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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): November 5, 2020



(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.)

3025 Clearview Way, San Mateo, CA 94402  
(Address of Principal Executive Offices) (Zip Code)

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

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock	GPRO	NASDAQ Global Select Market

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

Emerging growth company

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

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## Item 2.02 Results of Operations and Financial Condition

On November 5, 2020, GoPro, Inc. (the "Company") issued a press release to report its financial results for its third quarter ended September 30, 2020.

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 7.01. Regulation FD Disclosure.

On November 5, 2020, the Company held a live audio webcast to discuss its financial results for its third quarter ended September 30, 2020.

A copy of management's commentary from Nicholas Woodman, our Chief Executive Officer, and Brian McGee, our Chief Financial Officer and Chief Operating Officer, is attached as Exhibit 99.2, 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 Securities Exchange Act of 1934, as amended, 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 of 1933, as amended, 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 November 5, 2020 to report its financial results for its third quarter ended September 30, 2020.
<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 November 5, 2020 (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: November 5, 2020

By: /s/ Brian McGee

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



## GoPro Announces Third Quarter 2020 Results

*Revenue of \$281 Million up 109% Sequentially*  
*Subscribers Surpassed 500,000, up 35% Sequentially*  
*Achieved GAAP and Non-GAAP Profitability*

**SAN MATEO, Calif., November 5, 2020** - GoPro, Inc. (NASDAQ: GPRO) today announced financial results for its third quarter ended September 30, 2020, and posted management commentary on its investor relations website at <https://investor.gopro.com>.

"Thanks to consistent momentum throughout the quarter and the strong launch of HERO9 Black coupled with our GoPro subscription service, in Q3 GoPro achieved GAAP and non-GAAP profitability, generated \$100 million of operating cash flow, and surpassed 500,000 subscribers," said GoPro founder and CEO, Nicholas Woodman.

"In Q3 2020, our direct-to-consumer and subscription-centric strategy expanded margin, increased subscribers and significantly lowered our operating expenses, resulting in GAAP and non-GAAP profitability. This approach is also enabling efficient working capital management as we drove DSO's down 25% sequentially, lowered channel inventories and reduced our own investments in inventory," said Brian McGee, GoPro CFO and COO.

### GoPro Q3 2020 Financial Results

- Revenue for Q3 2020 was \$281 million, a 109% sequential improvement from \$134 million in Q2 2020.
- GAAP gross margin for Q3 2020 was 35.4%, up from 21.7% year-over-year. Non-GAAP gross margin for Q3 2020 was 36.2%, up from 23.4% year-over-year.
- Q3 2020 GAAP net income was \$3 million, or \$0.02 per share. Q3 2020 non-GAAP net income was \$31 million, or \$0.20 per share.
- Q3 2020 GAAP operating expenses of \$90 million decreased 9% year-over-year. Q3 2020 non-GAAP operating expenses were \$68 million, down 25% year-over-year.
- Adjusted EBITDA for Q3 2020 was \$39 million, compared to negative (\$53) million in Q3 2019.
- Cash and investments totaled \$147 million at the end of Q3 2020, compared to \$79 million in Q3 2019.

### GoPro Q3 2020 Highlights

- In September, GoPro launched HERO9 Black to widespread global acclaim.
  - GoPro ended Q3 2020 with 501,000 subscribers, up 35% sequentially and 65% year-over-year.
  - GoPro.com achieved a record \$81 million in revenue in Q3 2020, up 37% sequentially.
  - Camera sell-through was more than 950,000 units in Q3 2020.
  - Channel inventory reduced approximately 10% sequentially and 45% since the beginning of 2020.
  - Cameras with retail prices above \$300 represented 83% of Q3 2020 revenue.
  - Street ASPs increased 11% year-over-year to \$304.
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**Results Summary:**

