Proxy Statement + Annual Report

Fiscal Year 2020

To Our Shareholders:

While COVID-19 presented unexpected challenges in 2020, it also served as a catalyst to accelerate GoPro's plans to become a more subscription-oriented, direct-to-consumer business. We are proud of how our teams executed, transforming GoPro into a more efficient, predictable and profitable business throughout the course of the year.

In 2020, we grew GoPro subscribers by 145% year-over-year, exceeding our goals and ending the year with 761,000 subscribers.

We doubled full-year GoPro.com revenue, year-over-year, and generated more than $200 million in cash flow from operations in the second half of the year, contributing to a year-end cash balance of $328 million.

And we finished what was a very challenging year in strong form, with $0.39 of non-GAAP EPS in Q4 and $0.08 of non-GAAP EPS for the year.

Our 2020 performance demonstrates GoPro's enduring relevance as a personal experience-sharing solution for consumers and a powerhouse creative tool for professionals. Our plan in 2021 is to continue super-serving our core customers with outsized GoPro subscriber benefits while expanding GoPro's relevance to users of other cameras and smartphones through cloud and software-subscription offerings.

In March of 2021, we launched Quik, a $9.99 annual subscription mobile app that simplifies keeping track of your favorite photos and videos, ensuring you'll never lose track of them on your phone again. Quik also features powerful yet simple to use editing tools for users that want to get creative with the images they send to the Quik app, all of which will be backed up in the cloud at original image quality.

We believe that serving people's personal content needs, no matter what camera or phone they use, represents an enormous long-term opportunity for GoPro.

Our mission to leverage our brand and technology to help people get the most out of their personal content is energizing our ranks. GoPro is innovating on all fronts – from our world-class hardware to our could, software and subscription offerings and how we bring them to market. We believe our work is important and far reaching — and we feel very well positioned for when the world rebounds from the pandemic in earnest.

Many thanks,

Nicholas Woodman
Founder, Chairman and Chief Executive Officer

April 20, 2021

Dear Stockholders:

You are cordially invited to attend the 2021 Annual Meeting of Stockholders of GoPro, Inc., which will be held virtually on Tuesday, June 1, 2021 at 11:30 a.m. (Pacific Time). The virtual Annual Meeting can be accessed by visiting *www.virtualshareholdermeeting.com/GPRO2021*, where you will be able to listen to the meeting live, submit questions and vote online. We believe that a virtual stockholder meeting provides greater access to those who may want to attend and therefore have chosen this over an in-person meeting.

The matters expected to be acted upon at the virtual Annual Meeting are described in detail in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement.

Your vote is important. Whether or not you plan to attend the meeting, please cast your vote as soon as possible by Internet or telephone, or by completing and returning the enclosed proxy card in the postage-prepaid envelope to ensure that your shares will be represented. Your vote by written proxy will ensure your representation at the Annual Meeting regardless of whether you attend the virtual meeting or not. Returning the proxy does not deprive you of your right to attend the meeting and to vote your shares at the virtual meeting.

We look forward to your attendance at our virtual Annual Meeting.

Sincerely,

Nicholas Woodman
Chief Executive Officer

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON JUNE 1, 2021 AT 11:30 A.M. (PACIFIC TIME): THIS PROXY STATEMENT AND THE ANNUAL REPORT ARE AVAILABLE AT *www.proxyvote.com*

GOPRO, INC.
3025 Clearview Way
San Mateo, California 94402

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Our Stockholders:

NOTICE IS HEREBY GIVEN that the 2021 Annual Meeting of Stockholders of GoPro, Inc. will be held virtually on Tuesday, June 1, 2021, at 11:30 a.m. (Pacific Time). The virtual Annual Meeting can be accessed by visiting *www.virtualshareholdermeeting.com/GPRO2021*, where you will be able to listen to the meeting live, submit questions and vote online.

We are holding the meeting for the following purposes, which are more fully described in the accompanying proxy statement:

1. To elect nine directors, all of whom are currently serving on our board of directors, each to serve until the next annual meeting of stockholders and until his or her successor has been elected and qualified, or until his or her earlier death, resignation, or removal.

