



August 6<sup>th</sup>, 2024  
**GoPro, Inc. (NASDAQ: GPRO)**  
Management Commentary  
Q2 2024 Earnings Call

**Christopher Clark**

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

Enclosed is GoPro's second quarter 2024 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, 2023, which is on file with the Securities and Exchange Commission ("SEC") and as updated in filings with the SEC including the Quarterly Report on Form 10-Q for the quarter ended June 30, 2024.

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 2024 management commentary.

In Q2, we achieved our sell-through goal of more than 600,000 units and reduced channel inventory slightly in the quarter as we head into the second half of the year. GoPro exceeded guidance with revenue of \$186 million, gross margin of 30.7% and non-GAAP EPS loss of \$(0.24). Subscription and service revenue grew 8% year-over-year to \$26 million, driven by 4% growth in subscribers to 2.53 million and a 4% increase in ARPU due to improving retention rates.

We also continued to expand our global retail presence, adding approximately 800 new doors across all regions, with the strongest door count growth continuing in EMEA along with expansion in Latin America. We've now added more than 5,000 new retail doors since May of 2023 when we prioritized growing our brand at retail globally. Our retail expansion plans are on track with the door count growth expectations we've previously discussed.

A Q2 win is our partnership with Softbank Group's SB C&S Corporation to expand distribution in Japan, ensuring GoPro products are more widely available while also improving in-store merchandising and brand exposure. SB C&S will distribute GoPro cameras and accessories through their own SoftBank stores as well as retailers throughout Japan, including two of Japan's largest consumer electronics retailers – Yodobashi and Yamada.

While our Q2 results largely met or exceeded expectations, we're not satisfied with the way 2024 has taken shape. We previously shared that 2024 would be a transitional year; however, lower than expected consumer confidence, increased competition, and our executional challenges are resulting in reduced unit, revenue, and profitability expectations for the year.

We believe we can achieve profitability in 2025 through a combination of new product launches and significantly reduced operating expenses, which will begin in the second half of 2024 and continue in 2025, details of which Brian addresses in his commentary. We are seeing growth in the digital imaging market, driven by new product introductions catering to consumers' growing interest in alternative forms of capture beyond the phone – including growth in 360-degree cameras where we believe we can recover significant share in 2025.

We believe broadening our product portfolio is key to growing our business and restoring long-term profitability. Much like how Garmin has built a successful, diversified business by addressing the specialized GPS-driven and data capture needs of various markets, we believe GoPro has the opportunity to leverage our category leadership in digital imaging to deliver a broader range of specialized image capture solutions in markets we currently serve as well as new ones where our brand resonates. Our previously announced expansion into tech-enabled motorcycle helmets is an example of this – and we are pursuing similar exciting opportunities across a number of segments.

Our rollout of new products starts next month with the launch of our new, significantly enhanced flagship camera, HERO13 Black, along with our new \$199 entry-level HERO camera that features an entirely new design that we fully expect to wow both consumers who are new to the brand as well as existing customers who we believe will see value in the unique characteristics of HERO's exciting new form factor and capabilities. Importantly, our new \$199 HERO camera is newly designed from the ground-up to be a better margin product than our current low margin entry-level cameras, and we believe this will have a materially positive impact on GoPro's gross margin in 2025.

As it relates to our new products and the quality GoPro is known for, I'd like to share a Q2 highlight that demonstrates the strength of our brand with tip-of-spear customers. GoPro is no stranger to Hollywood, having earned two technical Emmy® Awards and been a key production tool in film and television production for years. Most recently, the production crew on the new Hollywood blockbuster film *Twisters* used GoPro's to film some of the film's most intense scenes. In addition to capturing much of the behind-the-scenes action of the film, the camera crew deployed up to 20 GoPro cameras simultaneously to place the audience in the heart of roaring tornadoes and harrowing escapes.

Looking ahead to 2025 and beyond, we are committed to operating GoPro as a profitable business. Our brand and products are too strong and our value-creation opportunity too significant for us to accept otherwise. Our plan is to deliver 2025 profitability through significantly reduced 2025 operating expenses, while executing on our roadmap diversification strategy that we believe is key to restoring growth and long-term success.

**Brian McGee**

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

Revenue in the second quarter of 2024 was \$186 million, 9% above the mid-point of our guidance, largely driven by increased demand for our flagship HERO12 Black camera in Europe and North America. Gross margin was 30.7% compared to 31.6% in Q2 2023. Our subscriber base increased to 2.53 million in the quarter, or 4% growth year-over-year and up slightly sequentially. Our subscriber base represents approximately \$125 million in annual recurring revenue. Cash was flat sequentially as significant inventory reductions in advance of new product launches offset losses in the quarter.

