
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 3, 2023



GOPRO, INC.

(Exact name of registrant as specified in its charter)

001-36514

(Commission File No.)

Delaware
(State or Other Jurisdiction
of Incorporation)

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

3025 Clearview Way, San Mateo, CA 94402

(Address of Principal Executive Offices) (Zip Code)

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

N/A

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

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

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

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

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

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

Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition.

On August 3, 2023, GoPro, Inc. (the “Company”) issued a press release to report its financial results for its second quarter ended June 30, 2023.

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

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

Item 7.01. Regulation FD Disclosure.

On August 3, 2023, the Company held a live audio webcast to discuss its financial results for its second quarter ended June 30, 2023.

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

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

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description of Document
99.1	Press Release of GoPro, Inc. dated August 3, 2023 to report its financial results for its second quarter ended June 30, 2023.
99.2	Management’s commentary from Nicholas Woodman, Chief Executive Officer, and Brian McGee, Chief Financial Officer and Chief Operating Officer, dated August 3, 2023 (furnished pursuant to Item 7.01).
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

SIGNATURE

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

GoPro, Inc.
(Registrant)

Dated: August 3, 2023

By: /s/ Brian McGee

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



GoPro Announces Second Quarter 2023 Results

Revenue of \$241 million was 10% Above Guidance

GoPro Subscribers Grew 27% Year-over-Year to 2.44 million, Exceeding Expectations

Subscription and Service Revenue was \$24 million or 10% of Revenue, up 21% Year-over-Year

SAN MATEO, Calif., August 3, 2023 - GoPro, Inc. (NASDAQ: GPRO) today announced financial results for its second quarter ended June 30, 2023 and posted management commentary, including forward-looking guidance, in the investor relations section of its website at <https://investor.gopro.com>.

"In Q2, GoPro saw an immediate retail sales and GoPro subscription lift as a result of our mid-quarter go-to-market strategy shift that included a return to pre-pandemic pricing and a greater emphasis on retail sales," said Nicholas Woodman, GoPro's founder and CEO. "We exceeded our Q2 expectations for unit sales, revenue and subscriber growth, all positive indicators that our strategy shift is working."

"In the second quarter, we repurchased \$15 million of stock and improved working capital as we reduced inventory," said Brian McGee, GoPro's CFO and COO.

For details on GoPro's Q2 performance and outlook for Q3 and the rest of the year, please see the management commentary referenced above and posted in the investor relations section of our website at <https://investor.gopro.com>.

Q2 2023 Financial Results

- Revenue was \$241 million, 10% above guidance and down 4% year-over-year.
 - GoPro subscriber count ended Q2 at approximately 2.44 million, up 27% year-over-year.
 - Revenue from the retail channel was \$165 million, up 6% year-over-year. GoPro.com revenue, including subscription and service revenue, was \$76 million, or 31% of total revenue and down 21% year-over-year.
 - Subscription and service revenue increased 21% year-over-year to \$24 million.
 - Attach rate via our mobile app from cameras purchased at retail exceeded 40% in the quarter, up from approximately 33% a year ago, an improvement of approximately 25%, year-over-year.
 - GAAP net loss was \$17 million, or negative \$0.11 per share, down from net income of \$3 million or \$0.02 per share in the prior year period. Non-GAAP net loss was \$11 million, or negative \$0.07 per share, down from non-GAAP net income of \$13 million, or \$0.08 per share, in the prior year period.
 - GAAP and non-GAAP gross margin was 31.4% and 31.6%, respectively, which reflects \$11 million of price protection charges related to our new pricing strategy, as well as the strength of our lower margin entry-level cameras. This compares to GAAP and non-GAAP gross margin of 38.3% and 38.5%, respectively, in the prior year period.
 - Adjusted EBITDA was negative \$10 million. This compares to positive \$17 million in the prior year period. The difference primarily reflects \$11 million of price protection charges related to our new pricing strategy, as well as the strength of our lower margin entry-level cameras.
 - Cameras with retail prices at or above \$400 represented 75% of Q2 2023 camera revenue. Entry level products increased dramatically, accounting for 25% of camera revenue without cannibalizing premium cameras.
 - Q2 2023 Street ASP was \$342, a 13% decrease year-over-year.
 - Days' sales outstanding was 31 days, down compared to the prior year period of 32 days.
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Recent Business Highlights

- In Q2 2023, GoPro bought back \$15 million in stock, and we plan to continue executing on our stock repurchase plan in 2023.
- In Q2 2023, GoPro initiated a go-to-market strategy that includes [restoring pricing](#) of GoPro cameras to lower, pre-pandemic levels.
- In July 2023, GoPro published its [2023 Sustainability Snapshot](#), which outlines our commitment to understanding and reducing our carbon footprint, supporting employees and the GoPro community, and maintaining our corporate values. The 2023 Sustainability Snapshot is a follow-up to GoPro's inaugural [Sustainability Report](#) published in November 2022.
- Earlier this year, GoPro was awarded Mental Health Program of the Year by [Transform.us](#), recognizing the company with the most holistic, progressive and positive approach to supporting employee mental health.
- Earlier this year, GoPro surpassed 2,000 patents worldwide, and was included for the 5th consecutive year on the Intellectual Property Owners Association's "Top 300 Organizations Granted U.S. Patents in 2022" report.

