August 11th, 2025

GoPro, Inc. (NASDAQ: GPRO)

Management Commentary

Q2 2025 Earnings Call

Robin Stoecker
Director, Corporate Communications, GoPro, Inc.

Enclosed is GoPro’s second quarter 2025 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, 2024, 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 2025 management commentary.

In Q2, we reached the high-end of our revenue guidance, delivered compelling new hardware and software products, and are on track to launch exciting *new* products in the second half of the year. Our ongoing focus on efficiency drove operating expenses down 32% year-over-year, achieving our highest gross margin since Q3 2022. In addition, we refreshed our Board of Directors and executed a capital raise. In short, GoPro continues to hit its marks.

Last week, we announced that GoPro raised $50 million in debt financing to bolster our balance sheet as we prepare to repay approximately $94 million in convertible debt due this November.

Our priorities for the balance of 2025 and into 2026 continue to be managing operating expenses, protecting our IP, and launching new products, which we believe will return GoPro to both unit and revenue growth, and improve profitability, starting in the fourth quarter of this year.

Turning to product highlights, during the second quarter, we launched HERO13 Black Ultra Wide Edition, a special edition of our flagship HERO13 Black camera bundled in-box with our Ultra Wide Lens Mod pre-installed on the camera—making it simple to capture low-distortion, incredibly wide-angle 177-degree perspectives that make you feel like you're fully immersed in the moment. We also introduced a limited-edition Forest Green colorway of HERO13 Black, offering a bold, nature-inspired aesthetic designed to appeal to outdoor enthusiasts.

On the software front, we added new, easy and powerful 360 editing tools to the GoPro App, including MotionFrame and POV. MotionFrame makes it simple to reframe your 360 content into easy to share clips by using your phone to "look around and reframe" what part of your 360 video or photo you want to share. And POV is a fast and simple way to create immersive "see what I saw" POV videos from your 360 content. These new tools add to the growing 360 editing experience in the GoPro App and lay the groundwork for the upcoming launch of our MAX2 360-camera.

Our software ecosystem continues to create value for our users, particularly for our subscribers. Our subscription attach rate from cameras sold across all channels was 56%, compared to 45% in Q2 2024, a 24% improvement. Aggregate retention has been above 67% for the past seven quarters. We believe ongoing software enhancements, coupled with increased camera sales from the launch of new products later this year and in 2026, are expected to resume subscriber growth in 2026.

And on July 30, 2025, we announced a new opt-in program that enables U.S. subscribers to monetize their GoPro cloud-based video content by making it available to help train AI models. GoPro subscribers can opt-in to make their user-generated content available for GoPro to license to leading technology companies seeking diverse, real-world footage to enhance the performance and accuracy of their AI models. GoPro subscribers will earn 50% of the license revenue that GoPro expects to generate on their behalf.

The GoPro subscriber community's vast data lake contains more than 450 petabytes of cloud-based, high-quality video content, which translates into more than 13 million hours of video. This vast trove of video content represents a valuable opportunity for AI developers to train their models with a rich and varied dataset across a wide range of experiences and environments. We are excited to participate in the demand for authentic, real-world video to train AI models—while growing a new, diversified revenue stream for GoPro. Industry analysts expect the AI data licensing market for photo and video content to reach $1.3 billion in 2025, with a projected 20% CAGR.

And now, an update on our IP protection efforts. On July 10, 2025, a United States Administrative Law Judge (ALJ) with the International Trade Commission (ITC) issued an initial determination that one of our China-based competitors, Insta360, violated federal law by importing and selling products that infringe on a patent covering GoPro's iconic HERO camera design in the U.S. We are pleased with the ALJ's recommendation that the Commission issue both a cease and desist order against further infringing acts and an exclusion order barring further importation of Insta360's infringing products. We are also pleased with the initial determination's validation of multiple patent claims covering GoPro's industry-leading HyperSmooth video stabilization. The case is ongoing, and the next phase is a review by the Commission where we believe we have the opportunity to gain further rulings in GoPro's favor. The Commission is expected to issue its final determination on all of GoPro's infringement claims on or before November 10, 2025, and any resulting exclusion orders would go into effect in January 2026, subject to Presidential review.

