this event on its investor relations website, <http://investor.gopro.com>.

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.

To listen to the live conference call, please dial toll free (888) 204-4517 or (913) 312-0652, access code 9901185, approximately 5 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 <http://investor.gopro.com>. The webcast will be recorded and the recording will be available on GoPro's website, <http://investor.gopro.com>, approximately two hours after the call and for 90 days thereafter.

About GoPro, Inc. (NASDAQ: GPRO)

GoPro, Inc. is transforming the way people capture and share their lives. What began as an idea to help athletes self-document themselves engaged in sport, GoPro has become a mobile storytelling solution that helps the world share itself through immersive content.

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

For more information, visit www.gopro.com or connect with GoPro on [Facebook](#), [Instagram](#), [LinkedIn](#), [Pinterest](#), [Twitter](#), [YouTube](#), and GoPro's [The Inside Line](#).

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 GoPro's pages on Facebook, Instagram, LinkedIn, Pinterest, Twitter, YouTube, GoPro's investor relations website and [The Inside Line](#).

Note Regarding Use of Non-GAAP Financial Measures

GoPro reports gross profit, operating expenses, operating income (loss), 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 costs and the tax impact of these items. A reconciliation of preliminary GAAP financial measures to non-GAAP financial measures, as well as a description of items excluded from the calculation of non-GAAP financial measures, is presented in the financial statement portion of this release. GoPro also provides future estimated ranges of revenue, gross margin, operating expenses, tax rate, and earnings per share on a GAAP and non-GAAP basis.

Note on Forward-looking Statements

This press release contains projections and other forward-looking statements regarding future events, including but not limited to, those regarding our business outlook for the first quarter of 2017 and for calendar year 2017. These statements involve risks and uncertainties, and actual events or results may differ materially. Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are our dependence 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 would harm our business; the effect of a fall in sales during the holiday season; the fact that our future growth depends in part on further penetrating our addressable market and also growing internationally, and we may not be successful in doing so; the fact that we do not expect to continue to grow in the future at the same rate as we have in the past, that we may fail to manage our growth, operating expenses, and gross margin, and profitability in past periods might not be indicative of future performance; any inability to successfully manage frequent product introductions and transitions, including managing our sales channel and inventory and accurately forecasting future sales; any inability to anticipate consumer preferences and successfully develop and market desirable products; the risks associated with the entrance into the consumer drone market and the re-launch of our drone this quarter; the effects of the highly competitive market in which we operate; the risks related to inventory, purchase commitments and long-lived assets; difficulty in accurately predicting our future customer demand; the importance of maintaining the value and reputation of our brand; and other factors detailed in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2015, which is on file with the Securities and

Exchange Commission, and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2016. These forward-looking statements speak only as of the date hereof or as of the date otherwise stated herein. GoPro disclaims any obligation to update these forward-looking statements.

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

| (in thousands, except per share data) | Three months ended | | Year ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | December 31, 2016 | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| Revenue | \$ 540,621 | \$ 436,603 | \$ 1,185,481 | \$ 1,619,971 |
| Cost of revenue | 328,486 | 308,092 | 723,561 | 946,757 |
| Gross profit | 212,135 | 128,511 | 461,920 | 673,214 |
| Operating expenses: | | | | |
| Research and development | 92,728 | 66,432 | 358,902 | 241,694 |
| Sales and marketing | 112,716 | 82,649 | 368,620 | 268,939 |
| General and administrative | 33,259 | 20,724 | 107,367 | 107,833 |
| Total operating expenses | 238,703 | 169,805 | 834,889 | 618,466 |
| Operating income (loss) | (26,568) | (41,294) | (372,969) | 54,748 |
| Other income (expense), net | (1,750) | 322 | (2,205) | (2,163) |
| Income (loss) before income taxes | (28,318) | (40,972) | (375,174) | 52,585 |
| Income tax expense (benefit) | 87,391 | (6,521) | 43,829 | 16,454 |
| Net income (loss) | \$ (115,709) | \$ (34,451) | \$ (419,003) | \$ 36,131 |
| Net income (loss) per share: | | | | |
| Basic | \$ (0.82) | \$ (0.25) | \$ (3.01) | \$ 0.27 |
| Diluted | \$ (0.82) | \$ (0.25) | \$ (3.01) | \$ 0.25 |
| Weighted-average shares used to compute net income (loss) per share: | | | | |
| Basic | 141,063 | 137,086 | 139,425 | 134,595 |
| Diluted | 141,063 | 137,086 | 139,425 | 146,486 |