Results Summary:

(\$ in thousands, except per share amounts)	Three months ended June 30,		
	2023	2022	% Change
Revenue	\$ 241,020	\$ 250,685	(3.9)%
Gross margin			
GAAP	31.4 %	38.3 %	(690) bps
Non-GAAP	31.6 %	38.5 %	(690) bps
Operating income (loss)			
GAAP	\$ (22,494)	\$ 4,655	(583.2)%
Non-GAAP	\$ (12,092)	\$ 14,990	(180.7)%
Net income (loss)			
GAAP	\$ (17,212)	\$ 2,519	(783.3)%
Non-GAAP	\$ (11,291)	\$ 12,790	(188.3)%
Diluted net income (loss) per share			
GAAP	\$ (0.11)	\$ 0.02	(650.0)%
Non-GAAP	\$ (0.07)	\$ 0.08	(187.5)%
Adjusted EBITDA	\$ (10,290)	\$ 16,891	(160.9)%

Conference Call

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

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

To listen to the live conference call, please call +1 833-470-1428 (US) or +1 404-975-4839 (International) and enter access code 154237, approximately 15 minutes prior to the start of the call. A live webcast of the conference call will be accessible on the "Events & Presentations" section of the Company's website at <https://investor.gopro.com>. A recording of the webcast will be available on GoPro's website, <https://investor.gopro.com>, from approximately two hours after the call through October 26, 2023.

About GoPro, Inc. (NASDAQ: GPRO)

Founded in 2002, GoPro helps the world to capture and share itself in immersive and exciting ways.

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

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

GoPro's Use of Social Media

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

Note Regarding Use of Non-GAAP Financial Measures

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

Note on Forward-looking Statements

This press release may contain projections or other forward-looking statements within the meaning Section 27A of the Private Securities Litigation Reform Act. Words such as "anticipate," "believe," "estimate," "expect," "intend," "should," "will" and variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. Forward-looking statements in this press release may include but are not limited to statements regarding our expectations for profitability and subscription growth; product pricing strategy, expanded distribution and overall consumer demand for our products. These statements involve risks and uncertainties, and actual events or results may differ materially. Among the important factors that could cause actual results to differ materially from those in the forward-looking statements include the inability to achieve our revenue growth or profitability in the future, and if revenue growth or profitability is achieved, we may not be able to sustain it; the fact that an economic downturn or economic uncertainty in our key U.S. and international markets, inflation, volatility in the global banking system, and fluctuations in interest rates or currency exchange rates may adversely affect consumer discretionary spending and demand for our products; the fact that our goal to grow revenue and be profitable relies upon our ability to grow sales from our direct-to-consumer business and our retail partners and distributors; our ability to acquire and retain subscribers; our reliance on third-party suppliers, some of which are sole-source suppliers, to provide services and components for our products which may be impacted due to supply shortages, long lead times or other service disruptions and may lead to increased costs due to the effects of global conflicts and geopolitical issues such as the conflict in Ukraine or China-Taiwan relations, inflation or the negative

impact on exchange rates; our ability to maintain the value and reputation of our brand and protect our intellectual property and proprietary rights; the risk that our sales fall below our forecasts, especially during the holiday season; the risk we fail to manage our operating expenses effectively, and may result in our financial performance suffering the fact that our continued profitability depends in part on further penetrating our total addressable market, and we may not be successful in doing so; the fact that we rely on sales of our cameras, mounts and accessories for substantially all of our revenue, and any decrease in the sales or change in sales mix of these products could harm our business; the risk that we may not successfully manage product introductions, product transitions, product pricing and marketing; the fact that a small number of retailers and distributors account for a substantial portion of our revenue and our level of business with them could be significantly reduced; our ability to attract, engage and retain qualified personnel; any changes to trade agreements, trade policies, tariffs, and import/export regulations; the effects of the highly competitive market in which we operate, including new market entrants; the fact that we may experience fluctuating revenue, expenses and profitability in the future; risks related to inventory, purchase commitments and long-lived assets; ; the risk that we will encounter problems with our distribution system; the threat of a security breach or other disruption including cyberattacks; the concern that our intellectual property and proprietary rights may not adequately protect our products and services; the continuing impact of the COVID-19 pandemic and the effects of global conflicts and geopolitical issues such as the conflict in Ukraine or China-Taiwan relations and its effects on the United States and global economies and our business in particular; and other factors detailed in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2022, which is on file with the Securities and Exchange Commission (SEC), and as updated in filings with the SEC. These forward-looking statements speak only as of the date hereof or as of the date otherwise stated herein. GoPro disclaims any obligation to update these forward-looking statements.