Nicholas Woodman	Peter Gotcher	Susan Lyne
Tyrone Ahmad-Taylor	James Lanzone	Frederic Welts
Kenneth Goldman	Alexander Lurie	Lauren Zalaznick

2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2021.

3. To hold an advisory vote on the frequency of future advisory votes on executive compensation.

In addition, stockholders may be asked to consider and vote upon such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Only stockholders of record at the close of business on April 8, 2021 are entitled to notice of, and to vote at, the virtual meeting and any adjournments or postponements thereof. For ten days prior to the meeting, a complete list of the stockholders entitled to vote at the virtual meeting will be available for examination by any stockholder for any purpose germane to the meeting during ordinary business hours at our headquarters.

Your vote as a GoPro, Inc. stockholder is very important. Each share of GoPro Class A common stock that you own represents one vote and each share of GoPro Class B common stock that you own represents ten votes. For questions regarding your stock ownership, contact your brokerage firm or other entity that holds your shares or, if you are a registered holder, our transfer agent, American Stock Transfer & Trust Company, LLC, by calling (800) 937-5449, by writing to 6201 15th Avenue, Brooklyn, New York 11219 or by e-mailing *help@astfinancial.com*.

By Order of the Board of Directors,

Nicholas Woodman
Chief Executive Officer
San Mateo, California
April 20, 2021

YOUR VOTE IS IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE VIRTUAL ANNUAL MEETING, WE ENCOURAGE YOU TO VOTE AND SUBMIT YOUR PROXY BY INTERNET, TELEPHONE OR BY MAIL. FOR ADDITIONAL INSTRUCTIONS ON VOTING BY TELEPHONE OR THE INTERNET, PLEASE REFER TO YOUR PROXY CARD. TO VOTE AND SUBMIT YOUR PROXY BY MAIL, PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE. IF YOU ATTEND THE VIRTUAL ANNUAL MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE VIA THE VIRTUAL MEETING WEBSITE. IF YOU HOLD YOUR SHARES THROUGH AN ACCOUNT WITH A BROKERAGE FIRM, BANK OR OTHER NOMINEE, PLEASE FOLLOW THE INSTRUCTIONS YOU RECEIVE FROM YOUR ACCOUNT MANAGER TO VOTE YOUR SHARES.

GOPRO, INC.
PROXY STATEMENT FOR THE 2021 ANNUAL MEETING OF STOCKHOLDERS
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GOPRO, INC.
3025 Clearview Way
San Mateo, California 94402

PROXY STATEMENT FOR THE 2021 ANNUAL MEETING OF STOCKHOLDERS

April 20, 2021

INFORMATION ABOUT SOLICITATION AND VOTING

The accompanying proxy is solicited on behalf of the board of directors of GoPro, Inc. ("**GoPro**") for use at GoPro's 2021 Annual Meeting of Stockholders to be held virtually on June 1, 2021, at 11:30 a.m. (Pacific Time) ("**Annual Meeting**"), and any adjournment or postponement of the Annual Meeting. The Annual Meeting can be accessed by visiting *www.virtualshareholdermeeting.com/GPRO2021*, where you will be able to listen to the meeting live, submit questions and vote online. The Notice of Internet Availability of Proxy Materials and this proxy statement for the Annual Meeting ("**Proxy Statement**") and the accompanying form of proxy were first distributed and made available on the Internet to stockholders on or about April 20, 2021. GoPro's annual report on Form 10-K for the year ended December 31, 2020 filed on February 12, 2021 ("**Annual Report**") will be available with this Proxy Statement by following the instructions in the Notice of Internet Availability of Proxy Materials.

INTERNET AVAILABILITY OF PROXY MATERIALS

In accordance with U.S. Securities and Exchange Commission ("**SEC**") rules, we are using the Internet as our primary means of furnishing proxy materials to stockholders. Consequently, most stockholders will not receive paper copies of our proxy materials. We will instead send these stockholders a Notice of Internet Availability of Proxy Materials with instructions for accessing the proxy materials, including our Proxy Statement and Annual Report, and voting via the Internet. The Notice of Internet Availability of Proxy Materials also provides information on how stockholders may obtain paper copies of our proxy materials if they so choose. We believe this rule makes the proxy distribution process more efficient and less costly and helps in conserving natural resources.