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

| (in thousands) | December 31, 2016 | December 31, 2015 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 192,114 | \$ 279,672 |
| Marketable securities | 25,839 | 194,386 |
| Accounts receivable, net | 164,553 | 145,692 |
| Inventory | 167,192 | 188,232 |
| Prepaid expenses and other current assets | 38,115 | 25,261 |
| Total current assets | 587,813 | 833,243 |
| Property and equipment, net | 76,509 | 70,050 |
| Intangible assets, net and goodwill | 179,989 | 88,122 |
| Other long-term assets | 78,329 | 111,561 |
| Total assets | \$ 922,640 | \$ 1,102,976 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 205,028 | \$ 89,989 |
| Accrued liabilities | 211,323 | 192,446 |
| Deferred revenue | 14,388 | 12,742 |
| Total current liabilities | 430,739 | 295,177 |
| Long-term liabilities | 44,956 | 35,766 |
| Total liabilities | 475,695 | 330,943 |
| Stockholders' equity: | | |
| Common stock and additional paid-in capital | 757,226 | 663,311 |
| Treasury stock, at cost | (35,613) | (35,613) |
| Retained earnings (accumulated deficit) | (274,668) | 144,335 |
| Total stockholders' equity | 446,945 | 772,033 |
| Total liabilities and stockholders' equity | \$ 922,640 | \$ 1,102,976 |

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

| (in thousands) | Three months ended | | Year ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | December 31, 2016 | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| Operating activities: | | | | |
| Net income (loss) | \$ (115,709) | \$ (34,451) | \$ (419,003) | \$ 36,131 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 11,100 | 9,596 | 41,640 | 28,981 |
| Stock-based compensation | 17,926 | 18,120 | 69,527 | 80,680 |
| Excess tax benefit from stock-based compensation | (1,089) | 3,202 | (3,463) | (29,348) |
| Deferred income taxes | 59,524 | (4,580) | 38,568 | (11,468) |
| Non-cash restructuring charges | 17,601 | — | 17,601 | — |
| Impairment of intangible assets | 1,088 | — | 7,088 | — |
| Other | 2,820 | 994 | 7,574 | 5,427 |
| Net changes in operating assets and liabilities | 19,435 | 27,967 | 132,715 | 47,208 |
| Net cash provided by (used in) operating activities | 12,696 | 20,848 | (107,753) | 157,611 |
| Investing activities: | | | | |
| Purchases of property and equipment, net | (17,111) | (18,919) | (43,627) | (51,245) |
| Purchases of marketable securities | — | (12,869) | — | (220,055) |
| Maturities of marketable securities | 26,694 | 44,144 | 119,918 | 94,680 |
| Sale of marketable securities | 40,557 | 6,093 | 47,348 | 30,048 |
| Acquisitions, net of cash acquired | — | — | (104,353) | (65,405) |
| Net cash provided by (used in) investing activities | 50,140 | 18,449 | 19,286 | (211,977) |
| Financing activities: | | | | |
| Proceeds from issuance of common stock, net | (2,567) | (974) | 2,775 | 22,833 |
| Excess tax benefit from stock-based compensation | 1,089 | (3,202) | 3,463 | 29,348 |
| Payment of deferred acquisition-related consideration | — | — | (950) | — |
| Payment of credit facility issuance costs | (46) | — | (3,333) | — |
| Payment of deferred public offering costs | — | — | — | (903) |
| Repurchases of outstanding common stock | — | (35,613) | — | (35,613) |
| Net cash provided by (used in) financing activities | (1,524) | (39,789) | 1,955 | 15,665 |
| Effect of exchange rate changes on cash and cash equivalents | (775) | 195 | (1,046) | (1,556) |
| Net increase (decrease) in cash and cash equivalents | 60,537 | (297) | (87,558) | (40,257) |
| Cash and cash equivalents at beginning of period | 131,577 | 279,969 | 279,672 | 319,929 |
| Cash and cash equivalents at end of period | \$ 192,114 | \$ 279,672 | \$ 192,114 | \$ 279,672 |

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), net income (loss), earnings (loss) per share and adjusted EBITDA. We also provide forecasts of non-GAAP gross margin, non-GAAP operating expenses, non-GAAP tax rate, non-GAAP net income and non-GAAP diluted earnings per share. These non-GAAP measures are not in accordance with, nor serve as an alternative for GAAP. We believe that these non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our GAAP results of operations. These non-GAAP measures should only be viewed in conjunction with corresponding GAAP measures.