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

(in thousands, except per share data)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenue	\$ 241,020	\$ 250,685	\$ 415,740	\$ 467,390
Cost of revenue	165,248	154,681	287,466	280,910
Gross profit	75,772	96,004	128,274	186,480
Operating expenses:				
Research and development	41,903	36,218	80,088	67,816
Sales and marketing	39,906	39,439	77,961	74,812
General and administrative	16,457	15,692	32,533	31,035
Total operating expenses	98,266	91,349	190,582	173,663
Operating income (loss)	(22,494)	4,655	(62,308)	12,817
Other income (expense):				
Interest expense	(1,139)	(1,538)	(2,292)	(3,747)
Other income (expense), net	2,423	(488)	5,268	(807)
Total other income (expense), net	1,284	(2,026)	2,976	(4,554)
Income (loss) before income taxes	(21,210)	2,629	(59,332)	8,263
Income tax expense (benefit)	(3,998)	110	(12,251)	59
Net income (loss)	\$ (17,212)	\$ 2,519	\$ (47,081)	\$ 8,204
Net income (loss) per share:				
Basic	\$ (0.11)	\$ 0.02	\$ (0.30)	\$ 0.05
Diluted	\$ (0.11)	\$ 0.02	\$ (0.30)	\$ 0.06
Shares used to compute net income (loss) per share:				
Basic	154,562	156,645	154,980	156,751
Diluted	154,562	176,860	154,980	183,170

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

(in thousands)	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 189,913	\$ 223,735
Marketable securities	81,793	143,602
Accounts receivable, net	82,341	77,008
Inventory	135,409	127,131
Prepaid expenses and other current assets	33,738	34,551
Total current assets	523,194	606,027
Property and equipment, net	10,516	13,327
Operating lease right-of-use assets	19,691	21,819
Goodwill	146,459	146,459
Other long-term assets	309,237	289,293
Total assets	\$ 1,009,097	\$ 1,076,925
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 95,082	\$ 91,648
Accrued expenses and other current liabilities	100,142	118,877
Short-term operating lease liabilities	10,130	9,553
Deferred revenue	54,369	55,850
Total current liabilities	259,723	275,928
Long-term taxes payable	11,586	9,536
Long-term debt	141,493	141,017
Long-term operating lease liabilities	29,156	33,446
Other long-term liabilities	3,660	5,439
Total liabilities	445,618	465,366
Stockholders' equity:		
Common stock and additional paid-in capital	979,904	960,903
Treasury stock, at cost	(173,231)	(153,231)
Accumulated deficit	(243,194)	(196,113)
Total stockholders' equity	563,479	611,559
Total liabilities and stockholders' equity	\$ 1,009,097	\$ 1,076,925

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

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Operating activities:				
Net income (loss)	\$ (17,212)	\$ 2,519	\$ (47,081)	\$ 8,204
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,748	2,253	3,557	4,555
Non-cash operating lease cost	645	630	2,128	2,308
Stock-based compensation	11,117	10,251	21,431	20,087
Deferred income taxes	(6,152)	(534)	(16,073)	2,397
Other	(667)	1,012	(1,993)	2,016
Net changes in operating assets and liabilities	2,669	(3,275)	(36,923)	(100,118)
Net cash provided by (used in) operating activities	(7,852)	12,856	(74,954)	(60,551)
Investing activities:				
Purchases of property and equipment, net	(478)	(774)	(961)	(1,294)
Purchases of marketable securities	—	(23,966)	(25,782)	(47,077)
Maturities of marketable securities	56,204	49,249	90,204	65,149
Net cash provided by investing activities	55,726	24,509	63,461	16,778
Financing activities:				
Proceeds from issuance of common stock	—	87	2,324	2,686
Taxes paid related to net share settlement of equity awards	(583)	(1,313)	(4,834)	(8,488)
Repurchase of outstanding common stock	(15,000)	(11,762)	(20,000)	(21,762)
Repayment of borrowings	—	(125,000)	—	(125,000)
Net cash used in financing activities	(15,583)	(137,988)	(22,510)	(152,564)
Effect of exchange rate changes on cash and cash equivalents	(204)	(1,417)	181	(1,471)
Net change in cash and cash equivalents	32,087	(102,040)	(33,822)	(197,808)
Cash and cash equivalents at beginning of period	157,826	305,319	223,735	401,087
Cash and cash equivalents at end of period	\$ 189,913	\$ 203,279	\$ 189,913	\$ 203,279