(\$ in thousands, except per share amounts)	Three months ended September 30,		
	2020	2019	% Change
<b>Revenue</b>	\$ 280,507	\$ 131,169	113.9 %
<b>Gross margin</b>			
GAAP	35.4 %	21.7 %	1,370 bps
Non-GAAP	36.2 %	23.4 %	1,280 bps
<b>Operating income (loss)</b>			
GAAP	\$ 8,854	\$ (71,198)	(112.4)%
Non-GAAP	\$ 33,446	\$ (59,566)	(156.1)%
<b>Net income (loss)</b>			
GAAP	\$ 3,307	\$ (74,810)	(104.4)%
Non-GAAP	\$ 31,049	\$ (61,265)	(150.7)%
<b>Diluted net income (loss) per share</b>			
GAAP	\$ 0.02	\$ (0.51)	(103.9)%
Non-GAAP	\$ 0.20	\$ (0.42)	(147.6)%
<b>Adjusted EBITDA</b>	\$ 39,179	\$ (52,715)	(174.3)%

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## Conference Call

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

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

To listen to the live conference call, please dial toll free (800) 367-2403 or (334) 777-6978, access code 2978336, approximately 15 minutes prior to the start of the call. A live webcast of the conference call will be accessible on the "Events & Presentations" section of the Company's website at <https://investor.gopro.com>. A recording of the webcast will be available on GoPro's website, <https://investor.gopro.com>, approximately two hours after the call and for 90 days thereafter.

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

GoPro helps the world capture and share itself in immersive and exciting ways.

For more information, visit [www.gopro.com](http://www.gopro.com). Members of the press can access official brand and product images, logos and reviewer guides by visiting GoPro's [press portal](#). GoPro users can submit their photos, raw video clips and edits to GoPro Awards for an opportunity to be featured on GoPro's social channels and receive gear and cash awards. Learn more at [www.gopro.com/awards](http://www.gopro.com/awards). Connect with GoPro on [Facebook](#), [Instagram](#), [LinkedIn](#), [TikTok](#), [Twitter](#), [YouTube](#), and GoPro's blog [The Inside Line](#).

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

## GoPro's Use of Social Media

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

## Note Regarding Use of Non-GAAP Financial Measures

GoPro reports gross profit, gross margin, operating expenses, operating income (loss), other income (expense), tax expense, net income (loss) and diluted net income (loss) per share in accordance with U.S. generally accepted accounting principles (GAAP) and on a non-GAAP basis. Additionally, GoPro reports non-GAAP adjusted EBITDA. Non-GAAP items exclude, where applicable, the effects of stock-based compensation, acquisition-related costs, restructuring and other related costs, non-cash interest expense, gain on sale and license of intellectual property and the tax impact of these items. When planning, forecasting and analyzing gross margin, operating expenses, other income (expense), tax expense, net income (loss) and net income (loss) per share for future periods, GoPro does so primarily on a non-GAAP basis without preparing a GAAP analysis as that would require estimates for reconciling items which are inherently difficult to predict with reasonable accuracy.

## Note on Forward-looking Statements

This press release may contain projections or other forward-looking statements within the meaning Section 27A of the Private Securities Litigation Reform Act. Words such as "anticipate," "believe," "estimate," "expect," "intend," "should," "will" and variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. Forward-looking statements in this presentation may include but are not limited to planned growth and increased profitability in the fourth quarter of 2020 and beyond, and consumer demand and the impact of the COVID-19 pandemic on our business. These statements involve risks and uncertainties, and actual events or results may differ materially. Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are our ability to effectively manage our shift of sales strategy to focus on our direct-to-consumer channel; the risk that we are not able to increase the number of and retain our existing paying subscribers; late stage production delay, the risk that our reduction in operating expenses may impact our ability to meet our business objectives and achieve our revenue targets, and may not result in the expected improvement in our profitability; our ability to continue to focus on expense management; the fact that our plan to profitability depends in part on further penetrating our addressable market, and we may not be successful in doing so; the risk that growing our direct-to-consumer business while reducing our reliance on our other sales channels could impact profitability; the impact of the COVID-19 pandemic and its effect on the United

