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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): August 5, 2021



**GOPRO, INC.**

(Exact name of registrant as specified in its charter)

001-36514

(Commission File No.)

77-0629474

(I.R.S. Employer  
Identification No.)

Delaware  
(State or Other Jurisdiction  
of Incorporation)

3025 Clearview Way, San Mateo, CA 94402

(Address of Principal Executive Offices) (Zip Code)

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

N/A

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

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

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

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

**Title of each class**  
Class A common stock

**Trading Symbol(s)**  
GPRO

**Name of each exchange on which registered**  
NASDAQ Global Select Market

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

Emerging growth company

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

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## Item 2.02 Results of Operations and Financial Condition

On August 5, 2021, GoPro, Inc. (the “Company”) issued a press release to report its financial results for its second quarter ended June 30, 2021.

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 August 5, 2021, the Company held a live audio webcast to discuss its financial results for its second quarter ended June 30, 2021.

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 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="#"><u>99.1</u></a>	Press Release of GoPro, Inc. dated August 5, 2021 to report its financial results for its second quarter ended June 30, 2021.
<a href="#"><u>99.2</u></a>	Management's commentary from Nicholas Woodman, Chief Executive Officer, and Brian McGee, Chief Financial Officer and Chief Operating Officer, dated August 5, 2021 (furnished pursuant to Item 7.01).
<a href="#"><u>104</u></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: August 5, 2021

By: /s/ Brian McGee

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



## GoPro Announces Second Quarter 2021 Results

*Revenue up 86% Year-over-Year to \$250 Million*

*GoPro.com Revenue up 48% Year-over-Year to \$88 Million*

*GoPro Subscribers up 211% Year-over-Year to 1,160,000*

*Profitable on a GAAP and non-GAAP Basis of \$0.10 and \$0.12 per Share*

**SAN MATEO, Calif., August 5, 2021** - GoPro, Inc. (NASDAQ: GPRO) today announced financial results for its second quarter ended June 30, 2021 and posted management commentary on its investor relations website at <https://investor.gopro.com>.

"GoPro's subscription-centric strategy delivered a stellar Q2 with improved margins and 86% year-over-year revenue growth," said Nicholas Woodman, GoPro's founder and CEO. "As a result of this better-than expected momentum, we are increasing our revenue, margin and earnings outlook for the second half and 2021, which is detailed in the management commentary posted on our investor relations website."

"In Q2, strong execution further revealed the benefits of the strategic shifts we've made in our business to a more direct-to-consumer, subscription-centric model," said Brian McGee, GoPro's CFO and COO. "We believe the changes to our business will continue to result in a more predictable and profitable GoPro."

### GoPro Q2 2021 Financial Results

- Revenue for Q2 2021 was \$250 million, compared to \$134 million in Q2 2020, up 86% year-over-year.
- GAAP and non-GAAP gross margin for Q2 2021 was 39.8% and 40.1%, respectively, up 950 and 850 basis points, respectively, year-over-year.
- Q2 2021 GAAP net income was \$17 million, or \$0.10 per share, compared to a net loss of \$51 million or (\$0.34) per share in Q2 2020. Non-GAAP net income was \$20 million, or \$0.12 per share, compared to a net loss of \$30 million, or (\$0.20) per share in Q2 2020. Q2 2021 marked the fourth consecutive quarter of non-GAAP profitability.
- Q2 2021 GAAP and non-GAAP operating expenses were \$90 million and \$79 million, respectively, compared to operating expenses in Q2 2020 of \$86 million and \$69 million, respectively.
- Adjusted EBITDA for Q2 2021 was positive \$25 million, or 10% of revenue, as compared to negative \$22 million in the same period a year ago.

### Recent GoPro Highlights

- Closed Q2 with 1,160,000 GoPro subscribers, up 23% sequentially and 211% year-over-year.
- GoPro.com revenue increased 48% year-over-year to \$88 million in Q2 2021, or 35% of total revenue.
- Camera unit sell-through was approximately 820,000 units in Q2 2021, up more than 10% year-over-year.
- Cameras with retail prices at or above \$300 represented 94% of Q2 2021 camera revenue.
- Q2 2021 Street ASP increased 15% year-over-year to \$345.
- Channel Inventory decreased 15% sequentially and 35% year-over-year to below 500,000 units.
- In June 2021, we announced Open GoPro, an open API initiative that makes it easy for third-party developers to integrate HERO9 Black into their own development efforts, potentially expanding our TAM.
- In July 2021, GoPro released its first Outdoor CEO Diversity Pledge Report.