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, manufacturing consolidation charges, facilities consolidation charges recorded in connection with restructuring actions, including right-of-use asset impairment charges, and the related ongoing operating lease cost of those facilities recorded under ASC 842, *Leases*. These expenses do not reflect expected future operating expenses and do not contribute to a meaningful evaluation of current operating performance or comparisons to the operating performance in other periods;
 - adjusted EBITDA and non-GAAP net income (loss) exclude stock-based compensation expense related to equity awards granted primarily to our workforce. We exclude stock-based compensation expense because we believe that the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In particular, we note that companies calculate stock-based compensation expense for the variety of award types that they employ using different valuation methodologies and subjective assumptions. These non-cash charges are not factored into our internal evaluation of net income (loss) as we believe their inclusion would hinder our ability to assess core operational performance;
 - non-GAAP net income (loss) excludes acquisition-related costs including the amortization of acquired intangible assets (primarily consisting of acquired technology), the impairment of acquired intangible assets (if applicable), as well as third-party transaction costs incurred for legal and other professional services. These costs are not factored into our evaluation of potential acquisitions, or of our performance after completion of the acquisitions, because these costs are not related to our core operating performance or reflective of ongoing operating results in the period, and the frequency and amount of such costs vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the businesses being acquired. Although we exclude the amortization of acquired intangible assets from our non-GAAP net income (loss), management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation;
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- non-GAAP net income (loss) includes income tax adjustments. We utilize a cash-based non-GAAP tax expense approach (based upon expected annual cash payments for income taxes) for evaluating operating performance as well as for planning and forecasting purposes. This non-GAAP tax approach eliminates the effects of period specific items, which can vary in size and frequency and does not necessarily reflect our long-term operations. Historically, we computed a non-GAAP tax rate based on non-GAAP pre-tax income on a quarterly basis, which considered the income tax effects of the adjustments above;
 - GAAP and non-GAAP net income (loss) per share includes the dilutive, tax effected cash interest expense associated with our 2022 Notes and 2025 Notes in periods of net income, as if converted at the beginning of the period in connection with the adoption of ASU 2020-06 on January 1, 2022; and
 - other companies may calculate these non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.
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GoPro, Inc.
Reconciliation of Preliminary GAAP to Non-GAAP Financial Measures
(unaudited)

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

(in thousands, except per share data)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
GAAP net income (loss)	\$ (17,212)	\$ 2,519	\$ (47,081)	\$ 8,204
Stock-based compensation:				
Cost of revenue	530	483	996	930
Research and development	4,922	4,405	9,668	8,563
Sales and marketing	2,359	2,229	4,537	4,352
General and administrative	3,306	3,134	6,230	6,242
Total stock-based compensation	11,117	10,251	21,431	20,087
Acquisition-related costs:				
Cost of revenue	—	—	—	47
Total acquisition-related costs	—	—	—	47
Restructuring and other costs:				
Cost of revenue	(211)	4	(225)	9
Research and development	(280)	43	(415)	82
Sales and marketing	(149)	24	(224)	46
General and administrative	(75)	13	(112)	26
Total restructuring and other costs	(715)	84	(976)	163
Income tax adjustments	(4,481)	(64)	(13,242)	(515)
Non-GAAP net income (loss)	\$ (11,291)	\$ 12,790	\$ (39,868)	\$ 27,986
GAAP net income (loss) - basic	\$ (17,212)	\$ 2,519	\$ (47,081)	\$ 8,204
Add: Interest on convertible notes, tax effected	—	715	—	2,236
GAAP net income (loss) - diluted	\$ (17,212)	\$ 3,234	\$ (47,081)	\$ 10,440
Non-GAAP net income (loss) - basic	\$ (11,291)	\$ 12,790	\$ (39,868)	\$ 27,986
Add: Interest on convertible notes, tax effected	—	715	—	2,236
Non-GAAP net income (loss) - diluted	\$ (11,291)	\$ 13,505	\$ (39,868)	\$ 30,222
GAAP and non-GAAP shares for diluted net income (loss) per share	154,562	176,860	154,980	183,170
GAAP diluted net income (loss) per share	\$ (0.11)	\$ 0.02	\$ (0.30)	\$ 0.06
Non-GAAP diluted net income (loss) per share	\$ (0.07)	\$ 0.08	\$ (0.26)	\$ 0.16

(dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
GAAP gross margin as a % of revenue	31.4 %	38.3 %	30.9 %	39.9 %
Stock-based compensation	0.3	0.2	0.2	0.2
Restructuring and other costs	(0.1)	—	(0.1)	—
Non-GAAP gross margin as a % of revenue	<u>31.6 %</u>	<u>38.5 %</u>	<u>31.0 %</u>	<u>40.1 %</u>
GAAP operating expenses	\$ 98,266	\$ 91,349	\$ 190,582	\$ 173,663
Stock-based compensation	(10,587)	(9,768)	(20,435)	(19,157)
Restructuring and other costs	504	(80)	751	(154)
Non-GAAP operating expenses	<u>\$ 88,183</u>	<u>\$ 81,501</u>	<u>\$ 170,898</u>	<u>\$ 154,352</u>
GAAP operating income (loss)	\$ (22,494)	\$ 4,655	\$ (62,308)	\$ 12,817
Stock-based compensation	11,117	10,251	21,431	20,087
Acquisition-related costs	—	—	—	47
Restructuring and other costs	(715)	84	(976)	163
Non-GAAP operating income (loss)	<u>\$ (12,092)</u>	<u>\$ 14,990</u>	<u>\$ (41,853)</u>	<u>\$ 33,114</u>

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
GAAP net income (loss)	\$ (17,212)	\$ 2,519	\$ (47,081)	\$ 8,204
Income tax expense (benefit)	(3,998)	110	(12,251)	59
Interest (income) expense, net	(1,635)	1,244	(3,318)	3,355
Depreciation and amortization	1,748	2,253	3,557	4,555
POP display amortization	405	430	822	1,117
Stock-based compensation	11,117	10,251	21,431	20,087
Restructuring and other costs	(715)	84	(976)	163
Adjusted EBITDA	<u>\$ (10,290)</u>	<u>\$ 16,891</u>	<u>\$ (37,816)</u>	<u>\$ 37,540</u>

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August 3rd, 2023
GoPro, Inc. (NASDAQ: GPRO)
Management Commentary
Q2 2023 Earnings Call

Christopher Clark

Vice President, Corporate Communications, GoPro, Inc.

