GoPro

Q3 2017 Preliminary Earnings Results Summary

November 1, 2017

SAFE HARBOR STATEMENT

This presentation may contain projections or other forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Forward-looking statements in this presentation may include, but are not limited to, expectations regarding our business outlook for the fourth quarter of 2017 and calendar year 2017. These statements involve risks and uncertainties, and actual events or results may differ materially. Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are the risk that our reduction in operating expenses may impact our ability to meet our business objectives and achieve our revenue targets and may not result in the expected improvement in our profitability, the fact that our future growth depends in part on further penetrating our addressable market and also growing internationally, and we may not be successful in doing so; any inability to successfully manage frequent product introductions (including roadmap for new hardware and software products) and transitions, including managing our sales channel and inventory and accurately forecasting future sales; our reliance on third party suppliers, some of which are sole source suppliers, to provide components for our products; our dependence on sales of our cameras, mounts and accessories for substantially all of our revenue; the effect of a decrease in the sales or change in sales mix of these products would harm our business; the effect of a decrease in sales during the holiday season; the fact that an economic downturn or economic uncertainty in our key U.S. and international markets may adversely affect consumer discretionary spending and demand for our products; any inability to anticipate consumer preferences and successfully develop and market desirable products; the risks associated with the entrance into the consumer drone market and the re-launch of our drone in February 2017; the effects of the highly competitive market in which we operate; 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; and other factors detailed in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2016 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, which are on file with the Securities and Exchange Commission. Additional information will also be set forth in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017. 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.

USE OF NON-GAAP METRICS

We report gross margin, operating expenses, operating income (loss), net income (loss) and diluted net income (loss) per share in accordance with U.S. generally accepted accounting principles (GAAP) and on a non-GAAP basis. Additionally, we report non-GAAP adjusted EBITDA. Non-GAAP items exclude, where applicable, the effects of stock-based compensation, acquisition-related costs, restructuring costs, non-cash interest expense and the tax impact of these items. 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 have chosen to provide this information to investors to enable them to perform comparisons of operating results in a manner similar to how we analyze our own operating results.

A full reconciliation of GAAP to non-GAAP financial data can be found in the appendix to this slide package and in our Q3 2017 earnings press release issued on November 1, 2017, which should be reviewed in conjunction with this presentation.

QUARTERLY NON-GAAP INCOME STATEMENT SUMMARY

($ in millions, except EPS)	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Revenue	$ 329.8	$ 296.5	$ 218.6	$ 540.6	$ 240.6	$ 220.8	$ 183.5	$ 436.6	$ 400.3
Camera units shipped *(in thousands)*	1,144	1,061	738	2,284	1,018	759	701	2,002	1,593
Gross margin*	*40.1%*	*36.2%*	*32.3%*	*39.5%*	*40.6%*	*42.4%*	*33.0%*	*29.6%*	*46.8%*
Operating expenses*	$ 108.2	$ 116.5	$ 131.0	$ 182.1	$ 186.3	$ 182.9	$ 157.5	$ 150.8	$ 139.8
Operating income (loss)*	$ 24.0	$ (9.3)	$ (60.3)	$ 31.6	$ (88.6)	$ (89.3)	$ (96.8)	$ (21.6)	$ 47.5
Net income (loss)*	$ 21.1	$ (12.9)	$ (62.8)	$ 42.4	$ (84.3)	$ (72.6)	$ (86.7)	$ (11.4)	$ 36.6
Diluted earnings (loss) per share*	$ 0.15	$ (0.09)	$ (0.44)	$ 0.29	$ (0.60)	$ (0.52)	$ (0.63)	$ (0.08)	$ 0.25
Adjusted EBITDA*	$ 35.7	$ 5.1	$ (45.7)	$ 44.3	$ (73.6)	$ (76.8)	$ (86.8)	$ (9.3)	$ 56.7
Headcount	1,254	1,247	1,327	1,552	1,722	1,621	1,483	1,539	1,460

*Non-GAAP metric. See reconciliations in Appendix.