**Results Summary:**

(\$ in thousands, except per share amounts)	Three months ended June 30,		
	2021	2020	% Change
<b>Revenue</b>	\$ 249,586	\$ 134,246	85.9 %
<b>Gross margin</b>			
GAAP	39.8 %	30.3 %	950 bps
Non-GAAP	40.1 %	31.6 %	850 bps
<b>Operating income (loss)</b>			
GAAP	\$ 9,502	\$ (44,914)	121.2 %
Non-GAAP	\$ 20,724	\$ (26,663)	177.7 %
<b>Net income (loss)</b>			
GAAP	\$ 16,952	\$ (50,975)	133.3 %
Non-GAAP	\$ 19,862	\$ (29,721)	166.8 %
<b>Diluted net income (loss) per share</b>			
GAAP	\$ 0.10	\$ (0.34)	129.4 %
Non-GAAP	\$ 0.12	\$ (0.20)	160.0 %
<b>Adjusted EBITDA</b>	\$ 25,065	\$ (22,367)	212.1 %

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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 (888) 220-8451 or (646) 828-8193, access code 6973840, 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 a chance 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 blog, 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 expansion of our total addressable market through new products and subscription services; increased profitability in 2021 and beyond; overall 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 achieve revenue growth or profitability in the future, and if revenue growth or profitability is achieved, we may not be able to sustain it; our ability to effectively grow our direct-to-consumer and subscription business; 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 plan to profitability depends in part on further penetrating our total addressable market, and we may not be successful in doing so; the fact that sales of our cameras, mounts and accessories for substantially all of our revenue, and any decrease in the sales or change in sales mix of these products could harm our business; the risk that growing our direct-to-consumer and subscription 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 States and

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global economies and our business in particular; any inability to successfully manage product introductions, product transitions, product pricing and marketing; the fact that a small number of retailers and distributors account for a substantial portion of our revenue and our level of business with them could be significantly reduced; 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 which may be impacted due to supply shortages, long lead times for components, and supply changes, any of which could disrupt our supply chain and may increase our costs; 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, 2020, 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 June 30, 2021. 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 June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenue	\$ 249,586	\$ 134,246	\$ 453,266	\$ 253,646
Cost of revenue	150,304	93,554	275,288	174,527
Gross profit	99,282	40,692	177,978	79,119
<b>Operating expenses:</b>				
Research and development	37,800	34,558	70,230	66,839
Sales and marketing	35,670	34,965	71,460	78,467
General and administrative	16,310	16,083	30,298	34,841
Total operating expenses	89,780	85,606	171,988	180,147
Operating income (loss)	9,502	(44,914)	5,990	(101,028)
<b>Other income (expense):</b>				
Interest expense	(5,532)	(4,671)	(11,412)	(9,514)
Other income (expense), net	1,312	(321)	1,755	(493)
Total other expense, net	(4,220)	(4,992)	(9,657)	(10,007)
Income (loss) before income taxes	5,282	(49,906)	(3,667)	(111,035)
Income tax expense (benefit)	(11,670)	1,069	(10,451)	3,468
Net income (loss)	<u>\$ 16,952</u>	<u>\$ (50,975)</u>	<u>\$ 6,784</u>	<u>\$ (114,503)</u>
<b>Net income (loss) per share:</b>				
Basic	<u>\$ 0.11</u>	<u>\$ (0.34)</u>	<u>\$ 0.04</u>	<u>\$ (0.77)</u>
Diluted	<u>\$ 0.10</u>	<u>\$ (0.34)</u>	<u>\$ 0.04</u>	<u>\$ (0.77)</u>
<b>Shares used to compute net income (loss) per share:</b>				
Basic	153,634	148,497	152,911	148,028
Diluted	164,857	148,497	162,455	148,028