Enclosed is GoPro's second quarter 2023 earnings report. Following this brief introduction is management commentary from GoPro's CEO, Nicholas Woodman, and CFO and COO, Brian McGee. This commentary may include forward-looking statements. Forward-looking statements and all other statements that are not historical facts are not guarantees of future performance and are subject to a number of risks and uncertainties which may cause actual results to differ materially. Additionally, any forward-looking statements made today are based on assumptions as of today. This means that results could change at any time and we do not undertake any obligation to update these statements as a result of new information or future events. To better understand the risks and uncertainties that could cause actual results to differ from our commentary, we refer you to our most recent annual report on Form 10-K for the year ended December 31, 2022, which is on file with the Securities and Exchange Commission ("SEC") and other reports that we may file from time to time with the SEC.

In the management commentary, we may discuss gross margin, operating expense, net profit and loss, adjusted EBITDA as well as basic and diluted net profit and loss per share in accordance with GAAP, and on a non-GAAP basis. A reconciliation of GAAP to non-GAAP operating expenses can be found in the press release that was issued this afternoon, which is posted on the investor relations section of our website. Unless otherwise noted, all income statement-related numbers that are discussed in the management commentary, other than revenue, are non-GAAP.

Nicholas Woodman

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

Thank you for reading GoPro's Q2 2023 management commentary.

On May 9th, we announced an updated go-to-market strategy, which included a return to lower pre-pandemic pricing and a renewed emphasis on our retail channels to better serve consumers' post-pandemic shopping behavior. We're happy to report that this has had a positive impact on our business and second quarter revenue and subscriber growth exceeded our expectations. Our improved sell-through has sustained thus far into Q3, driven by our retail channel.

Revenue in the quarter was \$241 million, 10% above our guidance. GoPro subscribers grew 27% year-over-year to 2.44 million, also surpassing our expectations. Sell-through of our entry-level-priced \$199 HERO8 and \$249 HERO9 Black cameras enjoyed a combined sequential lift of more than 50%, highlighting the importance of the entry-level product category as a TAM expanding opportunity. It's important to note that the sales lift was incremental and did not cannibalize our higher-priced products.

As a reminder, the key points of our Q2 updated go-to-market strategy included:

- Restoring camera pricing to lower pre-pandemic price points and discontinuing subscription-related camera discounts at the time of purchase at GoPro.com
- Re-introducing entry-level priced cameras to drive meaningful volume and subscriber growth
- Restoring our world-class presence at retail by increasing global distribution to best-in-class retailers that can help drive awareness and sell-through
- Scaling our marketing spend to pre-pandemic levels over time

At the start of the COVID pandemic, we exited approximately 30% of our retail doors globally and focused on driving much of our business to GoPro.com as consumers primarily shopped from home. We significantly reduced our marketing spend and raised camera prices by \$100 over a two year period due to supply chain constraints. This strategy worked extremely well for us during the pandemic, yet limited our growth post-pandemic.

With our updated go-to-market strategy, we saw an immediate uptick in demand at retail across all regions. This enabled our global sales team to hit the ground running, working closely with existing retail and distribution partners, re-engaging former partners and adding highly motivated new partners. Our strategy is to grow our business with best-in-class distributors and retailers who span the spectrum from influential core specialty retailers who enhance our brand to larger big box retailers who drive volume and

mass market awareness of our products. Enthusiasm amongst our distributors and retailers is high as they recognize the strength of our product line, our brand and the opportunity to grow our respective businesses together.

We're excited about the pace at which we're opening new doors, particularly in EMEA, which was hardest hit by our pandemic door-count reductions. To date, we've opened nearly 800 new doors in EMEA and we're targeting approximately 2,000 total new doors worldwide by the end of 2023 with additional growth in 2024 and 2025. In addition to new doors, we're enhancing GoPro's brand presence at retail with updated point of purchase (POP) displays.

To drive greater awareness of GoPro and to support revenue growth in the second half of this year, we are increasing our investment in marketing. We are partnering with key retailers to amplify awareness, leveraging our collective reach to excite consumers during our upcoming launch and throughout the holiday season. It's great to be aligning, once again, with our retail partners in a meaningful way that we haven't been able to do since before the pandemic.

An indication of our sell-through momentum post strategy shift can be found in GoPro's results during the Amazon Prime day period. Circana reported that consumer spending over Amazon's July Prime Day saw discretionary and general merchandise sales decrease 3% year-over-year with unit sales down 8%. By contrast, during the same period, total GoPro camera unit sales for North America, which includes both our retail channels and GoPro.com were up 6%, year-over-year.