**Notable second quarter performance highlights:**

- Subscription and service revenue grew 8% year-over-year to \$26 million, primarily from improving retention rates that resulted in 4% ARPU growth
- Subscribers grew 4% year-over-year to 2.53 million, including 33,000 Premium+ subscribers
- Aggregate annual subscription retention was 68%, a 7% improvement year-over-year
- Subscription attach rate from cameras sold across all channels was 45%, in-line with prior year attach rates
- Retail revenue was \$137 million or 74% of total revenue, down 17% year-over-year
- GoPro.com product revenue was \$23 million or 12% of total revenue
- Street ASP was \$323, compared to \$342 in Q2 2023
- GAAP loss per share was \$(0.31) and non-GAAP loss per share was \$(0.24)
- Sell-through was slightly above 600,000 units, down 9% year-over-year
- Channel inventory decreased sequentially to approximately 700,000 units

Actual Q2'24 results compared to guidance for the same period follows:

## Second Quarter Results and Prior Guidance

	Q2'24 Results	Q2'24 Guidance
Revenue	\$186M	\$170M +/- \$5M
Unit sell-through	>600ku	~600ku
Street ASP	\$323	~\$330
Gross margin	30.7%	30.0% +/- 50bps
Non-GAAP loss per share	(\$0.24)	(\$0.26) +/- \$0.02

Turning to more detail on our financial performance, second quarter revenue of \$186 million was down 23% year-over-year, primarily driven by a decrease in camera unit sales to 576,000 compared to 704,000, an 18% decline. Second quarter revenue from our retail channel decreased 17% year-over-year to \$137 million, or 74% of total revenue. Subscription and service revenue grew 8% year-over-year to \$26 million, or 14% of total revenue. Importantly, we continue to drive our subscriber base across all camera price points.

Second quarter demand as measured via sell-through was slightly more than 600,000 units, down 9% year-over-year. Year-over-year, changes in second quarter unit sell-through by geography were: Asia-Pacific decreased 19%, Americas decreased 8% and EMEA decreased 1%.

Looking at second quarter revenue by geography year-over-year, Asia-Pacific decreased by 38%, Americas decreased by 27% and EMEA decreased by 3%. The Americas and Asia-Pacific regions were largely impacted by consumer-related macroeconomic issues, particularly in China. All markets were impacted by competition, notably in China.

Second quarter 2024 Street ASP of \$323 was impacted by increased price promotions compared to the prior year quarter and lower accessory sales, partially offset by an increase in subscription and service revenue. In Q2 2024, 76% of our camera revenue mix was from suggested retail prices of \$400 and above, up slightly from 75% in the year ago quarter. Street ASP is defined as total reported revenue divided by camera units shipped.

We grew our subscriber base 4% year-over-year to 2.53 million. Our overall second quarter subscription attach rate from cameras sold across all channels was 45%. Additionally, the subscription attach rate for our entry-level cameras continued to be favorable at nearly 25% for the quarter. 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 both GoPro.com and retail channels. Our entry-level camera subscriber attach rate is calculated from entry-level price point cameras purchased on GoPro.com and represents the number of new GoPro subscribers in the period over the corresponding number of estimated entry-level price point camera units sold on GoPro.com.

As a reminder, we focus on driving annual subscriptions rather than monthly, and are pleased that our annual subscribers continue to account for 90% of our total, up from 89% in the prior year quarter. Our aggregate retention rate for annual subscribers was 68%, up from 64% a year ago, a 7% improvement year-over-year. Our annual subscriber retention rates for the first, second and third-year renewals are 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.

Turning to expenses, second quarter operating expenses increased 5% year-over-year to \$93 million. This increase was primarily due to our continued investment in research and development to support our hardware, software and subscription roadmap, partially offset by decreases in general and administrative expenses, largely due to the restructuring we announced in the first quarter of 2024.

GAAP and non-GAAP net loss per share was \$(0.31) and \$(0.24), respectively.

Turning to the balance sheet, we ended the quarter with \$133 million in cash, cash equivalents and marketable securities, which was flat sequentially. Second quarter cash net of debt was \$39 million.