QUARTERLY REVENUE METRICS

($ in millions)	Q3 2017		Q2 2017		Q1 2017		Q4 2016		Q3 2016	
Revenue by Channel:	**$**	**% of Rev**	**$**	**% of Rev**	**$**	**% of Rev**	**$**	**% of Rev**	**$**	**% of Rev**
Direct	$ 171.0	51.9%	$ 169.7	57.2%	$ 114.8	52.5%	$ 290.3	53.7%	$ 147.9	61.5%
Distribution	158.8	48.1	126.8	42.8	103.8	47.5	250.3	46.3	92.7	38.5
Total Revenue	**$ 329.8**	**100.0%**	**$ 296.5**	**100.0%**	**$ 218.6**	**100.0%**	**$ 540.6**	**100.0%**	**$ 240.6**	**100.0%**
Revenue by Geography:	**$**	**% of Rev**	**$**	**% of Rev**	**$**	**% of Rev**	**$**	**% of Rev**	**$**	**% of Rev**
Americas	$ 163.4	49.6%	$ 157.0	53.0%	$ 95.7	43.8%	$ 274.0	50.7%	$ 135.9	56.5%
Europe	97.2	29.4	80.2	27.0	67.9	31.0	168.0	31.1	77.3	32.2
Asia and Pacific	69.2	21.0	59.3	20.0	55.0	25.2	98.6	18.2	27.4	11.3
Total Revenue	**$ 329.8**	**100.0%**	**$ 296.5**	**100.0%**	**$ 218.6**	**100.0%**	**$ 540.6**	**100.0%**	**$ 240.6**	**100.0%**

SELECTED BALANCE SHEET METRICS

($ in millions)	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Cash, cash equivalents and marketable securities	$ 196.6	$ 149.8	$ 74.9	$ 218.0	$ 224.9	$ 279.2	$ 388.7	$ 474.1	$ 513.1
Days sales outstanding	27	29	23	27	35	27	23	30	27
Inventory	$ 177.2	$ 126.7	$ 207.7	$ 167.2	$ 145.2	$ 89.9	$ 139.7	$ 188.2	$ 289.5
Annualized inventory turns	5.2.x	4.5x	3.2x	8.4x	4.9x	4.4x	3.0x	5.1x	3.4x
Inventory days	81	60	126	46	92	64	102	55	122

APPENDIX

APPENDIX: GAAP TO NON-GAAP RECONCILIATIONS

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

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

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

APPENDIX: GAAP TO NON-GAAP RECONCILIATIONS

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

- **Stock-based compensation expense** relates to equity awards granted primarily to our workforce. We exclude stock-based compensation 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. We believe that excluding this expense provides greater visibility to the underlying performance of our business operations, facilitates comparison of our results with other periods, and may also facilitate comparison with the results of other companies in our industry.
- **Acquisition-related costs** include the amortization of acquired intangible assets (primarily consisting of acquired technology), the impairment of acquired intangible assets (if applicable), as well as third-party transaction costs incurred for legal and other professional services. These costs are not factored into our evaluation of potential acquisitions, or of our performance after completion of the acquisitions, because these costs are not related to our core operating performance or reflective of ongoing operating results in the period, and the frequency and amount of such costs are inconsistent and vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the businesses being acquired.
- **Restructuring costs** primarily include severance-related costs, stock-based compensation expenses and facilities consolidation charges recorded in connection with restructuring actions announced in the first and fourth quarters of 2016 and the first quarter of 2017. We believe that excluding these costs provides greater visibility to the underlying performance of our business operations, facilitates comparison of our results with other periods, and may also facilitate comparison with the results of other companies in our industry.
- **Non-cash interest expense.** In connection with issuance of the Convertible Senior Notes in April 2017, we are required to recognize non-cash interest expense in accordance with the authoritative accounting guidance for convertible debt that may be settled in cash. We exclude this incremental non-cash interest expense for purposes of calculating non-GAAP net income (loss). We believe that excluding non-cash interest expense provides greater visibility to the underlying performance of our business operations, facilitates comparison of our results with other periods, and may also facilitate comparison with the results of other companies in our industry.

APPENDIX: GAAP TO NON-GAAP RECONCILIATIONS

- **Income tax adjustments.** Beginning in the first quarter of 2017, we implemented 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.
- **Adjusted EBITDA** excludes the amortization of point-of-purchase (POP) display assets because it is a non-cash charge, and is similar to the depreciation of property and equipment and amortization of acquired intangible assets.