Our subscription business continues to be a highlight. As mentioned, we closed Q2 ahead of our expectations with 2.44 million subscribers, a 27% year-over-year increase. The attach rate via our app from cameras purchased at retail exceeded 40% in the second quarter, up from approximately 33% a year ago. Attach rates from cameras purchased via GoPro.com, post our go-to-market strategy shift, exceeded 40% as well. These subscription attach rates confirm the value our customers see in our subscription offering.

GoPro subscribers currently receive a wealth of benefits including no-questions-asked damaged camera replacement, unlimited cloud storage of GoPro content at original quality, automatic upload from their camera to the cloud, automatic highlight videos sent to their phone, and premium editing tools within our mobile app. In Q2, GoPro subscribers were twice as engaged with the editing and sharing features within our mobile app than non-subscribers, and overall engagement with our mobile editing features increased sequentially among both subscribers and non-subscribers.

We're also seeing deeper app engagement with HERO11 Black subscribers connecting cameras, uploading media and the amount of media uploaded, than our previous flagship HERO10 Black subscribers did in a comparable year-over-year period. We intend to build upon this trend with the slate of new hardware and software products we have planned for later this year.

And in Q4, we're excited to introduce an all-new desktop app that will make it easy for GoPro subscribers to organize and edit their GoPro content. Our new desktop app will sync with a subscriber's cloud and mobile app to provide a consistent and convenient experience across platforms. GoPro subscribers will enjoy full access to the desktop app and all of its powerful features at no additional charge. There will also be a premium level subscription offering for consumers that want to import footage from any camera, expanding GoPro's relevance as a digital imaging software solution to a much broader audience – an opportunity we intend to aggressively pursue over time.

Sustainability initiatives are an important part of GoPro's DNA and in 2022, we published our inaugural sustainability report which outlined our progress on environmental impact reductions, inclusivity, and governance best practices. Just last week, we published our 2023 "Sustainability Snapshot" highlighting progress we've made on select corporate social responsibility initiatives, including our goal to reduce our global carbon footprint by sourcing 100% renewable energy in our US office locations by 2026, the addition of new employee resource groups, GoPro for a Cause partner highlights, and our latest employee engagement scores, which have continued to rise to record company highs. This report can be accessed on the Investor Relations section of our website under the Corporate Governance tab.

I want to thank our employees who have continued to execute at such a high level time and time again – your passion for our customers and our products are what make GoPro such a powerful brand.

And I also want to thank our retail and distribution partners for their positive response to our go-to-market strategy shift – we're excited to grow our brand and business with you and we are grateful for our partnership. GoPro's retail channel represents a phenomenal opportunity to get our products and brand in front of consumers in an experiential way and we couldn't be more excited for this upcoming holiday season.

Brian McGee

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

As Nick noted above, in May 2023, we discussed various strategies we are undertaking to drive unit, subscriber, revenue and profitability growth in the business, including:

- Restoring camera pricing to lower pre-pandemic price points and discontinuing subscription-related camera discounts at the time of purchase at GoPro.com
- Re-introducing entry-level price point cameras.
- Restoring our world-class presence at retail
- Scaling our marketing spend to pre-pandemic levels over time

We're pleased to note that our Q2 results show positive signals that key elements of our go-to-market strategy are working. Second quarter 2023 revenue of \$241 million exceeded our expectations and was ahead of guidance by 10%. Demand for our entry level price point cameras exceeded expectations in the quarter, generating 25% of the camera revenue mix, demonstrating there is strong demand for an entry level price point camera.

In Q2'23, gross margin landed at 31.6%. Margins were impacted by 190bps compared to guidance primarily due to higher than expected sales of our lower margin entry level cameras as sell-through of these cameras exceeded our projections by 50%. Looking ahead at our product roadmap, we plan to have a new entry level camera with improved margin in the second half of 2024, which we expect will allow us to achieve a higher targeted gross margin. To put this in perspective relative to our Q2'23 results, on a pro-forma basis, we estimate this new entry level camera would have improved second quarter margin by nearly 300 basis points.

Q2'23 results compared to guidance for the same period was as follows:

Second Quarter Results and Prior Guidance

	Q2'23 Results	Q2'23 Guidance
Revenue	\$ 241 M	\$220M +/- \$5M
Unit sell-through	~700ku	~700ku
Street ASP	\$ 342	~\$360
Gross margin	31.6 %	33.5% +/- 50bps
Non-GAAP loss per share	\$ (0.07)	\$(0.07) +/- \$0.02

Notable second quarter performance highlights:

- Subscription and service revenue grew 21% year-over-year to \$24 million
 - GoPro subscribers grew 27% year-over-year to 2.44 million
-

- Estimated sell-through was down 4% year-over-year to between 660,000 and 680,000 units and largely in-line with expectations for the quarter
- Channel inventory increased slightly sequentially and was down from the beginning of the year
- Subscription attach rate via our app from cameras purchased at retail exceeded 40% in the second quarter, an improvement of approximately 25% from a year-ago
- GAAP loss per share was \$0.11 and non-GAAP loss per share was in line with guidance at \$0.07
- Reduced inventory by nearly \$20 million sequentially to \$135 million, or 74 days
- Repurchased approximately \$15 million of GoPro stock in Q2'23, or 3.6 million shares

Turning to more detail on our financial performance, Q2'23 revenue of \$241 million was down 4% year-over-year. Retail revenue grew 6% from the prior year to \$165 million, or 69% of total revenue. Subscription and service revenue grew 21% year-over-year to \$24 million, or 10% of total revenue, and product revenue from GoPro.com was \$51 million, a year-over-year decline of 32%. We are pleased to see retail sales spring back as a result of the price move we made during the second quarter and as expected, we experienced a decline in product sales on GoPro.com; however, the decline was greater than we expected. In addition, we continue to drive our subscriber base across all camera price points.