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States and global economies and our business in particular; any inability to successfully manage frequent product introductions (including roadmap for new hardware, software and subscription products) and transitions, including managing our sales channel and inventory, and accurately forecasting future sales; 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 due to retail closures related to COVID-19; our transition away from some distributors and retailers; our reliance on third party suppliers, some of which are sole source suppliers, to provide components for our products and our reliance on third party logistics partners to deliver without interruption; our dependence on sales of our cameras, mounts and accessories, and subscription services for substantially all of our revenue (and the effects of changes in the sales mix or decrease in demand for these products); the fact that an economic downturn or economic uncertainty in our key U.S. and international markets, as well as fluctuations in currency exchange rates, may adversely affect consumer discretionary spending; any changes to trade agreements, trade policies, tariffs, and import/export regulations; the effects of the highly competitive market in which we operate, including new market entrants; the fact that we may not be able to achieve revenue growth or profitability in the future; risks related to inventory, purchase commitments and long-lived assets; difficulty in accurately predicting our future customer demand; the importance of maintaining the value and reputation of our brand; the risk that the e-commerce technology systems that give consumers the ability to shop online do not function effectively; the risk that we will encounter problems with our distribution system; the threat of a security breach or other disruption including cyberattacks; the concern that our intellectual property and proprietary rights may not adequately protect our products and services; and other factors detailed in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2019, 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, 2020. 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 Statement of Operations**  
(unaudited)

(in thousands, except per share data)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue	\$ 280,507	\$ 131,169	\$ 534,153	\$ 666,306
Cost of revenue	181,195	102,737	355,722	455,342
Gross profit	99,312	28,432	178,431	210,964
<b>Operating expenses:</b>				
Research and development	37,235	34,940	104,074	111,215
Sales and marketing	34,378	48,848	112,845	148,273
General and administrative	18,845	15,842	53,686	49,909
Total operating expenses	90,458	99,630	270,605	309,397
Operating income (loss)	8,854	(71,198)	(92,174)	(98,433)
<b>Other income (expense):</b>				
Interest expense	(5,260)	(4,623)	(14,774)	(14,032)
Other income (expense), net	955	738	462	1,503
Total other expense, net	(4,305)	(3,885)	(14,312)	(12,529)
Income (loss) before income taxes	4,549	(75,083)	(106,486)	(110,962)
Income tax expense (benefit)	1,242	(273)	4,710	(500)
Net income (loss)	\$ 3,307	\$ (74,810)	\$ (111,196)	\$ (110,462)
<b>Net income (loss) per share</b>				
Basic	\$ 0.02	\$ (0.51)	\$ (0.75)	\$ (0.77)
Diluted	\$ 0.02	\$ (0.51)	\$ (0.75)	\$ (0.77)
<b>Weighted-average number of shares outstanding:</b>				
Basic	149,406	145,617	148,491	144,306
Diluted	151,849	145,617	148,491	144,306

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

(in thousands)	September 30, 2020	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 146,871	\$ 150,301
Marketable securities	—	14,847
Accounts receivable, net	107,168	200,634
Inventory	132,816	144,236
Prepaid expenses and other current assets	26,124	25,958
Total current assets	412,979	535,976
Property and equipment, net	26,455	36,539
Operating lease right-of-use assets	33,218	53,121
Intangible assets, net and goodwill	148,396	151,706
Other long-term assets	12,539	15,461
Total assets	\$ 633,587	\$ 792,803
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 124,996	\$ 160,695
Accrued expenses and other current liabilities	104,026	141,790
Short-term operating lease liabilities	9,053	9,099
Deferred revenue	19,459	15,467
Total current liabilities	257,534	327,051
Long-term debt	156,782	148,810
Long-term operating lease liabilities	54,293	62,961
Other long-term liabilities	21,881	20,452
Total liabilities	490,490	559,274
Stockholders' equity:		
Common stock and additional paid-in capital	951,639	930,875
Treasury stock, at cost	(113,613)	(113,613)
Accumulated deficit	(694,929)	(583,733)
Total stockholders' equity	143,097	233,529
Total liabilities and stockholders' equity	\$ 633,587	\$ 792,803