APPENDIX: GAAP TO NON-GAAP RECONCILIATIONS

(in thousands, except per share data)	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
GAAP net income (loss)	$ 14,661	$ (30,536)	$ (111,150)	$ (115,709)	$ (104,068)	$ (91,767)	$ (107,459)	$ (34,451)	$ 18,799
Stock-based compensation:									
Cost of revenue	445	415	495	421	426	412	357	449	410
Operating expenses	11,430	10,820	12,630	17,505	18,040	16,992	15,374	17,671	17,460
Total stock-based compensation	11,875	11,235	13,125	17,926	18,466	17,404	15,731	18,120	17,870
Acquisition-related costs:									
Cost of revenue	1,195	1,195	1,235	1,093	222	222	222	222	222
Operating expenses	946	947	1,113	2,607	8,351	2,453	2,176	1,323	1,743
Total acquisition-related costs	2,141	2,142	2,348	3,700	8,573	2,675	2,398	1,545	1,965
Restructuring costs:									
Cost of revenue	40	25	393	133	—	—	364	—	—
Operating expenses	1,937	2,331	12,062	36,448	—	—	6,144	—	—
Total restructuring costs	1,977	2,356	12,455	36,581	—	—	6,508	—	—
Non-cash interest expense	1,836	1,530	—	—	—	—	—	—	—
Income tax adjustments	(11,341)	359	20,439	99,869	(7,250)	(907)	(3,918)	3,390	(2,008)
Non-GAAP net income (loss)	$ 21,149	$ (12,914)	$ (62,783)	$ 42,367	$ (84,279)	$ (72,595)	$ (86,740)	$ (11,396)	$ 36,626
Weighted-average dilutive shares*	140,288	136,288	142,899	146,261	140,124	138,942	137,543	137,086	146,055
Non-GAAP diluted net income (loss) per share	$ 0.15	$ (0.09)	$ (0.44)	$ 0.29	$ (0.60)	$ (0.52)	$ (0.63)	$ (0.08)	$ 0.25

* For all periods presented, weighted-average dilutive shares utilized for computing Non-GAAP net income (loss) per share was equal to GAAP with the exception of Q4 2016. Shares of 146.3 million in Q4 2016 included 5.2 million potentially dilutive common shares that would have been anti-dilutive for computing GAAP net loss per share.

APPENDIX: GAAP TO NON-GAAP RECONCILIATIONS

($ in thousands)	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
GAAP gross margin	39.6%	35.6%	31.4%	39.2%	40.3%	42.1%	32.5%	29.4%	46.6%
Stock-based compensation	0.1	0.1	0.2	0.1	0.2	0.2	0.2	0.1	0.1
Acquisition-related costs	0.4	0.4	0.6	0.2	0.1	0.1	0.1	0.1	0.1
Restructuring costs	—	0.1	0.1	—	—	—	0.2	—	—
Non-GAAP gross margin	40.1%	36.2%	32.3%	39.5%	40.6%	42.4%	33.0%	29.6%	46.8%
GAAP operating expenses	$ 122,497	$ 130,615	$ 156,781	$ 238,703	$ 212,658	$ 202,379	$ 181,149	$ 169,805	$ 158,994
Stock-based compensation	(11,430)	(10,820)	(12,630)	(17,505)	(18,040)	(16,992)	(15,374)	(17,671)	(17,460)
Acquisition-related costs	(946)	(947)	(1,113)	(2,607)	(8,351)	(2,453)	(2,176)	(1,323)	(1,743)
Restructuring costs	(1,937)	(2,331)	(12,062)	(36,448)	—	—	(6,144)	—	—
Non-GAAP operating expenses	$ 108,184	$ 116,517	$ 130,976	$ 182,143	$ 186,267	$ 182,934	$ 157,455	$ 150,811	$ 139,791
GAAP operating income (loss)	$ 8,049	$ (24,983)	$ (88,215)	$ (26,568)	$ (115,589)	$ (109,377)	$ (121,435)	$ (41,294)	$ 27,636
Stock-based compensation	11,875	11,235	13,125	17,926	18,466	17,404	15,731	18,120	17,870
Acquisition-related costs	2,141	2,142	2,348	3,700	8,573	2,675	2,398	1,545	1,965
Restructuring costs	1,977	2,356	12,455	36,581	—	—	6,508	—	—
Non-GAAP operating income (loss)	$ 24,042	$ (9,250)	$ (60,287)	$ 31,639	$ (88,550)	$ (89,298)	$ (96,798)	$ (21,629)	$ 47,471

APPENDIX: GAAP TO NON-GAAP RECONCILIATIONS

(in thousands)	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
GAAP net income (loss)	$ 14,661	$ (30,536)	$ (111,150)	$ (115,709)	$ (104,068)	$ (91,767)	$ (107,459)	$ (34,451)	$ 18,799
Income tax expense (benefit)	(10,844)	1,991	22,282	87,391	(12,329)	(16,950)	(14,283)	(6,521)	8,474
Interest (income) expense, net	4,228	3,652	761	1,022	596	117	(334)	(126)	140
Depreciation and amortization	9,100	11,467	11,693	11,100	12,734	9,482	8,323	9,596	7,594
POP display amortization	4,728	4,955	5,165	4,944	4,979	4,957	4,743	4,114	3,844
Stock-based compensation	11,875	11,235	13,125	17,926	18,466	17,404	15,731	18,120	17,870
Impairment of intangible assets	—	—	—	1,088	6,000	—	—	—	—
Restructuring costs	1,977	2,356	12,455	36,581	—	—	6,508	—	—
Adjusted EBITDA	$ 35,725	$ 5,120	$ (45,669)	$ 44,343	$ (73,622)	$ (76,757)	$ (86,771)	$ (9,268)	$ 56,721