



NEWS RELEASE

GoPro Announces Second Quarter 2020 Results

8/6/2020

Revenue of \$134 Million up 12% Sequentially

GoPro.com Percentage of Revenue Grows to 44%

Camera Sell-through of nearly 750,000 Units

Channel Inventory Reduction of 25% Sequentially

SAN MATEO, Calif., Aug. 6, 2020 /PRNewswire/ -- GoPro, Inc. (NASDAQ: GPRO) today announced financial results for its second quarter ended June 30, 2020.

"Our strategic shift to a more direct-to-consumer business with lower operating costs is working. Camera sell-through during Q2 demonstrates resilient consumer demand for GoPro and an increasing shift to online shopping. We believe GoPro has proven to be a part of global consumers' 'new normal' during the pandemic and we feel well positioned for the remainder of the year," said GoPro founder and CEO, Nicholas Woodman.

GoPro Q2 2020 Financial Results

- Revenue for Q2 2020 was \$134 million, a 12% sequential improvement from \$119 million in Q1 2020.
- GAAP gross margin for Q2 2020 was 30.3%, down from 34.9% year-over-year. Non-GAAP gross margin for Q2 2020 was 31.6%, down from 35.8% year-over-year.
- Q2 2020 GAAP net loss was \$51 million, or \$0.34 per share. Non-GAAP net loss was \$30 million, or \$0.20 per share.
- Q2 2020 GAAP operating expenses of \$86 million decreased 22% year-over-year. Q2 2020 non-GAAP

operating expenses were \$69 million, down 29% year-over-year. GAAP and non-GAAP operating expenses were at their lowest levels since Q1 2014 and Q3 2013, respectively.

- Adjusted EBITDA for Q2 2020 was negative \$22 million, compared to \$14 million in the same period a year ago.
- Cash and investments totaled \$80 million at the end of Q2 2020.

Recent GoPro Highlights

- Camera sell-through of nearly 750,000 in Q2 2020.
- Channel inventory reduction of 25% sequentially and 45% since Q4 2019.
- **GoPro.com** represented a record percentage of revenue in Q2 2020 at 44%, up from slightly below 10% of revenue in Q2 2019.
- GoPro's Plus subscription service ended Q2 2020 with 372,000 paid subscribers, up 5% sequentially and up 57% year-over-year.
- Cameras with retail prices above \$300 represented 95% of Q2 2020 revenue, reflecting consumer preference for GoPro's premium products.
- Street ASPs increased 11% year-over-year to \$300.
- GoPro ended Q2 2020 with 741 employees, the lowest headcount since 2014.
- Launched diversified products including Zeus Mini, The World's Most Versatile Light, and Lifestyle Gear including bags, apparel and accessories.
- HERO8 Black updated to work as a webcam.

"In Q2 2020, we saw steadily increasing demand and better-than-expected sell-through across all geographies," said Brian McGee, GoPro CFO and COO. "Our direct-to-consumer model is gaining momentum and we're seeing a faster-than-expected rebound at retail. These factors, along with our strong hardware, software and subscription roadmap give us confidence going into the second half of the year."

Results Summary:

Three months ended June 30,

(\$ in thousands, except per share amounts)

	2020	2019	% Change
Revenue	\$ 134,246	\$ 292,429	(54.1) %
Gross margin	30.3 %	34.9 %	(460) bps

GAAP		31.6 %	35.8 %	(420) bps
Non-GAAP Operating income (loss)				
	\$	(44,914)	\$ (6,947)	546.5 %
GAAP	\$	(26,663)	\$ 7,532	(454.0) %
Non-GAAP Net income (loss)				
	\$	(50,975)	\$ (11,287)	351.6 %
GAAP	\$	(29,721)	\$ 4,193	(808.8) %
Non-GAAP Diluted net income (loss) per share				
	\$	(0.34)	\$ (0.08)	325.0 %
GAAP	\$	(0.20)	\$ 0.03	(766.7) %
Non-GAAP Adjusted EBITDA	\$	(22,367)	\$ 13,616	(264.3) %

Conference Call

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

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

To listen to the live conference call, please dial toll free (800) 353-6461 or (334) 323-0501, access code 2952876, approximately 15 minutes prior to the start of the call. A live webcast of the conference call will be accessible on the "Events & Presentations" section of the Company's website at <https://investor.gopro.com>. A recording of the webcast will be available on GoPro's website, <https://investor.gopro.com>, approximately two hours after the call and for 90 days thereafter.