We ended the second quarter with inventory of \$97 million, down 28% year-over-year from \$135 million, and inventory days were 68, down from 74 days a year ago. Our days' sales outstanding was 42 days, up from 31 days a year ago.

## Outlook

As Nick noted, 2024 has clearly been a challenging year for GoPro. We have been impacted by delayed product launches, muted consumer spending when products were not on price promotion, a continued decline of camera sales at GoPro.com, macroeconomic concerns globally, increasing competition globally and foreign exchange rate fluctuations in China and Japan. Moreover, we're factoring in a further launch delay of our new 360-degree camera into 2025. This is expected to negatively impact revenue in a range of \$20 to \$25 million in Q4 2024 relative to prior guidance. The cumulative effect of delayed product launches for 2024 is expected to impact sales by approximately \$100 million. Our expectation based on the above factors is for unit sales in 2024 to be in a range of 2.6 million to 2.7 million and revenue in a range of \$850 million to \$870 million, or down 15% and 13% from the prior year, respectively.

However, as Nick noted, we are seeing signs of growth in the overall digital imaging market, and are on track to introduce two new cameras in September – including our new flagship with significantly enhanced capabilities and our new \$199 HERO camera that features a totally new form factor and attributes that we believe will excite both new and existing customers.

We are committed to being profitable in 2025 and plan to reduce 2025 operating expenses to \$320 million +/- \$5 million, a reduction of nearly \$50 million from the mid-point of projected 2024 levels. We have reasonable line of sight to reducing operating expenses by \$50 million from 2024 to 2025, which is expected to be driven by reductions in non-recurring technology development expenses of approximately \$20 million, and reductions in marketing, salary expenses and other operating expenses. In addition, we will continue to look for ways to reduce expenses further in 2025.

## Third Quarter 2024 Guidance

	Q3'24 Guidance
Revenue	\$255M +/- \$5M
Unit sell-through	~650ku
Street ASP	~\$300
Gross margin	34.0% +/- 50bps
Non-GAAP loss per share	\$(0.05) +/- \$0.02



For the third quarter of 2024, we expect to deliver revenue of \$255 million, down 13% year-over-year. We estimate Street ASP in the third quarter to be approximately \$300, down 6% year-over-year. We expect unit sell-through to be down 12% year-over-year to approximately 650,000 units.

Our guidance assumes channel inventory will increase by approximately 210,000 units during the third quarter.

We expect gross margin in the third quarter to be 34.0% at the midpoint of guidance, up from 32.2% in the prior year quarter. The anticipated year-over-year improvement in gross margin percentage is primarily related to new product sales, higher subscription and service revenue and improvements in product costs, which are partially offset by higher promotional activity in the third quarter.

We expect non-GAAP loss per share for the third quarter of \$(0.05) at the midpoint of guidance. We expect shares outstanding to be approximately 153 million in the third quarter.

Turning to margin, we expect gross margin to be nearly 34.5% in 2024, an improvement from 32% in 2023. Our expectation is for gross margin to improve to a range of 35% to 36% in the second half of 2024.

We believe gross margin improvements in the second half will be driven by the following factors:

- the introduction of new products in Q3 2024
- identified product cost and tariff savings
- subscription growth and other improvements
- slightly offset by tempered increases in memory pricing

We expect our full-year 2024 operating expenses to be in a range of \$365 to \$370 million and an operating loss of \$75 million +/- \$3 million. We expect to generate savings related to actions to reduce expenses in the second half of 2024; however, those savings will be offset by one-time expenses related to our product roadmap.

Non-GAAP tax expense is expected to be \$290 million for 2024 as we have included the establishment of the 2024 valuation allowance in our Q1 results. Cash tax is expected to be \$2 million in 2024.

We continue to expect to grow subscribers in 2024 to nearly 2.6 million, or 4% growth year-over-year. This assumes we continue to hold our retention rates consistent with what we've described earlier.

Turning to the balance sheet, we expect cash to be in a range of \$105 million to \$115 million at the end of Q3 2024 and to end the year at approximately \$150 million.

In summary, 2024 remains a year of transition but with significant opportunities ahead — including our two new camera launches next month, our growing global retail footprint and our anticipated TAM expansion through product diversification. As Nick stated, we are committed to operating GoPro as a profitable business — our brand and products are too strong and our value-creation opportunity too significant for us to accept otherwise. To that end, we expect gross margin to improve in the second half of 2024 and carry into 2025, combined with significantly lower operating expenses in 2025 to prioritize a return to profitability in 2025.