GENERAL INFORMATION ABOUT THE ANNUAL MEETING

Purpose of the Annual Meeting

At the Annual Meeting, stockholders will act upon the proposals described in this Proxy Statement.

Record Date; Quorum

Only holders of record of our Class A common stock and Class B common stock at the close of business on April 8, 2021, ("**Record Date**") will be entitled to vote at the Annual Meeting. At the close of business on the Record Date, we had 125,244,940 shares of Class A common stock and 28,485,046 shares of Class B common stock outstanding and entitled to vote.

The holders of a majority of the voting power of the shares of our Class A common stock and Class B common stock (voting together as a single class) entitled to vote at the Annual Meeting as of the Record Date must be present at the Annual Meeting in order to hold the Annual Meeting and conduct business. This presence is called a quorum. Your shares are counted as present at the Annual Meeting if you are present and vote online at the Annual Meeting or if you have properly submitted a proxy.

Voting Rights; Required Vote

In deciding all matters at the Annual Meeting, each holder of shares of our common stock is entitled to one vote for each share of Class A common stock held and ten votes for each share of Class B common stock held as of the close of business on the Record Date. We do not have cumulative voting rights for the election of directors. You may vote all shares owned by you as of the Record Date, including (i) shares held directly in your name as the stockholder of record, and (ii) shares held for you as the beneficial owner in street name through a brokerage firm, bank, trustee, or other nominee.

Stockholder of Record: Shares Registered in Your Name. If, on the Record Date, your shares were registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, LLC, then you are considered the stockholder of record with respect to those shares. As a stockholder of record, you may vote at the Annual Meeting or vote by telephone, by Internet, or by filling out and returning the proxy card.

Beneficial Owner: Shares Registered in the Name of a Broker or Nominee. If, on the Record Date, your shares were held in an account with a brokerage firm, bank, trustee or other nominee, then you are the beneficial owner of the shares held in street name. As a beneficial owner, you have the right to direct your nominee on how to vote the shares held in your account, and your nominee has enclosed or provided voting instructions for you to use in directing it on how to vote your shares. However, the organization that holds your shares is the stockholder of record for purposes of voting at the Annual Meeting. Because you are not the stockholder of record, you may not vote your shares at the Annual Meeting unless you request and obtain a valid proxy from the organization that holds your shares giving you the right to vote the shares at the Annual Meeting.

- **Proposal No. 1 – Election of Directors.** Each director will be elected by a plurality of the votes cast, which means that the nine individuals nominated for election to the board of directors at the Annual Meeting receiving the highest number of “FOR” votes will be elected. You may either vote “FOR” one or any of the nominees or “WITHHOLD” your vote with respect to one or any of the nominees.

- **Proposal No. 2 – Ratification of Appointment of Independent Registered Accounting Firm.** Ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2021 will be obtained if the number of votes cast “FOR” the proposal at the Annual Meeting exceeds the number of votes “AGAINST” the proposal.

- **Proposal No. 3 - Advisory Vote on the Frequency of Future Advisory Votes on Executive Compensation.** Approval, on a non-binding advisory basis, as to whether future advisory votes on executive compensation should be conducted every “ONE YEAR,” “TWO YEARS” or “THREE YEARS.” You may also “ABSTAIN” from voting. The frequency that receives the greatest number of votes cast by stockholders on this matter at the meeting will be considered the advisory vote of our stockholders.

Broker non-votes occur when shares held by a broker for a beneficial owner are not voted either because (i) the broker did not receive voting instructions from the beneficial owner or (ii) the broker lacked discretionary authority to vote the shares. Abstentions occur when shares present at the Annual Meeting are marked “abstain.” A broker is entitled to vote shares held for a beneficial owner on “routine” matters, such as the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2021, without instructions from the beneficial owner of those shares. On the other hand, absent instructions from the beneficial owner of such shares, a broker is not entitled to vote shares held for a beneficial owner on “non-routine” matters. All the other proposals presented at the Annual Meeting are non-routine matters. Broker non-votes and abstentions are counted for purposes of determining whether a quorum is present but have no effect on the outcome of the matters voted upon except where brokers can exercise discretion on “routine” matters. Accordingly, we encourage you to provide voting instructions to your broker, whether or not you plan to attend the Annual Meeting.