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

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<b>Operating activities:</b>				
Net income (loss)	\$ 3,307	\$ (74,810)	\$ (111,196)	\$ (110,462)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization	4,802	6,421	15,495	19,823
Non-cash operating lease cost	749	2,210	4,907	7,599
Stock-based compensation	8,413	9,769	21,926	30,160
Deferred income taxes	(104)	110	(51)	13
Non-cash restructuring charges	1,943	—	5,242	(199)
Restructuring-related impairment	12,460	—	12,460	—
Non-cash interest expense	2,498	2,255	7,348	6,633
Other	(461)	(1,008)	738	(779)
Net changes in operating assets and liabilities	65,950	8,378	30,660	(65,483)
Net cash provided by (used in) operating activities	99,557	(46,675)	(12,471)	(112,695)
<b>Investing activities:</b>				
Purchases of property and equipment, net	(2,397)	(4,311)	(4,560)	(6,310)
Purchases of marketable securities	—	(13,469)	—	(43,636)
Maturities of marketable securities	—	16,460	14,830	51,738
Sale of marketable securities	—	—	—	1,889
Asset acquisition	—	—	(438)	—
Net cash provided by (used in) investing activities	(2,397)	(1,320)	9,832	3,681
<b>Financing activities:</b>				
Proceeds from issuance of common stock	1,599	1,697	3,508	5,574
Taxes paid related to net share settlement of equity awards	(2,359)	(1,801)	(4,713)	(5,798)
Proceeds from borrowings	—	—	30,000	—
Repayment of borrowings	(30,000)	—	(30,000)	—
Net cash used in financing activities	(30,760)	(104)	(1,205)	(224)
Effect of exchange rate changes on cash and cash equivalents	792	(135)	414	159
Net change in cash and cash equivalents	67,192	(48,234)	(3,430)	(109,079)
Cash and cash equivalents at beginning of period	79,679	91,250	150,301	152,095
Cash and cash equivalents at end of period	\$ 146,871	\$ 43,016	\$ 146,871	\$ 43,016

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

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

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

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

- adjusted EBITDA does not reflect tax payments that reduce cash available to us;
  - adjusted EBITDA excludes depreciation and amortization and, although these are non-cash charges, the property and equipment being depreciated and amortized often will have to be replaced in the future, and adjusted EBITDA does not reflect any cash capital expenditure requirements for such replacements;
  - adjusted EBITDA excludes the amortization of point of purchase (POP) display assets because it is a non-cash charge, and is treated similarly to depreciation of property and equipment and amortization of acquired intangible assets;
  - adjusted EBITDA and non-GAAP net income (loss) exclude the impairment of intangible assets because it is a non-cash charge that is inconsistent in amount and frequency;
  - adjusted EBITDA and non-GAAP net income (loss) exclude restructuring and other related costs which primarily include severance-related costs, stock-based compensation expenses, facilities consolidation charges recorded in connection with restructuring actions announced in the fourth quarter of 2016, first quarter of 2017, first quarter of 2018 and second quarter of 2020, 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 are inconsistent and vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the businesses being acquired. Although we exclude the amortization of acquired
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intangible assets from our non-GAAP net income (loss), management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation;

- non-GAAP net income (loss) excludes non-cash interest expense. In connection with the issuance of the Convertible Senior Notes in April 2017, we are required to recognize non-cash interest expense in accordance with the authoritative accounting guidance for convertible debt that may be settled in cash;
  - non-GAAP net income (loss) excludes a gain on the sale and license of intellectual property. This gain is not related to our core operating performance or reflective of ongoing operating results in the period, and the frequency and amount of such gains are inconsistent;
  - non-GAAP net income (loss) includes income tax adjustments. We utilize a cash-based non-GAAP tax expense approach (based upon expected annual cash payments for income taxes) for evaluating operating performance as well as for planning and forecasting purposes. This non-GAAP tax approach eliminates the effects of period specific items, which can vary in size and frequency and does not necessarily reflect our long-term operations. Historically, we computed a non-GAAP tax rate based on non-GAAP pre-tax income on a quarterly basis, which considered the income tax effects of the adjustments above; and
  - other companies may calculate these non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.
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**GoPro, Inc.**  
**Reconciliation of Preliminary GAAP to Non-GAAP Financial Measures**  
(unaudited)