In calculating non-GAAP financial measures, we exclude certain items to facilitate a review of the comparability of our core operating performance on a period-to-period basis. The excluded items represent stock-based compensation and other charges that we do not consider to be directly related to core operating performance. We use non-GAAP measures to evaluate the core operating performance of our business, for comparison with forecasts and strategic plans and for calculating return on investment. In addition, management's incentive compensation is determined using non-GAAP measures. Since we find these measures to be useful, we believe that investors benefit from seeing results reviewed by management in addition to seeing GAAP results. 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.

The following are explanations of each type of adjustment that we incorporate into non-GAAP financial measures:

- *Stock-based compensation expense* relates 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 as we believe their inclusion would hinder our ability to assess core operational performance. We believe that excluding this expense provides greater visibility to the underlying performance of our business operations, facilitates comparison of our results with other periods, and may also facilitate comparison with the results of other companies in our industry.
 - *Acquisition-related costs* include 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 are inconsistent and vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the businesses being acquired.
 - *Restructuring costs* primarily include severance-related costs, stock-based compensation expenses and facilities consolidation charges recorded in connection with restructuring actions announced in the first and fourth quarters of 2016. We believe that excluding these costs provides greater visibility to the underlying performance of our business operations, facilitates comparison of our results with other periods, and may also facilitate comparison with the results of other companies in our industry.
 - *Income tax adjustments* relate to the tax effect of the adjustments that we incorporate into non-GAAP measures in order to provide a more meaningful measure of non-GAAP net income (loss). We believe that these adjustments provide us with the ability to more clearly view trends in our core operating performance.
 - Additionally, adjusted EBITDA excludes the amortization of point-of-purchase (POP) display assets because it is a non-cash charge, and is similar to the depreciation of property and equipment and amortization of acquired intangible assets.
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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 | | Year ended | |
|---|--------------------|--------------------|---------------------|-------------------|
| | December 31, 2016 | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| GAAP net income (loss) | \$ (115,709) | \$ (34,451) | \$ (419,003) | \$ 36,131 |
| Stock-based compensation: | | | | |
| Cost of revenue | 421 | 449 | 1,616 | 1,492 |
| Research and development | 10,230 | 5,907 | 31,365 | 18,024 |
| Sales and marketing | 3,184 | 4,248 | 13,883 | 13,762 |
| General and administrative | 4,091 | 7,516 | 22,663 | 47,402 |
| Total stock-based compensation | 17,926 | 18,120 | 69,527 | 80,680 |
| Acquisition-related costs: | | | | |
| Cost of revenue | 1,093 | 222 | 1,759 | 961 |
| Research and development | 2,581 | 1,257 | 14,439 | 3,154 |
| Sales and marketing | — | 33 | 22 | 132 |
| General and administrative | 26 | 33 | 1,126 | 1,123 |
| Total acquisition-related costs | 3,700 | 1,545 | 17,346 | 5,370 |
| Restructuring costs: | | | | |
| Cost of revenue | 133 | — | 497 | — |
| Research and development | 14,542 | — | 17,197 | — |
| Sales and marketing | 9,386 | — | 12,064 | — |
| General and administrative | 12,520 | — | 13,331 | — |
| Total restructuring costs | 36,581 | — | 43,089 | — |
| Income tax adjustments | 99,869 | 3,390 | 87,794 | (10,617) |
| Non-GAAP net income (loss) | \$ 42,367 | \$ (11,396) | \$ (201,247) | \$ 111,564 |
| GAAP shares for diluted net income (loss) per share | 141,063 | 137,086 | 139,425 | 146,486 |
| Add: dilutive shares | 5,198 | — | — | — |
| Non-GAAP shares for diluted net income (loss) per share | 146,261 | 137,086 | 139,425 | 146,486 |
| Non-GAAP diluted net income (loss) per share | \$ 0.29 | \$ (0.08) | \$ (1.44) | \$ 0.76 |