And in Q2, we refreshed our Board of Directors with the addition of three seasoned executives. Mick Lopez brings decades of strategic and financial governance expertise from leadership roles at Vista Outdoors, L3 Harris, IBM and Cisco Systems; Emily Culp is the Chief Brand and Strategy Officer of BodyHealth and adds valuable expertise in omni-channel marketing and consumer brand strategy; and Mike Dennison is CEO of Fox Factory Holding Corp. and brings a deep understanding of global manufacturing and product innovation to GoPro's Board. We believe their diverse industry experience and insights will be instrumental to GoPro's efforts to grow our TAM, revenue and profitability.

We believe GoPro is poised to return to revenue growth and deliver meaningful adjusted EBITDA in the second half of 2025 and into 2026, while expanding our TAM by participating in key growth categories.

GoPro remains the U.S. market leader in the estimated global 3 million-unit action camera category. New growth areas include the 360-camera segment, which we estimate to be nearly 2 million units annually. We are excited to regain share in this market with the launch of our MAX2 360-camera this year.

Additionally, the low-light capable camera segment, estimated at 2.0 to 2.5 million units annually, represents a significant opportunity for GoPro, as we do not currently participate in this market.

And GoPro's tech-enabled motorcycle helmet development, in partnership with AGV, remains on track. We expect to bring meaningful innovation, improved safety and performance to the world of motorcycling, which we believe represents a meaningful business opportunity for GoPro, with a SAM of approximately $3 billion.

To summarize, we are excited to launch an expanded, diversified suite of hardware and software products in the second half of 2025 and throughout 2026, which we believe will enable GoPro to grow into markets that we're not participating in today. We expect to resume revenue growth in the fourth quarter and expect second half adjusted EBITDA to be approximately $20 million compared to a prior year period loss of ($9) million, a nearly $30 million improvement. GoPro's teams are focused and highly motivated to realize the exciting opportunities that lie ahead.

Brian McGee

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

In the second quarter, revenue was $153 million, or 6% higher than the mid-point of our guidance of $145 million. Gross margin improved to 36.0% compared to 30.7% in Q2 2024. Non-GAAP operating expenses were $63 million, a 32% reduction year-over-year. Adjusted EBITDA improved 83%, or $28 million year-over-year to negative $6 million in Q2 2025 and non-GAAP EPS net loss per share improved from $(0.24) in Q2 2024 to $(0.08) in Q2 2025. We continue to have a strong focus on operating expense controls while retaining investments in our product roadmap.

Notable second quarter performance highlights:

- Revenue from our retail channel was $111 million, or 73% of Q2 2025 revenue, compared to 74% of Q2 2024 revenue.
- Revenue from our GoPro.com channel, which includes subscription and service revenue, was $41 million, or 27% of Q2 2025 revenue, compared to 26% of Q2 2024 revenue.
- Subscription and service revenue was flat year-over-year at $26 million.
- Subscription attach rate from cameras sold across all channels was 56%, compared to 45% in Q2 2024, a 24% improvement.
- Q2 2025 ASP was $374, a 16% improvement year-over-year.
- Gross margin was 36.0% compared to 30.7% in the prior year quarter. The margin improvement of over 500bps was primarily due to less price discounting activity and an increase in subscription and service revenue as a percentage of total revenue, partially offset by tariff costs.
- Non-GAAP operating expenses were $63 million, compared to $93 million in the prior year period, a 32% decrease year-over-year. The year-over-year decrease was primarily driven by a decrease in advertising and marketing related activities, restructuring actions resulting in reduced employee-related costs, and the completion of our newest system-on-chip, GP3.
- GAAP and non-GAAP loss per share was $(0.10) and $(0.08), respectively.
- Adjusted EBITDA was negative $6 million as compared to negative $33 million in the prior year period.
- Cash flow from operations was $9 million, an improvement of $8 million year-over-year compared to cash provided by operations of $1 million in Q2 2024.

- We ended the quarter with inventory of $84 million, a 12% decrease sequentially and a 30% decrease since Q4 2024.
- Sell-through was approximately 500,000 units, compared to 600,000 units in the prior year period.
- Channel inventory decreased sequentially by approximately 60,000 units, in line with guidance.