Recommendations of the Board of Directors on Each of the Proposals Scheduled to be Voted on at the Annual Meeting

The board of directors recommends that you vote “FOR” each of the directors named in this Proxy Statement (“**Proposal 1**”), “FOR” the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2021 (“**Proposal 2**”) and "ONE YEAR" regarding the frequency of future advisory votes on executive compensation (“**Proposal 3**”).

None of the directors or executive officers has any substantial interest in any matter to be acted upon, other than elections to office with respect to the directors so nominated.

Voting Instructions; Voting of Proxies

If you are a stockholder of record, you may:

- vote via the Annual Meeting website—any stockholder can attend the Annual Meeting by visiting *www.virtualshareholdermeeting.com/GPRO2021*, where stockholders may vote and submit questions during the meeting. The Annual Meeting starts at 11:30 a.m. (Pacific Time) on June 1, 2021. Please have your 16-Digit Control Number to join the Annual Meeting. Instructions on how to attend and participate via the Internet, including how to demonstrate proof of stock ownership, are posted at *www.proxyvote.com*;

- vote via telephone or Internet—in order to do so, please follow the instructions shown on your proxy card; or

- vote by mail—complete, sign and date the proxy card enclosed herewith and return it before the Annual Meeting in the envelope provided.

Votes submitted by telephone or Internet must be received by 11:59 p.m. (Eastern Time) on May 31, 2021. Submitting your proxy, whether via the Internet, by telephone, or by mail, will not affect your right to vote in person should you decide to attend the Annual Meeting. If you are not the stockholder of record, please refer to the voting instructions provided by your nominee to direct your nominee on how to vote your shares. You may either vote “FOR” all of the nominees to the board of directors, or you may “WITHHOLD” your vote from all nominees or any nominee you specify. For Proposal 2, you may vote “FOR” or “AGAINST” or “ABSTAIN” from voting. For Proposal 3, you may vote “ONE YEAR,” “TWO YEARS” or “THREE YEARS.” You may also “ABSTAIN” from voting. Your vote is important. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure that your vote is counted.

All proxies will be voted in accordance with the instructions specified on the proxy card. If you sign a physical proxy card and return it without instructions as to how your shares should be voted on a particular proposal at the Annual Meeting, your shares will be voted in accordance with the recommendations of our board of directors stated above.

If you do not vote and you hold your shares in street name, and your broker does not have discretionary power to vote your shares, your shares may constitute “broker non-votes” (as described above) and will not be counted in determining the number of shares necessary for approval of the proposals. However, shares that constitute broker non-votes will be counted for the purpose of establishing a quorum for the Annual Meeting.

If you receive more than one proxy card, this is because your shares are registered in more than one name or are registered in different accounts. To make certain all your shares are voted, please follow the instructions included on each proxy card and vote each proxy card by telephone or the Internet. If voting by mail, please complete, sign and return each proxy card to ensure that all your shares are voted.

Expenses of Soliciting Proxies

GoPro will pay the expenses of soliciting proxies. Following the original mailing of the soliciting materials, GoPro and its agents, including directors, officers and other employees, without additional compensation, may solicit proxies by mail, electronic mail, telephone, facsimile, by other similar means, or in person. Following the original mailing of the soliciting materials, GoPro will request brokers, custodians, nominees and other record holders to forward copies of the soliciting materials to persons for whom they hold shares and to request authority for the exercise of proxies. In such cases, GoPro, upon the request of the record holders, will reimburse such holders for their reasonable expenses. If you choose to access the proxy materials through the Internet, you are responsible for any Internet access charges you may incur.

Revocability of Proxies

A stockholder who has given a proxy may revoke it at any time before it is exercised at the Annual Meeting by:

- delivering to the Corporate Secretary of GoPro (by any means) a written notice stating that the proxy is revoked;
- signing and delivering a proxy bearing a later date;
- voting again by telephone or Internet; or
- attending and voting at the Annual Meeting (although attendance at the Annual Meeting will not, by itself, revoke a proxy).

Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to revoke a proxy, you must contact that firm to revoke any prior voting instructions.