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

(in thousands)	June 30, 2021	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 285,806	\$ 325,654
Restricted cash	—	2,000
Marketable securities	32,889	—
Accounts receivable, net	96,471	107,244
Inventory	106,751	97,914
Prepaid expenses and other current assets	28,763	23,872
<b>Total current assets</b>	<b>550,680</b>	<b>556,684</b>
Property and equipment, net	20,519	23,711
Operating lease right-of-use assets	29,114	31,560
Intangible assets, net and goodwill	146,662	147,673
Other long-term assets	10,969	11,771
<b>Total assets</b>	<b>\$ 757,944</b>	<b>\$ 771,399</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 86,076	\$ 111,399
Accrued expenses and other current liabilities	108,018	113,776
Short-term operating lease liabilities	9,126	9,369
Deferred revenue	32,631	28,149
Short-term debt	118,087	—
<b>Total current liabilities</b>	<b>353,938</b>	<b>262,693</b>
Long-term debt	107,680	218,172
Long-term operating lease liabilities	47,609	51,986
Other long-term liabilities	10,552	22,530
<b>Total liabilities</b>	<b>519,779</b>	<b>555,381</b>
Stockholders' equity:		
Common stock and additional paid-in capital	995,510	980,147
Treasury stock, at cost	(113,613)	(113,613)
Accumulated deficit	(643,732)	(650,516)
<b>Total stockholders' equity</b>	<b>238,165</b>	<b>216,018</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 757,944</b>	<b>\$ 771,399</b>

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

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Operating activities:</b>				
Net income (loss)	\$ 16,952	\$ (50,975)	\$ 6,784	\$ (114,503)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization	2,694	4,710	6,228	10,693
Non-cash operating lease cost	1,526	2,123	2,446	4,158
Stock-based compensation	10,029	5,876	18,898	13,513
Deferred income taxes	(7)	47	(9)	53
Non-cash restructuring charges	—	3,299	(99)	3,299
Non-cash interest expense	3,512	2,477	6,945	4,850
Other	(943)	527	(831)	1,199
Net changes in operating assets and liabilities	(10,589)	(11,828)	(42,680)	(35,290)
Net cash provided by (used in) operating activities	23,174	(43,744)	(2,318)	(112,028)
<b>Investing activities:</b>				
Purchases of property and equipment, net	(950)	(1,368)	(2,018)	(2,163)
Purchases of marketable securities	(32,890)	—	(32,890)	—
Maturities of marketable securities	—	7,500	—	14,830
Asset acquisition	—	—	—	(438)
Net cash provided by (used in) investing activities	(33,840)	6,132	(34,908)	12,229
<b>Financing activities:</b>				
Proceeds from issuance of common stock	1,202	22	4,200	1,909
Taxes paid related to net share settlement of equity awards	(1,729)	(351)	(7,975)	(2,354)
Proceeds from borrowings	—	—	—	30,000
Net cash provided by (used in) financing activities	(527)	(329)	(3,775)	29,555
Effect of exchange rate changes on cash, cash equivalents and restricted cash	245	185	(847)	(378)
Net change in cash, cash equivalents and restricted cash	(10,948)	(37,756)	(41,848)	(70,622)
Cash, cash equivalents and restricted cash at beginning of period	296,754	117,435	327,654	150,301
Cash, cash equivalents and restricted cash at end of period	\$ 285,806	\$ 79,679	\$ 285,806	\$ 79,679

## 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 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, including right-of-use asset impairment charges, and the related ongoing operating lease cost of those facilities recorded under Accounting Standards Codification 842, *Leases*. These expenses do not reflect expected future operating expenses and do not contribute to a meaningful evaluation of current operating performance or comparisons to the operating performance in other periods;
  - adjusted EBITDA and non-GAAP net income (loss) exclude stock-based compensation expense related to equity awards granted primarily to our workforce. We exclude stock-based compensation expense because we believe that the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In particular, we note that companies calculate stock-based compensation expense for the variety of award types that they employ using different valuation methodologies and subjective assumptions. These non-cash charges are not factored into our internal evaluation of net income (loss) as we believe their inclusion would hinder our ability to assess core operational performance;
  - adjusted EBITDA and non-GAAP net income (loss) exclude the loss on extinguishment of debt because it is not reflective of ongoing operating results in the period, and such losses vary in the frequency and amount;
  - non-GAAP net income (loss) excludes acquisition-related costs including the amortization of acquired intangible assets (primarily consisting of acquired technology), the impairment of acquired intangible assets (if applicable), as well as third-party transaction costs incurred for legal and other professional services. These costs are not factored into our evaluation of potential acquisitions, or of our performance after completion of the acquisitions, because these costs are not related to our core operating performance or reflective of ongoing operating results in the period, and the frequency and amount of such costs vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the
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businesses being acquired. Although we exclude the amortization of acquired intangible assets from our non-GAAP net income (loss), management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation;