About GoPro, Inc. (NASDAQ: GPRO)

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

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

For more information, visit www.gopro.com. GoPro users can submit their photos, raw clips and video edits to GoPro Awards for social stoke, GoPro gear and cash prizes. Learn more at www.gopro.com/awards. Connect with GoPro on **Facebook**, **Instagram**, **LinkedIn**, **TikTok**, **Twitter**, **YouTube**, and GoPro's blog **The Inside Line**.

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 GoPro's pages on Facebook, Instagram, LinkedIn, TikTok, Twitter, YouTube, GoPro's investor relations website and [The Inside Line](#).

Note Regarding Use of Non-GAAP Financial Measures

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

Note on Forward-looking Statements

This press release may contain projections or other forward-looking statements within the meaning Section 27A of the Private Securities Litigation Reform Act. Words such as "anticipate," "believe," "estimate," "expect," "intend," "should," "will" and variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. Forward-looking statements in this presentation may include but are not limited to planned growth and increased profitability in the second half of 2020 and beyond, and consumer demand and the impact of the COVID-19 pandemic on our business. These statements involve risks and uncertainties, and actual events or results may differ materially. Among the important factors that could cause

actual results to differ materially from those in the forward-looking statements are our ability to effectively manage late stage production delay, the risk that our reduction in operating expenses may impact our ability to meet our business objectives and achieve our revenue targets, and may not result in the expected improvement in our profitability; our ability to continue to focus on expense management; the fact that our plan to profitability depends in part on further penetrating our addressable market, and we may not be successful in doing so; the risk that growing our direct-to-consumer business while reducing our reliance on our other sales channels could impact profitability; the impact of the COVID-19 pandemic and its effect on the United States and global economies and our business in particular; any inability to successfully manage frequent product introductions (including roadmap for new hardware, software and subscription products) and transitions, including managing our sales channel and inventory, and accurately forecasting future sales; the fact that a small number of retailers and distributors account for a substantial portion of our revenue and our level of business with them could be significantly reduced due to retail closures related to COVID-19; the fact that we plan to further transition from some distributors and retailers as we shift our sales strategy to focus on our direct-to-consumer channel, and that transition may result in reduced revenue and profitability; our reliance on third party suppliers, some of which are sole source suppliers, to provide components for our products and our reliance on third party logistics partners to deliver without interruption; our dependence on sales of our cameras, mounts and accessories, and subscription services for substantially all of our revenue (and the effects of changes in the sales mix or decrease in demand for these products); the fact that an economic downturn or economic uncertainty in our key U.S. and international markets, as well as fluctuations in currency exchange rates, may adversely affect consumer discretionary spending; any changes to trade agreements, trade policies, tariffs, and import/export regulations; our ability to manufacture in Mexico; the effects of the highly competitive market in which we operate, including new market entrants; the fact that we may not be able to achieve revenue growth or profitability in the future; risks related to inventory, purchase commitments and long-lived assets; difficulty in accurately predicting our future customer demand; the importance of maintaining the value and reputation of our brand; the risk that the e-commerce technology systems that give consumers the ability to shop online do not function effectively; the risk that we will encounter problems with our distribution system; the threat of a security breach or other disruption including cyberattacks; the concern that our intellectual property and proprietary rights may not adequately protect our products and services; and other factors detailed in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2019, which is on file with the Securities and Exchange Commission (SEC), and as updated in future filings with the SEC including the Quarterly Report on Form 10-Q for the quarter ended June 30, 2020. These forward-looking statements speak only as of the date hereof or as of the date otherwise stated herein. GoPro disclaims any obligation to update these forward-looking statements.

GoPro, Inc.