Actual Q2 2025 results compared to guidance for the same period follows:

Second Quarter Results, Prior Guidance and Prior Year Results

	Q2'25 Result	Q2'25 Guidance	Q2'24 Result
Revenue	$153M	$145M +/- $10M	$186M
Unit sell-through	~500ku	~500ku	~600ku
Street ASP	$374	~$370	$323
Non-GAAP gross margin	36.0%	35.5% +/- 50bps	30.7%
Non-GAAP loss per share	$(0.08)	$(0.07) +/- $0.04	$(0.24)

Second quarter revenue of $153 million was down 18% year-over-year, primarily driven by lower camera and accessory unit sales, partially offset by lower price discounts compared to the prior year quarter. Second quarter 2025 Street ASP was $374, compared to $323 in the prior year period, a 16% improvement year-over-year. Street ASP is defined as total reported revenue divided by camera units shipped. Our second quarter camera revenue mix from cameras with an MSRP equal to or greater than $400 was 75% compared to 76% in the prior year period.

Second quarter demand as measured via sell-through was approximately 500,000 units, down 17% year-over-year. Year-over-year, changes in second quarter unit sell-through by geography were: Asia-Pacific decreased 36%, EMEA decreased 32% and Americas decreased 11%. The year-over-year sell-through decreases were primarily driven by consumer-related macroeconomic issues and competition.

Looking at second quarter revenue by geography year-over-year, Americas increased by 11%, EMEA decreased by 46%, and Asia-Pacific decreased by 43%. Revenue from the U.S. was $82 million in the second quarter of 2025, up 20% year-over-year. The year-over-year revenue decreases in EMEA and Asia-Pacific were driven by consumer-related macroeconomic issues, competition and significant channel inventory reductions since Q4 2024 of 34% in EMEA and 38% in Asia-Pacific as we prepare for new product introductions in the second half of 2025.

In Q2, our subscriber base declined 3% year-over-year to 2.45 million. Despite that decrease, we continued to drive our subscriber base across all camera price points. Our second quarter overall subscription attach rate improved 24% from cameras sold across all channels to 56%, up from 45% in the prior year quarter. This is the highest attach rate since reverting back to our retail focus in May 2023. Our overall subscription attach rate is calculated from cameras purchased through both GoPro.com and at retail and represents the number of new GoPro subscribers in the period over the corresponding number of estimated camera units sold-through from both GoPro.com and retail channels.

As a reminder, we focus on driving annual versus monthly subscriptions and are pleased that our annual subscribers account for 91% of our total, slightly up from 90% in the prior year quarter. Our aggregate retention rate for annual subscribers was 68%, consistent with the prior year quarter. Our annual subscriber retention rates for the first, second and third-year and beyond renewals continue to be approximately 60%, 70% and 80%, respectively. Our aggregate retention rate for annual subscribers represents the percent of annual subscribers that renewed their subscription in the period, over the total corresponding renewal events.

Second quarter operating expenses decreased 32% year-over-year to $63 million. The decrease was primarily due to a reduction in advertising and marketing related activities, restructuring actions resulting in reduced employee-related costs and the completion of our newest system-on-chip, GP3, as well as a strong focus on expense management while retaining our product roadmap. Our expectation for operating expenses was $60 million for the second quarter. The slight increase in operating expense was due to $1.2 million in one-time employee fringe benefits, Fx of $0.8 million due to a weaker U.S. dollar and $0.4 million in advertising expense to drive sales.

GAAP tax expense was $1.3 million. Non-GAAP tax expense was $2.4 million versus our forecast of $2.1 million for the second quarter. Q2 2025 cash tax was $0.1 million and is expected to be $0.6 million for full year 2025. Second quarter GAAP net loss per share was $(0.10). Non-GAAP net loss per share was $(0.08) versus $(0.07) at the mid-point of our guidance, which was due to slightly higher non-GAAP tax expense in the quarter. Adjusted EBITDA was negative $6 million in the quarter, compared to negative $33 million in the prior year period, an 83% improvement year-over-year.

Turning to the balance sheet, we ended the second quarter of 2025 with $59 million in cash, cash equivalents and marketable securities compared to $70 million ending Q1 2025. The ending Q2 2025 cash balance of $59 million included a $20 million repayment in the second quarter from our February 2025 draw of $25 million on our ABL.

Cash flow from operations was $9 million, an improvement of $8 million year-over-year compared to cash provided by operations of $1 million in the second quarter of 2024. Cash provided in the second quarter of 2025 was primarily due to working capital changes of $17 million, partially offset by adjusted EBITDA of negative $6 million. Sequential working capital changes were primarily due to a $12 million decrease in inventory, a $7 million decrease in prepaid expenses and other assets and a $7 million increase in accounts payable and other liabilities, partially offset by a $7 million increase in accounts receivable.