- non-GAAP net income (loss) excludes non-cash interest expense. In connection with the issuance of the Convertible Senior Notes in April 2017 and November 2020, we are required to recognize non-cash interest expense, such as the amortization of debt discounts, in accordance with the authoritative accounting guidance for convertible debt that may be settled in cash;
  - 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 June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>GAAP net income (loss)</b>	\$ 16,952	\$ (50,975)	\$ 6,784	\$ (114,503)
Stock-based compensation:				
Cost of revenue	508	332	937	835
Research and development	4,615	3,063	8,751	6,085
Sales and marketing	2,153	789	4,018	2,506
General and administrative	2,753	1,692	5,192	4,087
Total stock-based compensation	10,029	5,876	18,898	13,513
Acquisition-related costs:				
Cost of revenue	288	1,024	1,011	2,911
Total acquisition-related costs	288	1,024	1,011	2,911
Restructuring and other costs:				
Cost of revenue	49	336	99	332
Research and development	432	2,524	873	2,500
Sales and marketing	279	7,234	478	7,215
General and administrative	145	1,257	288	1,240
Total restructuring and other costs	905	11,351	1,738	11,287
Non-cash interest expense	3,512	2,477	6,945	4,850
Income tax adjustments	(11,824)	526	(10,679)	2,608
<b>Non-GAAP net income (loss)</b>	\$ 19,862	\$ (29,721)	\$ 24,697	\$ (79,334)
<b>GAAP shares for diluted net income (loss) per share</b>	164,857	148,497	162,455	148,028
<b>Non-GAAP shares for diluted net income (loss) per share</b>	164,857	148,497	162,455	148,028
<b>GAAP diluted net income (loss) per share</b>	\$ 0.10	\$ (0.34)	\$ 0.04	\$ (0.77)
<b>Non-GAAP diluted net income (loss) per share</b>	\$ 0.12	\$ (0.20)	\$ 0.15	\$ (0.54)

(dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>GAAP gross profit as a % of revenue</b>	39.8 %	30.3 %	39.3 %	31.2 %
Stock-based compensation	0.2	0.2	0.2	0.3
Acquisition-related costs	0.1	0.8	0.2	1.2
Restructuring and other costs	—	0.3	—	0.1
<b>Non-GAAP gross profit as a % of revenue</b>	<b>40.1 %</b>	<b>31.6 %</b>	<b>39.7 %</b>	<b>32.8 %</b>
<b>GAAP operating expenses</b>	\$ 89,780	\$ 85,606	\$ 171,988	\$ 180,147
Stock-based compensation	(9,521)	(5,544)	(17,961)	(12,678)
Restructuring and other costs	(856)	(11,015)	(1,639)	(10,955)
<b>Non-GAAP operating expenses</b>	<b>\$ 79,403</b>	<b>\$ 69,047</b>	<b>\$ 152,388</b>	<b>\$ 156,514</b>
<b>GAAP operating income (loss)</b>	\$ 9,502	\$ (44,914)	\$ 5,990	\$ (101,028)
Stock-based compensation	10,029	5,876	18,898	13,513
Acquisition-related costs	288	1,024	1,011	2,911
Restructuring and other costs	905	11,351	1,738	11,287
<b>Non-GAAP operating income (loss)</b>	<b>\$ 20,724</b>	<b>\$ (26,663)</b>	<b>\$ 27,637</b>	<b>\$ (73,317)</b>

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>GAAP net income (loss)</b>	\$ 16,952	\$ (50,975)	\$ 6,784	\$ (114,503)
Income tax expense	(11,670)	1,069	(10,451)	3,468
Interest expense, net	5,484	4,629	11,280	9,310
Depreciation and amortization	2,694	4,711	6,228	10,693
POP display amortization	671	972	1,308	2,509
Stock-based compensation	10,029	5,876	18,898	13,513
Restructuring and other costs	905	11,351	1,738	11,287
<b>Adjusted EBITDA</b>	<b>\$ 25,065</b>	<b>\$ (22,367)</b>	<b>\$ 35,785</b>	<b>\$ (63,723)</b>

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August 5th, 2021  
**GoPro, Inc. (NASDAQ: GPRO)**  
Management Commentary  
Q2 2021 Earnings Call