Voting Results

Voting results will be tabulated and certified by the inspector of elections appointed for the Annual Meeting. The preliminary voting results will be announced at the Annual Meeting. The final results will be tallied by the inspector of elections and filed by GoPro with the Securities and Exchange Commission ("SEC") in a current report on Form 8-K within four business days of the Annual Meeting.

Information regarding our Virtual Meeting

You will be able to attend the Annual Meeting virtually at *www.virtualshareholdermeeting.com/GPRO2021*, where you will be able to vote electronically and submit questions during the meeting.

You will be able submit a question during the Annual Meeting via our virtual stockholder meeting website, *www.virtualshareholdermeeting.com/GPRO2021.* If your question is properly submitted during the relevant portion of the meeting agenda, our Vice President of Corporate Communications will lead the Q&A session and a response to appropriate questions will be provided during the live webcast. A webcast replay of the 2021 Annual Meeting, including the Q&A session, will also be archived on *www.virtualshareholdermeeting.com/GPRO2021*.

If we experience technical difficulties during the virtual meeting (e.g., a temporary or prolonged power outage), our Chairman will determine whether the meeting can be promptly reconvened (if the technical difficulty is temporary) or whether the meeting will need to be reconvened on a later day (if the technical difficulty is more prolonged). In any situation, we will promptly notify stockholders of the decision via *www.virtualshareholdermeeting.com/GPRO2021.*

If you encounter technical difficulties accessing our meeting or asking questions during the meeting, a support line will be available on the login page of the virtual meeting website.

BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD; CORPORATE GOVERNANCE STANDARDS AND DIRECTOR INDEPENDENCE

GoPro is strongly committed to good corporate governance practices. These practices provide an important framework within which our board of directors and management can pursue our strategic objectives for the benefit of our stockholders. Our board of directors has adopted Corporate Governance Guidelines that set forth the role of our board of directors, director independence standards, board structure and functions, director selection considerations, and other governance policies. In addition, our board of directors has adopted written charters for its standing committees (audit, compensation and leadership, and nominating and governance), as well as a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. Our board of directors generally reviews each of the Corporate Governance Guidelines, the committee charters, and the Code of Business Conduct and Ethics annually and implements changes as appropriate. The Corporate Governance Guidelines, the committee charters, and the Code of Business Conduct and Ethics, and any waivers or amendments to the Code of Business Conduct and Ethics, are all available on our Investor Relations website (*http://investor.gopro.com*) in the “Corporate Governance” section.

Board Leadership Structure

Our Corporate Governance Guidelines provide that our board of directors may choose its chairperson in any way that it considers to be in the best interests of our company. Our nominating and governance committee periodically considers the leadership structure of our board of directors, including the separation of the chairperson and chief executive officer roles and/or appointment of a lead independent director of our board of directors, and makes such recommendations to our board of directors as our nominating and governance committee deems appropriate. Our Corporate Governance Guidelines also provide that, when the positions of chairperson and chief executive officer are held by the same person, the independent directors may designate a “lead independent director.” In cases in which the chairperson and chief executive officer are the same person, the responsibilities of the lead independent director include: scheduling and preparing agendas for meetings of the independent directors; serving as a liaison between the chief executive officer and the independent directors; being available, under appropriate circumstances, for consultation and direct communication with stockholders; ensuring our board of directors is fulfilling its oversight responsibilities in strategy, risk oversight and succession planning; and performing such other functions and responsibilities as requested by our board of directors from time to time.

Currently, our board of directors believes that it is in the best interest of our company and our stockholders for our Chief Executive Officer, Mr. Woodman, to serve as both Chief Executive Officer and Chairman given his knowledge of our company, industry, and strategic vision. Because Mr. Woodman has served and continues to serve in both these roles, our board of directors appointed Kenneth Goldman to serve as our lead independent director in April 2017. As lead independent director, Mr. Goldman, presided over regularly scheduled meetings at which only our independent directors were present to foster open and honest communication, served as a liaison between the Chairman and the independent directors, and performed such additional duties as our board of directors may otherwise determine and delegate. Our board of directors believes that its independence and oversight of management is maintained effectively through this leadership structure, the composition of our board of directors and sound corporate governance policies and practices.