Looking at Q2'23 revenue by geography, Asia Pacific was flat, the Americas decreased 4%, and Europe decreased 7%, year-over-year, respectively.

Second quarter Street ASP was \$342 compared to \$392 in Q2'22. In Q2'23, 75% of our camera revenue mix was from suggested retail prices of \$400 and above, down from 93% in the year-ago quarter. The decrease in ASP was primarily driven by our camera price reductions, and rapid growth in entry level unit volume. Street ASP is defined as total reported revenue divided by camera units shipped.

Q2'23 demand as measured via sell-through was in a range of approximately 660,000 to 680,000 units, down 4% year-over-year. Looking at Q2'23 sell-through by geography year-over-year, Asia Pacific increased 13%, Americas decreased 10%, and Europe decreased 8%.

GoPro continued to grow its subscriber base reaching 2.44 million, or 27% growth year-over-year. The attach rate via our mobile app from cameras purchased at retail exceeded 40% in the second quarter, up from approximately 33% a year ago. The attach rates from cameras purchased via GoPro.com following our price move exceeded 40% as well. Following the price move in the second quarter, the GoPro subscriber attach rate from sales on GoPro.com is defined as the number of subscriptions purchased either via GoPro.com at checkout or via our mobile app post checkout related to cameras purchased from GoPro.com in the period divided by the number of camera unit sales to customers eligible for a new

GoPro subscription on GoPro.com for the same period. Our GoPro subscriber attach rate from cameras purchased through retail on our mobile app is defined as the number of new GoPro subscribers in the period over the corresponding number of estimated camera units sold through the retail channel.

Additionally, we saw a 5% improvement in annual subscriber retention year-over-year and our annual subscribers improved by 6% year-over-year. As a reminder, our annual subscribers account for nearly 90% of total subscribers. Our annual subscriber retention rate for the first-year renewal continues to be approximately between 60% and 65% and as of Q2 was higher within the range. In addition, annual subscribers renewing for the second year has a retention rate approximately between 70% and 75%.

Our Quik mobile subscription, which serves non-GoPro-owning consumers that use our app to edit their smartphone footage, also continues to do well, growing 6% year-over-year to 294,000 subscribers at the end of Q2'23. Serving smartphone-centric Quik subscribers is helping us learn how to engage and retain consumers that don't own a GoPro — an important TAM-expanding opportunity that we plan to target further with the launch of our upcoming premium subscription tier later this year.

Second quarter operating expenses increased 8% year-over-year to \$88 million, largely due to our continued investment in research and development to support our hardware and services roadmap as well as marketing. Our operating expenses have remained within a tight range since 2020 when we took early action to align our expenses with our business, putting ourselves in a position to weather the COVID pandemic, and now the current economic environment.

In Q2 2023, we repurchased \$15 million in stock. This is in addition to the \$5 million repurchased in Q1'23. We expect to continue to execute our stock repurchase activity in the second half of 2023 and expect to repurchase in a range of between \$40 million and up to \$70 million in stock in 2023 with \$10 million expected to be repurchased in the third quarter of 2023.

Turning to the balance sheet, we ended Q2'23 with \$272 million in cash, cash equivalents and marketable securities. Cash decreased \$23 million sequentially primarily from \$15 million in share repurchases, and a net loss of \$11 million, partially offset by improvements in working capital. Second quarter collective cash net of debt was \$128 million.

We managed supply chain and inventory at 74 days, down from 114 days in Q1'23. Our days' sales outstanding was 31 days in Q2'23, down from 32 days as of Q2'22.

Third Quarter 2023 Guidance

	Q3'23 Guidance
Revenue	\$280M +/- \$10M
Unit sell-through	~750ku
Street ASP	~\$355
Gross margin	34.0% +/- 50bps
Non-GAAP income per share	\$0.02 +/- \$0.02

Stronger than expected sell-through of entry-level products contributed to second quarter revenue overperformance of \$21 million to guidance. This Q2 revenue overperformance, combined with retailers continuing to carry lower weeks of supply, is contributing to a softer Q3 guide; also contributing is a larger than expected drop off in sales at GoPro.com due to the discontinuation of subscription-related camera discounts at the time of purchase.