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**Christopher Clark**

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

Enclosed is GoPro's second quarter 2021 earnings report. Following this brief introduction is management commentary from GoPro CEO, Nicholas Woodman, and CFO and COO, Brian McGee. This commentary may include forward-looking statements. Forward-looking statements and all other statements that are not historical facts are not guarantees of future performance and are subject to a number of risks and uncertainties which may cause actual results to differ materially. Additionally, any forward-looking statements made today are based on assumptions as of today, including but not limited to uncertainty related to the duration and impact of the COVID-19 pandemic. 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, 2020 which is on file with the Securities and Exchange Commission ("SEC") and in 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, EBITDA 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 second quarter of 2021. 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.*

Thank you for reading GoPro's Q2 2021 earnings report.

GoPro had a very strong Q2, our fourth consecutive profitable quarter on a non-GAAP basis. We continued to grow revenue, improve margins, and increase cash thanks to our expanding direct-to-consumer and subscription businesses. Q2 also benefitted from our strong retail relationships which drove substantial unit sales as the world continues to find its way through the pandemic. As a result of this better-than-expected momentum, we are raising our revenue, margin, and earnings outlook for the second half and 2021.

Camera unit sell-through during the quarter grew more than 10% year-over-year, exceeding 800,000 units. This drove channel inventories down 15% sequentially to below 500,000 units, an important achievement – channel inventory has been a headwind since the beginning of 2020 and our expectation is that it now becomes a tailwind as we expect sell-in and sell-through to be more balanced going forward.

Revenue in the second quarter increased 86% year-over-year to \$250 million. Direct-to-consumer revenue from GoPro.com totaled \$88 million, up 48% year-over-year and up 7% sequentially.

GoPro was profitable on both a GAAP and non-GAAP basis in the second quarter generating EPS of \$0.10 and \$0.12, respectively. Margins increased to 40% and operating profits improved by \$47 million year-over-year.

Street ASPs rose to \$345, up 15% year-over-year thanks in large part to GoPro subscription revenue and the subscription's effectiveness at driving higher-end camera sales and promoting strong accessory attach at the time of purchase.

Our GoPro Subscription business continues to impress as we have added nearly 800,000 new subscribers from a year ago, ending the quarter at 1.16 million, up 211% year-over-year and up 23% sequentially. Q2 GoPro Subscription revenue grew more than 143% year-over-year to \$12 million. Subscription attach-to-camera-purchase at GoPro.com continues to be in the 90% range and annual subscriber renewal rates continue to be very strong. We also saw improved GoPro Subscription attach rates via the Quik app with customers who originally purchased their camera at retail.

We surpassed 1 million GoPro subscribers during Q2 2021 and expect to exceed 1.7 million subscribers by year end, approaching the 2 million subscriber milestone. We expect annual recurring subscription revenue at the start of 2022 to be approximately \$90 million with 70% to 80% margins.



In March we launched our new Quik app-based subscription aimed at helping you keep track of your favorite phone-based photos and videos coupled with simple yet powerful editing tools to help you get the most out of those images. While it's still early days, we are excited to share that as of this report we have exceeded 100,000 paying Quik subscribers – which we reached in nearly half the time it took us to achieve the same number of GoPro subscribers.

Quik users are providing our app development team with meaningful feedback that's influencing regular user-driven updates to the Quik experience. We believe this will enable us to ramp Quik's subscriber growth rate, ultimately leading to an expanded TAM and meaningful bottom-line contributions to GoPro over time.

Another new initiative we launched in Q2 was our API effort, Open GoPro, which enables third parties to integrate HERO9 Black into their own solutions and products. Already we're seeing examples like integrating GoPro into a sports broadcasting platform, controlling a HERO9 through smart watches, and GoPro controls embedded into vehicle dashboard screens. We believe Open GoPro increases the utility of our cameras in a potentially TAM-expanding way.

Our Q2 results reflect not only the strength of our strategy but also the strength of our people. We've taken an increasingly employee-first approach over the last few years, and this hit overdrive during the pandemic to the benefit of our employees and our business. Thus far in 2021, we have seen a meaningful drop in employee turnover, an increase in employee engagement, and we continue to attract top talent for open positions. By embracing a flexible work culture that champions our employees' desire to live and work from wherever they feel most productive, we've been able to thrive over the past year-and-a-half. We're excited to continue supporting our employees in their pursuit of the ultimate life-work balance – an approach we've seen consistently yield strong business results.