Our Board of Directors’ Role in Risk Oversight

Our board of directors is primarily responsible for overseeing our risk management processes. Our board of directors, as a whole, determines the appropriate level of risk for GoPro, assesses the specific risks that we face and reviews management’s strategies for adequately mitigating and managing the identified risks, including but not limited to risks related to the Covid-19 pandemic. Although our board of directors administers this risk management oversight function, the committees of our board of directors support our board of directors in discharging its oversight duties and address risks inherent in their respective areas. The audit committee reviews our major financial risk exposures and the steps management has taken to monitor and control such exposures, including our procedures and related policies with respect to risk assessment and risk management. The compensation and leadership committee reviews risks and exposures associated with compensation plans and programs, including incentive plans. The nominating and corporate governance committee assists the board in fulfilling its oversight responsibilities with respect to the management of risks associated with our overall governance practices and the leadership structure of the board of directors (as described above under “Board Leadership Structure”). Our board of directors is kept informed of each committee’s risk oversights and other activities via regular reports of the committee chairs to the full board of directors.

We believe this division of responsibilities is an effective approach for addressing the risks we face and that our board leadership structure supports this approach.

Our Board of Directors' Role in Environmental, Social and Governance (ESG) Oversight

Our board of directors also recognizes the importance of environmental, social, and governance (ESG) issues, and therefore is committed to maintaining high ethical standards, upholding our corporate values and implementing environmentally and socially responsible business practices. Below are some highlights of our Company ESG initiatives:

2020 Environmental, Supply Chain & Social Highlights	
Environmental	In 2020, we updated our camera packaging and removed the hard-plastic jewel case display from our new flagship camera packaging. We also reduced the amount of cardboard materials used in that packaging by replacing cardboard materials with a reusable hard-shell carry case.
Supply Chain	We require all suppliers to comply with our GoPro Supplier Corporate Social Responsibility Code of Conduct (the "Corporate Social Responsibility Code"). The Corporate Social Responsibility Code seeks to promote safe and fair working conditions and urges our suppliers to go beyond legal compliance to advance social responsibility. Our Corporate Social Responsibility Code prohibits the use of underage labor, prohibits forced or prison labor, and mandates workplaces free of harassment or discrimination. We are committed to responsible sourcing of materials using ethical business principles, the promotion and protection of human rights, and compliance with all applicable laws and regulations. We require all of our suppliers to share this commitment through acknowledgment of our GoPro Supply Chain Code of Conduct (detailed at *https://gopro.com/en/us/legal/casupplychaindisclosure*). We work with suppliers to promote conflict-free sourcing of all parts and products supplied to us. We have conducted due diligence in accordance with the Organization for Economic Cooperation and Development Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas (OECD 2016) to ascertain whether any conflict minerals used in our products originated in the Democratic Republic of Congo, its adjoining countries, or countries considered to be possible smuggling routes of materials from the conflict area.

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Our employees receive annual training on our Code of Business Conduct and Ethics, which all employees are required to review and acknowledge.
All new employees undergo onboarding training that covers, among other things, the Code of Business Conduct and Ethics, global anti-corruption, prevention of sexual harassment and discrimination; and diversity, equity, inclusion and belonging.
In 2020, GoPro signed the Outdoor CEO Diversity Pledge to encourage daily mindfulness and to foster awareness and participation in actions that promote diversity, equity, inclusion and belonging at our Company. We are committed to hiring diversely, understanding that contributions from different perspectives will make us stronger, more successful, and more capable of serving a diverse customer base.
In the summer of 2020, GoPro identified three organizations to support monetarily and with in-kind donations to make a commitment to support empowerment within the Black community and promote lasting policy change and justice reform in pursuit of a racism-free future:

GirlTrek: With over 700,000 members GirlTrek, the largest public health nonprofit for African-American women and girls in the United States, is pioneering a health movement grounded in civil rights history and principles through walking campaigns, community leadership and health advocacy.
My Brother’s Keeper Alliance: My Brother's Keeper Alliance is focused on building safe and supportive communities for boys and young men of color where they feel valued and have clear pathways to opportunity.
The Southern Center for Human Rights: The Southern Center for Human Rights works for equality, dignity and justice for people impacted by the criminal legal system in the Deep South. The Southern Center for Human Rights fights for a world free from mass incarceration, the death penalty, the criminalization of poverty, and racial injustice.