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

(in thousands, except per share data)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<b>GAAP net income (loss)</b>	\$ 3,307	\$ (74,810)	\$ (111,196)	\$ (110,462)
Stock-based compensation:				
Cost of revenue	340	448	1,175	1,483
Research and development	3,597	4,507	9,682	14,068
Sales and marketing	1,601	2,084	4,107	6,518
General and administrative	2,875	2,730	6,962	8,091
Total stock-based compensation	8,413	9,769	21,926	30,160
Acquisition-related costs:				
Cost of revenue	964	1,863	3,875	5,954
Total acquisition-related costs	964	1,863	3,875	5,954
Restructuring and other costs:				
Cost of revenue	938	—	1,270	87
Research and development	5,883	—	8,383	881
Sales and marketing	3,974	—	11,189	498
General and administrative	4,420	—	5,660	701
Total restructuring and other costs	15,215	—	26,502	2,167
Non-cash interest expense	2,498	2,255	7,348	6,633
Income tax adjustments	652	(342)	3,260	(1,695)
<b>Non-GAAP net income (loss)</b>	\$ 31,049	\$ (61,265)	\$ (48,285)	\$ (67,243)
<b>GAAP shares for diluted net income (loss) per share</b>	151,849	145,617	148,491	144,306
<b>Non-GAAP shares for diluted net income (loss) per share</b>	151,849	145,617	148,491	144,306
<b>GAAP diluted net income (loss) per share</b>	\$ 0.02	\$ (0.51)	\$ (0.75)	\$ (0.77)
<b>Non-GAAP diluted net income (loss) per share</b>	\$ 0.20	\$ (0.42)	\$ (0.33)	\$ (0.47)

(dollars in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<b>GAAP gross profit as a % of revenue</b>	35.4 %	21.7 %	33.4 %	31.7 %
Stock-based compensation	0.1	0.3	0.2	0.2
Acquisition-related costs	0.4	1.4	0.8	0.9
Restructuring and other costs	0.3	—	0.2	—
<b>Non-GAAP gross profit as a % of revenue</b>	<b>36.2 %</b>	<b>23.4 %</b>	<b>34.6 %</b>	<b>32.8 %</b>
<b>GAAP operating expenses</b>	\$ 90,458	\$ 99,630	\$ 270,605	\$ 309,397
Stock-based compensation	(8,073)	(9,321)	(20,751)	(28,677)
Restructuring and other costs	(14,277)	—	(25,232)	(2,080)
<b>Non-GAAP operating expenses</b>	<b>\$ 68,108</b>	<b>\$ 90,309</b>	<b>\$ 224,622</b>	<b>\$ 278,640</b>
<b>GAAP operating income (loss)</b>	\$ 8,854	\$ (71,198)	\$ (92,174)	\$ (98,433)
Stock-based compensation	8,413	9,769	21,926	30,160
Acquisition-related costs	964	1,863	3,875	5,954
Restructuring and other costs	15,215	—	26,502	2,167
<b>Non-GAAP operating income (loss)</b>	<b>\$ 33,446</b>	<b>\$ (59,566)</b>	<b>\$ (39,871)</b>	<b>\$ (60,152)</b>

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<b>GAAP net income (loss)</b>	\$ 3,307	\$ (74,810)	\$ (111,196)	\$ (110,462)
Income tax expense (benefit)	1,242	(273)	4,710	(500)
Interest expense, net	5,241	4,278	14,551	12,840
Depreciation and amortization	4,802	6,421	15,495	19,823
POP display amortization	959	1,900	3,468	5,838
Stock-based compensation	8,413	9,769	21,926	30,160
Restructuring and other costs	15,215	—	26,502	2,167
<b>Adjusted EBITDA</b>	<b>\$ 39,179</b>	<b>\$ (52,715)</b>	<b>\$ (24,544)</b>	<b>\$ (40,134)</b>