| (dollars in thousands) | Three months ended | | Year ended | |
|--|--------------------|--------------------|---------------------|-------------------|
| | December 31, 2016 | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| GAAP gross profit | \$ 212,135 | \$ 128,511 | \$ 461,920 | \$ 673,214 |
| Stock-based compensation | 421 | 449 | 1,616 | 1,492 |
| Acquisition-related costs | 1,093 | 222 | 1,759 | 961 |
| Restructuring costs | 133 | — | 497 | — |
| Non-GAAP gross profit | <u>\$ 213,782</u> | <u>\$ 129,182</u> | <u>\$ 465,792</u> | <u>\$ 675,667</u> |
| GAAP gross profit as a % of revenue | 39.2% | 29.4% | 39.0% | 41.6% |
| Stock-based compensation | 0.1 | 0.1 | 0.1 | 0.1 |
| Acquisition-related costs | 0.2 | 0.1 | 0.2 | — |
| Restructuring costs | — | — | — | — |
| Non-GAAP gross profit as a % of revenue | <u>39.5%</u> | <u>29.6%</u> | <u>39.3%</u> | <u>41.7%</u> |
| GAAP operating expenses | \$ 238,703 | \$ 169,805 | \$ 834,889 | \$ 618,466 |
| Stock-based compensation | (17,505) | (17,671) | (67,911) | (79,188) |
| Acquisition-related costs | (2,607) | (1,323) | (15,587) | (4,409) |
| Restructuring costs | (36,448) | — | (42,592) | — |
| Non-GAAP operating expenses | <u>\$ 182,143</u> | <u>\$ 150,811</u> | <u>\$ 708,799</u> | <u>\$ 534,869</u> |
| GAAP operating income (loss) | \$ (26,568) | \$ (41,294) | \$ (372,969) | \$ 54,748 |
| Stock-based compensation | 17,926 | 18,120 | 69,527 | 80,680 |
| Acquisition-related costs | 3,700 | 1,545 | 17,346 | 5,370 |
| Restructuring costs | 36,581 | — | 43,089 | — |
| Non-GAAP operating income (loss) | <u>\$ 31,639</u> | <u>\$ (21,629)</u> | <u>\$ (243,007)</u> | <u>\$ 140,798</u> |

| (in thousands) | Three months ended | | Year ended | |
|---------------------------------|--------------------|-------------------|---------------------|-------------------|
| | December 31, 2016 | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| GAAP net income (loss) | \$ (115,709) | \$ (34,451) | \$ (419,003) | \$ 36,131 |
| Income tax expense (benefit) | 87,391 | (6,521) | 43,829 | 16,454 |
| Interest expense (income), net | 1,022 | (126) | 1,401 | 234 |
| Depreciation and amortization | 11,100 | 9,596 | 41,639 | 28,981 |
| POP display amortization | 4,944 | 4,114 | 19,623 | 16,829 |
| Stock-based compensation | 17,926 | 18,120 | 69,527 | 80,680 |
| Impairment of intangible assets | 1,088 | — | 7,088 | — |
| Restructuring costs | 36,581 | — | 43,089 | — |
| Adjusted EBITDA | <u>\$ 44,343</u> | <u>\$ (9,268)</u> | <u>\$ (192,807)</u> | <u>\$ 179,309</u> |

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

| (in thousands) | Q1 2017 | Full year 2017 |
|------------------------------------|--------------------------------|-------------------|
| GAAP operating expenses | \$ 168,000 - \$ 178,000 | \$ 688,000 |
| Estimated adjustments for: | | |
| Stock-based compensation | 18,000 | 80,000 |
| Acquisition-related costs | 1,000 | 4,000 |
| Restructuring costs | 4,000 | 4,000 |
| Non-GAAP operating expenses | <u>\$ 145,000 - \$ 155,000</u> | <u>\$ 600,000</u> |

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