Also in 2020, and moving forward, to celebrate and honor the Black Lives Matter movement, and in support of racial justice, GoPro has decided to respect Juneteenth (June 19) as a new company holiday, by giving all US full-time employees the day off to listen, learn, share and reflect.
More information on these and other initiatives can be found at: https://gopro.com/en/us/news/end-racism-now.
In addition, each year, every employee can request that the Company donate a current model HERO camera to a US 501(c)(3) charitable organization on their behalf.
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Director Independence

Our board of directors determines the independence of our directors by applying the applicable rules, regulations and listing standards of The Nasdaq Global Select Market (“**Nasdaq**”) and applicable rules and regulations promulgated by the SEC. The applicable rules, regulations and listing standards of Nasdaq provide that a director is independent only if the board of directors affirmatively determines that the director does not have a relationship with the company which, in the opinion of the board of directors, would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a director. They also specify various relationships that preclude a determination of director independence. Such relationships may include employment, commercial, accounting, family and other business, professional and personal relationships.

Applying these standards, our board of directors annually reviews the independence of our directors, taking into account all relevant facts and circumstances. In its most recent review, our board of directors considered, among other things, the relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director, any transactions involving non-employee directors described in "Related Party Transactions" and any transactions or relationships not required to be disclosed in such section.

Our board of directors has determined that Messrs. Ahmad-Taylor, Goldman, Gotcher, Lanzone, Lurie and Welts, and Mses. Lyne and Zalaznick, are "independent directors" as defined under the applicable rules, regulations and listing standards of Nasdaq and applicable rules and regulations promulgated by the SEC. All members of our audit committee, compensation and leadership committee and nominating and governance committee must be independent directors under the applicable rules, regulations and listing standards of Nasdaq. Members of the audit committee also must satisfy a separate SEC independence requirement, which provides that (i) they may not accept directly or indirectly any consulting, advisory or other compensatory fee from GoPro or any of our subsidiaries other than their directors' compensation, and (ii) they may not be an affiliated person of GoPro or any of our subsidiaries. Members of the compensation and leadership committee also must satisfy a separate SEC independence requirement and a related Nasdaq listing standard with respect to their affiliation with GoPro and any consulting, advisory or other fees they may have received from us. Our board of directors has determined that all members of our audit committee, compensation and leadership committee and nominating and governance committee are independent and satisfy the relevant SEC and Nasdaq independence requirements for such committees.

Board and Committee Meetings and Attendance

Our board of directors and its committees meet throughout the year on a set schedule, and hold special meetings and act by written consent from time to time. During 2020, our board of directors met nine times, including telephonic meetings, the audit committee held five meetings, the compensation and leadership committee held seven meetings, and the nominating and governance committee held three meetings. All of our directors attended at least 75% of the aggregate of the total number of meetings held by our board of directors and of the total number of meetings held by all committees of our board of directors on which such director served (during the period in which the director served).

Audit Committee

Our audit committee is comprised of Mr. Goldman, who serves as the chair, Mr. Gotcher and Mr. Lurie. Our board of directors has determined that each member of the audit committee meets the requirements for independence under the applicable rules, regulations and listing standards of Nasdaq and applicable rules and regulations promulgated by the SEC. Each member of our audit committee is financially literate. In addition, our board of directors has determined that Mr. Goldman is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K of the Securities Act of 1933, as amended ("**Securities Act**").

All audit services to be provided to us and all permissible non-audit services, other than de minimis non-audit services, to be provided to us by our independent registered public accounting firm will be approved in advance by our audit committee. Our audit committee, among other things:

- reviews the financial information which will be provided to stockholders and others;
- reviews our system of internal controls by consulting with management, our internal compliance team and the independent registered public accounting firm and monitors compliance with these processes;
- appoints, retains and oversees the independence and performance of the independent registered public accounting firm;
- oversees our accounting and financial reporting processes and the audits of our financial statements;
- pre-approves audit and permissible non-audit services provided by the independent registered public accounting firm;
- reviews and provides oversight regarding our policies with respect to risk assessment and risk management; and
- reviews related party transactions and proposed waivers of our Code of Business Conduct and Ethics.