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November 5<sup>th</sup>, 2020  
**GoPro, Inc. (NASDAQ: GPRO)**  
Management Commentary  
Q3 2020 Earnings Call

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## **Management Commentary**

### **Christopher Clark**

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

Enclosed is GoPro's Q3 2020 earnings report. Following this brief introduction is management commentary from GoPro CEO, Nicholas Woodman, and CFO and COO, Brian McGee. I'd like to remind everyone that this commentary may include forward-looking statements. Forward-looking statements and all other statements that are not historical facts are not guarantees of future performance and are subject to a number of risks and uncertainties which may cause actual results to differ materially. Additionally, any forward-looking statements made today are based on assumptions as of today, including but not limited to uncertainty related to the duration and impact of the COVID-19 pandemic. This means that results could change at any time and our commentary about business results and outlook is based on the information available as of today's date. We do not undertake any obligation to update these statements as a result of new information or future events. Information concerning our risk factors is available in our most recent annual report on Form 10-K for the year ended December 31, 2019, which is on file with the Securities and Exchange Commission and in other reports that we may file from time to time with the SEC, including the Quarterly Report on Form 10-Q for the quarter ended September 30, 2020.

In the management commentary, we may discuss gross margin, operating expense, net profit and loss as well as basic and diluted net profit and loss per share in accordance with GAAP and, additionally, on a non-GAAP basis. We believe that non-GAAP information is useful because it can enhance the understanding of our ongoing economic performance. We use non-GAAP reporting internally to evaluate and manage our operations. 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, and which is posted on our website.

In addition to the earnings press release, we have posted slides containing detailed financial data and metrics for the third quarter 2020. These slides, as well as a link to today's live webcast and a replay of this conference call are posted on the GoPro investor relations website for your reference. All income statement-related numbers that are discussed in the management commentary, other than revenue, are non-GAAP, unless otherwise noted.



**Nicholas Woodman**

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

Welcome to GoPro's Q3 2020 earnings report in which Brian and I review GoPro's recent performance and provide an update on our strategic shift to a more direct-to-consumer, subscription-focused business.

I'll cut straight to it – thanks to consistent momentum throughout the quarter and a strong launch of HERO9 Black coupled with our GoPro subscription service, in Q3 GoPro generated non-GAAP EPS of \$0.20, \$100 million of operating cash flow, and we expect to be profitable for the full-year 2020.

Revenue in the third quarter was \$281 million, up 109% sequentially. We ended the quarter with \$147 million of cash on hand and expect cash to grow North of \$200 million in Q4.

At the close of Q3, GoPro had 501,000 subscribers, a 35% increase sequentially, and we expect to exceed 700,000 subscribers by year-end.

Q3 was strong for GoPro from start to finish, culminating with the successful launch of our stunning new flagship, HERO9 Black. Despite pandemic-related challenges, our world class team launched HERO9 Black in spectacular fashion. HERO9 Black was destined for stardom with its 5K video resolution, 20-megapixel photo capabilities, significantly increased battery life, the world's best in-camera stabilization now with in-camera horizon-leveling, a new front-facing display and the amazing capability of the new Max Lens Mod accessory. We're also proud to have removed all plastic from HERO9 Black's packaging as well as the packaging for our entire accessory line, and we are committed to doing so for all cameras in the future.

HERO9 Black has been celebrated globally by consumers and professional reviewers for its impressive performance gains and overall design improvements.

- “Finally, GoPro has broken through that glass ceiling with a new 23.6-megapixel sensor. This is a big deal.” – *Engadget*
- “As usual, the latest GoPro is packed with digital wizardry that makes this little camera produce pro-level video with ease.” – *Gear Junkie*
- “There's never been a time when I felt more like treasuring the opportunities I do get in the great outdoors. And an action camera that doubles as a premium webcam is no one-trick pony.” – *Fast Company* (US)

During HERO9 Black's launch, we debuted our strategy to make the GoPro subscription central to our business and customer experience. GoPro subscribers who purchase directly from GoPro.com enjoy far more value than non-subscribers, while generating improved margin and cash flow for our business.