As a reminder, our GoPro.com customers primarily purchase flagship cameras that are higher in ASP and margin. While we are seeing significant growth in retail sell-through, it is going to take longer than anticipated for this retail growth to offset the drop in GoPro.com sales. This will be accomplished by increasing the number of retail doors, increasing our brand presence in all doors with refreshed point of purchase displays, and scaling marketing, which includes collaborative activations with retailers. Additionally, we have ongoing initiatives to support sales on GoPro.com, including dedicated marketing, CRM, product bundles and tactics to improve conversion.

For the third quarter of 2023, we expect to deliver revenue of approximately \$280 million, down 8% year-over-year. We estimate Street ASP in the third quarter to be approximately \$355, down 7% year-over-year. Our expectation as a result of our strategy shift and associated price move is unit sell-through will increase 10% year-over-year to approximately 750,000 units.

To summarize, our strategic shift is working, albeit with a greater reliance on retail growth, which we're confident will come with continued execution on the aforementioned fronts.

Our guidance assumes channel inventory will be flat during the quarter. We believe there may also be macroeconomic pressures that impact consumer spending in the second half.

We expect gross margin in the third quarter to be 34% at the midpoint of guidance, down from 38.2% in the prior year quarter, but up from 31.6% in the second quarter of 2023. The year-over-year decline in gross margin percentage is primarily related to reduced camera pricing and higher camera demand at our entry level price point. It's worth pointing out that we are seeing GoPro subscriber attach rates amongst

these entry level camera buyers in a range of 20% to 30%, which is helping to drive subscription revenue growth and offset near term margin impact.

We expect subscribers to grow to 2.5 million by the end of the third quarter, or 20% growth year-over-year.

We expect a non-GAAP net income per share for Q3'23 of \$0.02 at the midpoint of guidance. We expect shares outstanding to be approximately 169 million shares in the third quarter based on our current stock price and anticipated share repurchases in the quarter.

We expect our GAAP effective tax rate in 2023 to be in a range of between 20% to 25%. Non-GAAP tax expense is primarily related to actual cash tax paid as we utilize our U.S. NOLs and other tax attributes to offset tax expenses. We expect non-GAAP tax expense to remain low in a range of \$1.5 million to \$1.8 million in 2023. And, for the third quarter, we expect less than \$0.5 million in non-GAAP tax expense.

For the rest of 2023 we plan to continue to manage the business with the following priorities:

- Execute on our go-to-market strategy and launch industry-leading hardware and software products this Fall
- Commitment to generating cash and returning to profitability
- Commitment to continued share buy-backs, with a range of \$40 million and up to \$70 million share buy-backs for the year
- Investments in the people, technology and innovation that we believe will drive unit and subscriber growth
- Grow our subscription and service revenue to \$100 million

2023 Guidance

	2023 Guidance
Revenue	\$1.03B +/- \$30M
Unit sell-through	~3.0mu
Street ASP	~\$350
Gross margin	33.0% +/- 50bps
Non-GAAP loss per share	(\$0.18) +/- \$0.04

For 2023, we expect revenue of approximately \$1.03 billion, down 6% from 2022. We expect units sold to grow by approximately 5% year-over-year to 3.0 million units, as a result of our recent price moves. This reduction in unit sell-through from 3.2 million units, which we guided to on our Q1 earnings call, is

primarily due to a larger-than-expected drop off of flagship camera sales at GoPro.com due to the discontinuation of subscription-related camera discounts at the time of purchase. While retail channel sell-through of our cameras is expected to grow, we expect that it will take longer than previously anticipated for it to offset the larger than expected decline in flagship camera sales at GoPro.com.

In addition, while on our previous earnings call we shared our expectations of sales of approximately 3.5 to 4 million units in 2024, the factors stated above could push this down to a range of 3.4 to 3.6 million units.

We expect to end 2023 with between 2.5 million to 2.6 million subscribers, in-line with our previous guide of 2.45 million to 2.6 million subscribers.

We expect gross margin to be 33% at the midpoint of guidance in 2023, which reflects both lower ASPs and the related price protection cost required to achieve lower pricing at retail to drive unit volume. We expect gross margin to improve sequentially each quarter in 2023.

We expect operating expenses to be approximately \$370 million in 2023, up nearly 12% from 2022, largely driven by investments in research and development and increased marketing, which we expect to have an impact in Q4 and into 2024.

We expect non-GAAP EPS loss of approximately \$0.18 at the midpoint for 2023. We expect to be profitable in the third and fourth quarters and generate adjusted EBITDA of approximately \$15 million in the second half of 2023.

We expect to end 2023 with cash of \$300 million, which includes an estimated \$40 million in share repurchases.

We look forward to 2024, when we expect to reap the full-year benefit of our strategic shift, unburdened by price protection expenses of \$30 million in 2023 associated with our price change. We expect improved retail sell-through to continue, and as mentioned above, we expect 2024 units to grow to a range of 3.4 to 3.6 million units. We expect to add additional doors globally and to expand our rollout of new point of purchase displays to improve our in-store presence. We also plan to expand marketing and collaboration with our retailers to drive awareness and sell-through. We believe all of the aforementioned, combined with our 2024 product roadmap including a new entry-level priced camera with a significantly improved margin profile, will increase units, revenue, margin, and profitability substantially in 2024.