Preliminary Condensed Consolidated Statement of Operations

(unaudited)

(in thousands, except per share data)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Revenue	\$ 134,246	\$ 292,429	\$ 253,646	\$ 535,137
Cost of revenue	93,554	190,244	174,527	352,605
	40,692	102,185	79,119	182,532
Gross profit				
Operating expenses:				
Research and development	34,558	38,811	66,839	76,275
Sales and marketing	34,965	52,135	78,467	99,425
General and administrative	16,083	18,186	34,841	34,067
	85,606	109,132	180,147	209,767
Total operating expenses				
Operating loss	(44,914)	(6,947)	(101,028)	(27,235)
Other income (expense):				
Interest expense	(4,671)	(4,882)	(9,514)	(9,409)
Other income (expense), net	(321)	(63)	(493)	765
	(4,992)	(4,945)	(10,007)	(8,644)
Total other expense, net				
Loss before income taxes	(49,906)	(11,892)	(111,035)	(35,879)
Income tax expense (benefit)	1,069	(605)	3,468	(227)
Net loss	\$ (50,975)	\$ (11,287)	\$ (114,503)	\$ (35,652)
Basic and diluted net loss per share	\$ (0.34)	\$ (0.08)	\$ (0.77)	\$ (0.25)
Weighted-average number of shares outstanding, basic and diluted	148,497	144,668	148,028	143,640

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

(in thousands)	June 30, 2020	December 31, 2019
Assets		
Current assets:		
	\$ 79,679	\$ 150,301
Cash and cash equivalents	—	14,847
Marketable securities	68,498	200,634
Accounts receivable, net	142,151	144,236
Inventory	23,773	25,958
Prepaid expenses and other current assets	314,101	535,976
Total current assets		
Property and equipment, net	29,180	36,539
Operating lease right-of-use assets	48,963	53,121
Intangible assets, net and goodwill	149,360	151,706
Other long-term assets	13,564	15,461
	\$ 555,168	\$ 792,803
Total assets		
Liabilities and Stockholders' Equity		
Current liabilities:		
	\$ 48,959	\$ 160,695
Accounts payable	88,605	141,790
Accrued expenses and other current liabilities	8,936	9,099

Short-term operating lease liabilities	13,627	15,467
Deferred revenue	30,000	—
Short-term debt	<u>190,127</u>	<u>327,051</u>
Total current liabilities		
Long-term debt	154,063	148,810
Long-term operating lease liabilities	57,916	62,961
Other long-term liabilities	20,984	20,452
	<u>423,090</u>	<u>559,274</u>
Total liabilities		
Stockholders' equity:		
	943,927	930,875
Common stock and additional paid-in capital	(113,613)	(113,613)
Treasury stock, at cost	(698,236)	(583,733)
Accumulated deficit	<u>132,078</u>	<u>233,529</u>
Total stockholders' equity	<u>\$ 555,168</u>	<u>\$ 792,803</u>
Total liabilities and stockholders' equity	<u>423,090</u>	<u>559,274</u>

GoPro, Inc.

Preliminary Condensed Consolidated Statement of Cash Flows

(unaudited)

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Operating activities:				
Net loss	\$ (50,975)	\$ (11,287)	\$ (114,503)	\$ (35,652)

Adjustments to reconcile net loss to net cash used in operating activities:

	4,710	6,552	10,693	13,402
Depreciation and amortization	2,123	2,763	4,158	5,389
Non-cash operating lease cost	5,876	10,606	13,513	20,391
Stock-based compensation	47	(59)	53	(97)
Deferred income taxes	3,299	2	3,299	(199)
Non-cash restructuring charges	2,477	2,236	4,850	4,378
Non-cash interest expense	527	558	1,199	229
Other	(11,828)	(12,407)	(35,290)	(73,861)
Net changes in operating assets and liabilities	<u>(43,744)</u>	<u>(1,036)</u>	<u>(112,028)</u>	<u>(66,020)</u>
Net cash used in operating activities				
Investing activities:				
	(1,368)	(1,275)	(2,163)	(1,999)
Purchases of property and equipment, net	—	(23,219)	—	(30,167)
Purchases of marketable securities	7,500	30,878	14,830	35,278
Maturities of marketable securities	—	—	—	1,889
Sale of marketable securities	—	—	(438)	—
Asset acquisition	<u>6,132</u>	<u>6,384</u>	<u>12,229</u>	<u>5,001</u>
Net cash provided by investing activities				
Financing activities:				
	22	65	1,909	3,877
Proceeds from issuance of common stock	(351)	(1,324)	(2,354)	(3,997)
Taxes paid related to net share settlement of equity awards	—	—	30,000	—
Proceeds from borrowings	<u>(329)</u>	<u>(1,259)</u>	<u>29,555</u>	<u>(120)</u>
Net cash provided by (used in) financing activities				
Effect of exchange rate changes on cash and cash equivalents	185	220	(378)	294
	<u>(37,756)</u>	<u>4,309</u>	<u>(70,622)</u>	<u>(60,845)</u>
Net change in cash and cash equivalents				
Cash and cash equivalents at beginning of period	117,435	86,941	150,301	152,095
Cash and cash equivalents at end of period	<u>\$ 79,679</u>	<u>\$ 91,250</u>	<u>\$ 79,679</u>	<u>\$ 91,250</u>