GoPro.com achieved record-breaking net revenue of \$81 million in the third quarter, exceeding our expectations. We also benefited from gains in website engagement and conversion, a result of our continued investment to improve our customers' e-commerce experience.

Since launch, 85% of HERO9 Black unit sales on GoPro.com have been made by new annual subscribers who subscribe at the time of purchase, 10% have been made by *existing* GoPro subscribers, and 5% by non-GoPro subscribers. The 35% sequential surge in GoPro subscribers bodes well for ongoing growth, and we expect to achieve 1 million subscribers in Q2 of 2021, and to approach 2 million subscribers by the end of 2021. To put this in perspective, 2 million subscribers would represent \$100 million of annual recurring revenue at an operating margin of 50%.

Estimated sell-through was up 11% year-over-year to 955,000 units, outperforming our expectations. Our channel partners continue to contribute meaningfully to sell-through even as we grow our direct-to-consumer business.

Additionally, we're excited for a new GoPro app experience that we're rolling out for GoPro users later this year and will extend to smartphone users in Q1 of 2021. This new app experience will be a powerful yet convenient subscription-based solution to a widespread problem that we believe GoPro is uniquely positioned to address.

In summary, our direct-to-consumer and subscription-centric approach is generating improved cash flow and margin while growing a subscription-based revenue stream that we expect will improve our customers' lifetime value and have a positive impact on profitability in 2021.

And now Brian will provide commentary on our financials.



**Brian McGee**

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

My comments will discuss our performance for the third quarter, and our outlook for the fourth quarter of 2020 as well as commentary on 2021.

Revenue of \$280.5 million in the third quarter of 2020, which grew 109% sequentially, reflected strong sales across all geographies and channels. GoPro subscribers grew 35% sequentially, to 501,000. Our operating income was 12% of revenue and we generated nearly \$100 million in operating cash flow. Our performance culminated in GAAP and non-GAAP earnings per share of \$0.02 and \$0.20, respectively. We expect these positive trends to continue into the fourth quarter of 2020.

The following table shows the third quarter guidance provided during our second quarter earnings call on August 6<sup>th</sup> compared to our Q3 2020 results.

**Quarterly Results and Prior Guidance**

	<b>Q3 2020 Results</b>		<b>Q3 2020 Guidance</b>	
Revenue	\$	281 M		\$220 M - \$250 M
GoPro.com revenue as a % of net revenue		29 %		36 % - 40 %
Unit sell-through		955 K		900 K
Street ASP	\$	304	\$	300
Non-GAAP gross margin		36.2 %		35 % +/- 50 bps
Non-GAAP net income per share	\$	0.20		\$0.01 - \$0.07
Cash	\$	147 M	\$	130 M

Turning to the details of our third quarter financial performance, revenue was \$280.5 million. Our GAAP and non-GAAP net income was \$3.3 million and \$31.0 million, respectively, representing a \$54.3 million and \$60.8 million sequential improvement, respectively. GAAP gross margin was 35.4% while non-GAAP gross margin was 36.2%, representing a 510 bps and 460 bps sequential improvement, respectively. Non-GAAP operating expenses were \$68.1 million, representing a year-over-year reduction of 25%, primarily from lower employee related costs and advertising expenses.

Sales in the third quarter exceeded expectations on both GoPro.com and at retail, with sales from GoPro.com at an all-time high at \$81.3 million, representing growth of 37% sequentially and 248% year-over-year. GoPro.com revenue includes all revenue generated from GoPro.com including subscription



and accessory revenue. GoPro.com sales growth reflects our focus on our direct-to-consumer business and our ability to offer outsized value to consumers. GoPro.com represented 29% of total revenue, slightly lower than anticipated as a percentage of revenue due to better than expected retail sales in the third quarter led by strong demand of HERO8 Black and HERO9 Black cameras.