Another meaningful update focuses on our diversity, equity, inclusion and belonging initiatives. In December of 2020, I signed the In Solidarity Project's Outdoor CEO Diversity Pledge to express our commitment to creating a more inclusive and diverse GoPro and to increase our positive social impact. The Pledge provides a framework to help us establish meaningful goals and hold ourselves accountable. We recently completed our first Pledge Report and I encourage you to read it at our blog, The Inside Line, at [GoPro.com/news](https://www.gopro.com/news).

As we approach Fall and the launch of new products that will be sure to 'wow', I want to note that GoPro will continue to eliminate plastic from our packaging as we did with HERO9 Black. This Fall, we plan to transition all newly produced camera and accessory packaging to be plastic-free. We are also working with our supply chain partners to reduce or eliminate plastic from their GoPro-related processes as well. We are passionate about reducing our environmental impact and greatly appreciate our customers' support as we make this transition into a more responsible GoPro.



So there you have it. We had a great quarter and we're excited about our outlook as Brian will now cover.

**Brian McGee**

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

We had strong financial performance during the second quarter of 2021, as revenue grew 86% year-over-year to \$250 million, and gross margins expanded nicely to 40.1%, compared to 31.6% a year ago. As a result, we were profitable on a GAAP and non-GAAP basis with EPS of \$0.10 and \$0.12, respectively. Additionally, I'll note that from a trailing twelve-month (TTM) standpoint, we were profitable on both a GAAP and non-GAAP basis. And adjusted EBITDA on a TTM basis was \$143M, or 13% of revenue.

Globally, revenue increased year-over-year across all geographies, with Americas up 77%, EMEA up 75% and APAC up 150%. Subscription revenue in Q2 was our highest ever at \$12 million, representing approximately 5% of revenue, which was driven by the 211% year-over-year growth of GoPro subscribers which totaled 1.16 million. In addition, the Quik app subscription began contributing to revenue in the second quarter.

In the second quarter of 2021, revenue increased in both our retail channel and GoPro.com by 116% and 48%, respectively, year-over-year. Retail was aided by the COVID-19 vaccination rollout and the corresponding retail recovery as store traffic accelerated, particularly in the U.S. and Europe.

Revenue from GoPro.com increased 48% year-over-year to \$88 million in the second quarter. GoPro.com represented 35% of revenue in the quarter. This compares to 44% in the prior year when global COVID lockdowns drove traffic from shuttered brick and mortar retailers to our GoPro.com storefront. As a reminder, GoPro.com revenue includes all revenue generated from GoPro.com including camera, accessory, and subscription and services revenue.

The following table shows the second quarter guidance provided during our first quarter earnings call on May 6th compared to our Q2 2021 results.



## Quarterly Results and Prior Guidance

	Q2 2021 Results	Q2 2021 Guidance
Revenue	\$250 M	\$230 +/- \$10M
Unit sell-through	820 K	800 K - 850 K
Street ASP	\$345	\$330
Non-GAAP gross margin	40.1 %	38.0% +/- 50bps
Non-GAAP net income per share	\$0.12	\$0.04 +/- \$0.01

Turning to the details of our second quarter financial performance, cameras with suggested retail prices at \$300 and above represented 94% of revenue. The gross margin percentage was 40.1% in the second quarter of 2021, up from 31.6% a year ago. The Q2 2021 improvements in gross margin percentage were a result of a 15% increase in ASPs to \$345 which was due to stronger high-end unit sales and price points, growth in high-margin subscription revenue, increased revenue from GoPro.com and operational improvements in logistics and supply chain. GAAP net income of \$17 million in the second quarter of 2021 also benefited from these improvements as well as a GAAP tax benefit of \$14 million. Street ASP is defined as total reported revenue divided by camera units shipped.

In the second quarter of 2021, operating expenses increased to \$79 million compared to \$69 million in the same period in 2020. As a reminder, in the second quarter of 2020 with the onset of COVID-19 we prudently trimmed operating expenses. The increase in operating expenses was primarily driven by bonus expenses in 2021 compared to none in 2020, as well as increased advertising to drive demand generation. Our strong quarterly revenue results and the effective management of our operating expenses resulted in positive adjusted EBITDA of \$25 million, which represents 10% of revenue. The year-over-year improvement in EBITDA was \$47 million.