GoPro, Inc.

Reconciliation of Preliminary GAAP to Non-GAAP Financial Measures

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

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

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

- adjusted EBITDA does not reflect tax payments that reduce cash available to us;
- adjusted EBITDA excludes depreciation and amortization and, although these are non-cash charges, the property and equipment being depreciated and amortized often will have to be replaced in the future, and adjusted EBITDA does not reflect any cash capital expenditure requirements for such replacements;
- adjusted EBITDA excludes the amortization of point of purchase (POP) display assets because it is a non-cash charge, and is treated similarly to depreciation of property and equipment and amortization of acquired intangible assets;
- adjusted EBITDA and non-GAAP net income (loss) exclude the impairment of intangible assets because it is a non-cash charge that is inconsistent in amount and frequency;
- adjusted EBITDA and non-GAAP net income (loss) exclude restructuring and other related costs which

primarily include severance-related costs, stock-based compensation expenses, facilities consolidation charges recorded in connection with restructuring actions announced in the fourth quarter of 2016, first quarter of 2017, first quarter of 2018 and second quarter of 2020, and the related ongoing operating lease cost of those facilities recorded under Accounting Standards Codification 842, Leases. These expenses do not reflect expected future operating expenses and do not contribute to a meaningful evaluation of current operating performance or comparisons to the operating performance in other periods;

- adjusted EBITDA and non-GAAP net income (loss) exclude stock-based compensation expense related to equity awards granted primarily to our workforce. We exclude stock-based compensation expense because we believe that the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In particular, we note that companies calculate stock-based compensation expense for the variety of award types that they employ using different valuation methodologies and subjective assumptions. These non-cash charges are not factored into our internal evaluation of net income (loss) as we believe their inclusion would hinder our ability to assess core operational performance;
- non-GAAP net income (loss) excludes acquisition-related costs including the amortization of acquired intangible assets (primarily consisting of acquired technology), the impairment of acquired intangible assets (if applicable), as well as third-party transaction costs incurred for legal and other professional services. These costs are not factored into our evaluation of potential acquisitions, or of our performance after completion of the acquisitions, because these costs are not related to our core operating performance or reflective of ongoing operating results in the period, and the frequency and amount of such costs are inconsistent and vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the businesses being acquired. Although we exclude the amortization of acquired intangible assets from our non-GAAP net income (loss), management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation;
- non-GAAP net income (loss) excludes non-cash interest expense. In connection with the issuance of the Convertible Senior Notes in April 2017, we are required to recognize non-cash interest expense in accordance with the authoritative accounting guidance for convertible debt that may be settled in cash;
- non-GAAP net income (loss) excludes a gain on the sale and license of intellectual property. This gain is not related to our core operating performance or reflective of ongoing operating results in the period, and the frequency and amount of such gains are inconsistent;
- non-GAAP net income (loss) includes income tax adjustments. We utilize a cash-based non-GAAP tax expense approach (based upon expected annual cash payments for income taxes) for evaluating operating performance as well as for planning and forecasting purposes. This non-GAAP tax approach eliminates the effects of period specific items, which can vary in size and frequency and does not necessarily reflect our long-term operations. Historically, we computed a non-GAAP tax rate based on non-GAAP pre-tax income on a quarterly basis, which considered the income tax effects of the adjustments above; and

- other companies may calculate these non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.