Turning to sales by geography, sales from the U.S. represented 50% of revenue in the third quarter, while EMEA and APAC represented 23% and 21% of revenue, respectively. Sales in EMEA and APAC rebounded in the third quarter as a result of channel inventory reductions in the second quarter.

We sold-in 923,000 units during the third quarter and we sold-through 955,000 units. And we estimate channel inventory declined by nearly 10% sequentially and 45% from the beginning of the year.

Cameras with suggested retail prices above \$300 represented 83% of our revenue in the third quarter. The sales of our higher-end cameras and accessories along with the increase in subscribers resulted in a Street ASP of \$304, an 11% year-over-year increase. Street ASP is defined as total reported revenue divided by camera units shipped.

Turning to the balance sheet, cash flow from operations was nearly \$100 million in the third quarter; a record since becoming a public company in 2014. We ended the third quarter with \$147 million in cash and cash equivalents, which included a \$30 million repayment of our ABL borrowings. Days sales outstanding was 34, a 25% sequential improvement due to our more direct-to-consumer approach. The \$67 million sequential increase in cash and cash equivalents in Q3 was primarily due to the following factors:

- Positive EBITDA of \$39 million
- Working capital improvements of \$66 million
- Repayment of ABL of \$30 million



The following table shows our fourth quarter and full year 2020 guidance.

#### Fourth Quarter 2020 Guidance

	Q4 2020 Guidance	2020 Guidance
Revenue	\$365 M +/- \$10 M	\$900 +/- \$10M
Unit sell-through	1.3 M	3.7 M
Street ASP	\$ 325	> \$300
Non-GAAP gross margin	38.0% +/- 50 bps	36 %
Non-GAAP net income per share	\$0.37 +/- \$0.05	\$0.06 +/- \$0.05

We expect sell-through in the fourth quarter to be approximately 1.3 million units, a 36% sequential increase. Our expectation is that sell-through for full year 2020 will be approximately 3.7 million cameras, at the midpoint of our prior guidance. We expect channel inventory to reduce further in the fourth quarter exiting the year with approximately 550,000 to 600,000 camera units in the channel, or approximately 12 weeks of inventory.

We expect camera mix to favor our higher-end camera offerings, thereby increasing ASPs for the remainder of 2020. Specifically, we expect fourth quarter ASP to be approximately \$325, up 7% sequentially and a 14% increase over the fourth quarter of 2019. In addition, we expect ASP's to continue to trend upward in 2021 over 2020 as revenue increases on gopro.com.

As Nick noted above, we expect to continue to grow our GoPro subscriber base in 2020, exiting the year with more than 700,000 subscribers, or growth of more than 125% year-over-year. And, we expect to achieve 1 million subscribers in Q2 of 2021 and to approach 2 million subscribers by the end of 2021. As we begin to contemplate the impact of this expansion on our model, 2 million subscribers would represent \$100 million of annual recurring revenue at an operating margin of more than 50% as we look ahead to 2022.

We continue to target gross margins in our long-term operating model to be in the 38% to 40% range as a result of new products at higher price points and a higher proportion of revenue and mix generated from gopro.com. For Q4, we believe gross margin will cross into this threshold, in-line with our previous guidance. We continue to believe we can expand gross margin into 2021 over 2020.



We expect 2020 operating expenses to be approximately \$300 million to \$305 million for the year, with fourth quarter operating expenses at approximately \$75 million to \$80 million.

Non-GAAP tax expense is expected to be approximately \$0.7 million. We expect shares outstanding to be approximately 153 million for the quarter.

In closing, we expect to be profitable in 2020 on a non-GAAP basis and to exit the year with more than 700,000 subscribers. We expect operating income in the fourth quarter to be in a range of 15% to 17% of revenue attributable to gross margin expansion combined with lower operating expenses from our direct-to-consumer approach and increases in subscribers. We expect to exit the year with cash of approximately \$225 million.

Thank you for taking the time to read GoPro's Q3 Earnings Report.