On August 4, 2025, we entered and fully drew down on a Credit Agreement with Farallon Capital Management, L.L.C. as the agent and Mateo Financing LLC as the lender, which provides for a second lien credit facility up to $50 million. Additionally, we issued an aggregate of 11.1 million warrants to purchase shares of our common stock at an exercise price of $1.25.

We ended the second quarter with inventory of $84 million, down 12% sequentially, and inventory days were 78, up from 68 days a year ago. Accounts receivable increased $7 million sequentially or 9%. Our days' sales outstanding was 49 days, up from 42 days a year ago, which reflects channel replenishment late in the quarter.

Headcount ended at 640 full-time employees, down 31% from the prior year of 925.

Outlook

Our outlook is prefaced by heightened uncertainty that exists due to volatility in tariff rates, consumer confidence, competition, and global economic uncertainty.

For the second half, we expect revenue of approximately $390 million +/- $20 million, non-GAAP net income per share of $0.04 +/- $0.04, and adjusted EBITDA of positive $20 million compared to a prior year loss of $(9) million, a nearly $30 million improvement. We anticipate Adjusted EBITDA in Q3 to be breakeven. In addition, we expect to resume revenue growth in the fourth quarter of 2025. All of these expected improvements are due to the actions we took in 2024 to launch new products in the second half of 2025, reduce operating expenses, diversify our supply chain and drive product cost reductions, which are partially offset by higher tariffs.

Additionally, we are focused on further operational efficiencies to drive down costs and expand our supply chain outside of China. We expect the impact of tariffs on our cameras and accessories in 2025 to be approximately $18 million, up from $8 million due to tariff rates increasing from 10% to 20%. We expect to offset approximately 50% of the full tariff impact by the modest product price moves we have already made of less than 5% globally.

And we continue to actively manage the balance sheet and expect to further reduce inventory sequentially in Q3 2025 by $10 million to approximately $75 million.

Third Quarter 2025 Guidance and Prior Year Results

	Q3'25 Guidance	Q3'24 Result
Revenue	$160M +/- $10M	$259M
Unit sell-through	~500ku	~610ku
Street ASP	~$370	$294
Non-GAAP gross margin	35.5% +/- 50bps	35.6%
Non-GAAP loss per share	$(0.04) +/- $0.02	$0.00

For the third quarter of 2025, we expect to deliver revenue of $160 million +/- $10 million, down 38% year-over-year. We estimate Street ASP in the third quarter to be approximately $370, up nearly 26% year-over-year. We expect unit sell-through to be down 25% year-over-year to approximately 500,000 units and channel inventory to be flat sequentially.

We expect gross margin in the third quarter to be 35.5% at the midpoint of guidance, flat versus the prior year quarter.

We expect third quarter 2025 operating expenses to be $60 million +/- $1 million, a 34% reduction from the prior year quarter due to lower spending on wages from lower headcount, reduced marketing and lower non-recurring engineering expenses related to the completion of GP3.

Non-GAAP tax expense by quarter in 2025 is expected to be $1.5 million in the third quarter and a credit of $(1.2) million in the fourth quarter. Non-GAAP tax expense is expected to be $2.9 million for 2025. Cash tax is expected to be between $0.5 million and $1 million in 2025.

We expect non-GAAP loss per share for the third quarter of $(0.04) at the midpoint of guidance and expect shares outstanding to be approximately 159 million in Q3 and 171 million in Q4.

2025 Commentary:

To provide additional color on our expectations and priorities for the balance of 2025:

- We expect to introduce two new cameras, including our MAX2 360-camera
- We expect full-year 2025 operating expenses to remain in a range of $240 million to $250 million, down more than $100 million or 30% year-over-year
- We expect to offset half of our expected tariff costs with modest price increases and continued supply chain diversification outside of China, while exploring the production of certain products in the U.S.
- We expect subscription ARPU growth and subscription cost improvements, and to end the year with 2.4 million subscribers
- We expect our liquidity position to be more than adequate going into 2026 as we expect to end 2025 with approximately $80 million in cash along with an additional $50 million available under our ABL facility
- Our liquidity position ending 2025 reflects the repayment of approximately $94 million in convertible debt will be fully paid off in November 2025 from our escrow account

The initiatives we undertook in 2024 to reduce operating expenses and improve gross margins are bearing fruit. We are focused on launching new products in 2025 and 2026 to restore growth and profitability to our business beginning in Q4 2025 and into 2026.