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,	
	2020	2019	2020	2019
GAAP net loss	\$ (50,975)	\$ (11,287)	\$ (114,503)	\$ (35,652)
Stock-based compensation:				
	332	522	835	1,035
Cost of revenue	3,063	4,884	6,085	9,561
Research and development	789	2,221	2,506	4,434
Sales and marketing	1,692	2,979	4,087	5,361
General and administrative	5,876	10,606	13,513	20,391
Total stock-based compensation				
Acquisition-related costs:				
	1,024	2,009	2,911	4,091
Cost of revenue	1,024	2,009	2,911	4,091
Total acquisition-related costs				
Restructuring and other costs:				
	336	71	332	87
Cost of revenue	2,524	784	2,500	881
Research and development	7,234	395	7,215	498
Sales and marketing	1,257	614	1,240	701
General and administrative				

Total restructuring and other costs	11,351	1,864	11,287	2,167
Non-cash interest expense	2,477	2,236	4,850	4,378
Income tax adjustments	526	(1,235)	2,608	(1,353)
Non-GAAP net income (loss)	<u>\$ (29,721)</u>	<u>\$ 4,193</u>	<u>\$ (79,334)</u>	<u>\$ (5,978)</u>
GAAP shares for diluted net loss per share	148,497	144,668	148,028	143,640
Non-GAAP shares for diluted net income (loss) per share	148,497	146,290	148,028	143,640
GAAP diluted net loss per share	<u>\$ (0.34)</u>	<u>\$ (0.08)</u>	<u>\$ (0.77)</u>	<u>\$ (0.25)</u>
Non-GAAP diluted net income (loss) per share	<u>\$ (0.20)</u>	<u>\$ 0.03</u>	<u>\$ (0.54)</u>	<u>\$ (0.04)</u>

(dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
GAAP gross profit as a % of revenue	<u>30.3 %</u>	<u>34.9 %</u>	<u>31.2 %</u>	<u>34.1 %</u>
Stock-based compensation	0.2	0.2	0.3	0.2
Acquisition-related costs	0.8	0.7	1.2	0.8
Restructuring and other costs	0.3	—	0.1	—
Non-GAAP gross profit as a % of revenue	<u>31.6 %</u>	<u>35.8 %</u>	<u>32.8 %</u>	<u>35.1 %</u>
GAAP operating expenses	<u>\$ 85,606</u>	<u>\$ 109,132</u>	<u>\$ 180,147</u>	<u>\$ 209,767</u>
Stock-based compensation	(5,544)	(10,084)	(12,678)	(19,356)
Restructuring and other costs	(11,015)	(1,793)	(10,955)	(2,080)
Non-GAAP operating expenses	<u>\$ 69,047</u>	<u>\$ 97,255</u>	<u>\$ 156,514</u>	<u>\$ 188,331</u>
GAAP operating loss	<u>\$ (44,914)</u>	<u>\$ (6,947)</u>	<u>\$ (101,028)</u>	<u>\$ (27,235)</u>
Stock-based compensation	5,876	10,606	13,513	20,391
Acquisition-related costs	1,024	2,009	2,911	4,091
Restructuring and other costs	11,351	1,864	11,287	2,167
Non-GAAP operating income (loss)	<u>\$ (26,663)</u>	<u>\$ 7,532</u>	<u>\$ (73,317)</u>	<u>\$ (586)</u>

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
GAAP net loss	\$ (50,975)	\$ (11,287)	\$ (114,503)	\$ (35,652)
	1,069	(605)	3,468	(227)
Income tax expense (benefit)	4,629	4,479	9,310	8,562
Interest expense, net	4,711	6,552	10,693	13,402
Depreciation and amortization	972	2,007	2,509	3,938
POP display amortization	5,876	10,606	13,513	20,391
Stock-based compensation	11,351	1,864	11,287	2,167
Restructuring and other costs				
Adjusted EBITDA	\$ (22,367)	\$ 13,616	\$ (63,723)	\$ 12,581

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SOURCE GoPro, Inc.