We sold 724,000 units during the second quarter and sold-through approximately 820,000 units. Sell-through was attributable to easing COVID-related restrictions in the U.S. and European markets. As a result, channel inventory decreased approximately 15% and 35% sequentially and year-over-year to below 500,000 units. As Nick mentioned, channel inventory has been a headwind since the beginning of 2020 and our expectation is that it now becomes a tailwind as we expect sell-in and sell-through to be more balanced going forward.



Turning to the balance sheet, we ended the quarter with \$319 million in cash and investments, or a \$22 million sequential increase that was primarily driven by profits; specifically, adjusted EBITDA of positive \$25 million, partially offset by working capital changes and other charges of \$3 million.

Looking ahead, the following table shows our guidance for the third quarter of 2021.

### Third Quarter 2021 Guidance

	Q3 2021 Guidance
Revenue	\$290M +/- \$5M
Unit sell-through	775 K - 825 K
Street ASP	\$350
Non-GAAP gross margin	40% +/- 50bps
Non-GAAP net income per share	\$0.19 +/- \$0.02

We expect third quarter revenue to grow approximately 3% over the third quarter of 2020 at the midpoint of guidance. We are competing against July/August 2020 enthusiasm where markets prematurely opened up across North America and Europe. We also expect third quarter Street ASP to be approximately \$350, up 15% year-over-year. In addition, we continue to expect Street ASP to trend upward in Q4 2021 as well as into 2022. For 2021, the trends impacting ASPs are a result of several factors including:

- Camera mix continues to favor our higher-end offerings;
- GoPro.com revenue growth;
- Higher sales of accessory and lifestyle products; and,
- Higher subscribers and subscription revenue.

Our guidance implies that units sold will be down approximately 10% year-over-year to between 800,000 to 850,000 units. We believe that there is solid demand for our cameras at all price points; however, due to supply constraints and component price increases, we are prioritizing the production of our premium camera products. As a result, volumes for our lower end cameras will be down significantly year-over-year. These factors, along with higher direct-to-consumer revenue and higher subscription revenue, are expected to improve margins to 40%. Channel inventories are expected to exit the third quarter flat, sequentially.

We expect cash to increase as much as 20% sequentially over Q2 2021 and to be in a range of \$340 to \$380 million at the end of Q3, primarily driven by positive EBITDA and working capital.



As we look ahead to the rest of 2021 and peer into 2022, we offer the following commentary:

We expect revenue from GoPro.com in 2021 to grow as a percentage of our overall revenue, and we are maintaining our anticipated range of 40% to 45% of the mix for the year. This would result in more than 50% revenue growth year-over-year from our direct-to-consumer channel. We expect Q3 to be below 40% of the mix and Q4 to be at the high-end of the range. We expect subscription revenue to be between \$50 to \$60 million in 2021, or approximately 5% of total revenue.

With the combination of our significantly improved channel inventory position exiting 2020, along with the above operating metrics, we are raising 2021 revenue growth to a range of 25% to 30% over 2020 versus our previously stated growth range of 20% to 25%.

We are improving gross margins to 40% +/- 50bp for Q3 2021 and 2021 as a result of an increasing mix of products at the high-end, continued revenue growth from GoPro.com and growth of high-margin subscription revenue. Based on the trends and strategy we are seeing play out in 2021 and current visibility, we believe we can maintain a similar margin profile in 2022.

As a result of increases in revenue, we expect 2021 operating expenses to increase slightly from prior guidance and be in a range of \$325 million to \$330 million, with third quarter operating expenses of just over \$80 million. The increase in operating expenses is due to higher direct-to-consumer sales, expected increases in advertising, and higher employee related expenses. We will continue to invest in our direct-to-consumer business and product innovation while continuing to improve efficiency in all areas of our business.

Non-GAAP tax expense in 2021 is expected to be approximately \$1.8 million, a level we believe continues for 2022. We expect shares outstanding to be approximately 166 million for the third quarter and the year based on our current stock price.



In closing, we are increasing our revenue, gross margin and earnings per share outlook for 2021 as we continue to deliver strong execution and benefit from the strategic shifts in our business to a more direct-to-consumer, subscription-centric model. We continue to expect to exit the year with a substantial year-over-year increase in cash, ending with cash in a range of \$470 to \$500 million. As we look ahead to 2022, we believe the changes to our business will continue to result in a more predictable and profitable GoPro.

Thank you.