Compensation and Leadership Committee

Our compensation and leadership committee ("**CLC**") is comprised of Ms. Lyne, who serves as the chair, Mr. Gotcher ,Mr. Welts and Ms. Zalaznick. Our board of directors has determined that each member of our compensation and leadership committee meets the requirements for independence under current Nasdaq and SEC rules, regulations and listing standards. Each member of this committee is also a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended ("**Exchange Act**"), an outside director, as defined pursuant to Section 162(m) and is "independent" as defined in Section 5605(a)(2) of the Nasdaq rules and Rule 10C-1 promulgated under the Exchange Act. The purpose of our compensation and leadership committee is to carry out the responsibilities of our board of directors relating to compensation of our executive officers. Our compensation and leadership committee, among other things:

- reviews and determines the compensation of our Chief Executive Officer, executive officers and other executives reporting to the Chief Executive Officer;
- administers our equity incentive plans; and
- establishes and reviews general policies relating to compensation and benefits of our employees.

The compensation and leadership committee engaged an independent executive compensation consulting firm, Compensia, Inc. ("**Compensia**"), to evaluate our executive compensation program and practices and to provide advice and ongoing assistance on executive compensation matters for 2020. Specifically, Compensia was engaged to:

- provide compensation-related data for a peer group of companies to serve as a basis for assessing competitive compensation practices;

- review and assess our current director policies and practices, Chief Executive Officer and other executive officer compensation policies and practices and equity profile relative to market practices (with director compensation review done for the benefit of the nominating and governance committee, which per its charter has responsibility for director compensation review and recommendation);

- review and assess our current executive compensation program relative to market to identify any potential changes or enhancements to be brought to the attention of the compensation and leadership committee; and

- review market practices on employee stock purchase plans and other equity programs.

During 2020, Compensia worked directly with the compensation and leadership committee (and not on behalf of management) to assist the committee in satisfying its responsibilities and undertook no projects for management without the committee's prior approval. The compensation and leadership committee has determined that none of the work performed by Compensia during 2020 raised any conflicts of interest.

Nominating and Governance Committee

The nominating and governance committee is comprised of Ms. Zalaznick, who serves as the chair, Messrs. Ahmad-Taylor and Lanzone and Ms. Lyne. Our board of directors has determined that each member of our nominating and governance committee meets the requirements for independence under current Nasdaq rules, regulations and listing standards. Our nominating and governance committee, among other things:

- identifies, evaluates and recommends nominees to our board of directors and committees of our board of directors;

- conducts searches for appropriate directors;

- evaluates the performance of our board of directors;

- considers and makes recommendations to our board of directors regarding the composition of our board of directors and its committees and related compensation (and was assisted in its 2020 director compensation review by Compensia);

- reviews developments in corporate governance practices;

- evaluates the adequacy of our corporate governance practices and reporting; and

- makes recommendations to our board of directors concerning corporate governance matters.

Our Board Evaluation Process

The Board is committed to reviewing its performance through an annual evaluation process to continually enhance and improve its performance. Through these evaluations, the nominating and governance committee oversees the assessment of the Board's processes, committees, meetings, planning, and overall effectiveness. The Chair of the nominating and governance committee reviews the results and feedback provided by the directors and identifies action items stemming from the assessment. Feedback on Board and committee effectiveness is provided to the full Board for discussion. Any findings that require additional consideration are addressed at subsequent Board and committee meetings.

Compensation and Leadership Committee Interlocks and Insider Participation

None of the members of our compensation and leadership committee has at any time been one of our officers or employees. None of our executive officers currently serves, or in the past has served, as a member of the board of directors or compensation and leadership committee (or other board committee performing equivalent functions) of any entity that has one or more of its executive officers serving on our board of directors or our compensation and leadership committee.

Board Attendance at Annual Stockholders' Meeting

Our policy is to invite and encourage each member of our board of directors to be present at our annual meeting of stockholders. All our current directors were present at our 2020 virtual annual meeting of stockholders held on June 2, 2020.

Communication with Directors

Stockholders and interested parties who wish to communicate with our board of directors, non-management members of our board of directors as a group, a committee of our board of directors or a specific member of our board of directors (including our Chairman or lead independent director) may do so by letters addressed to the attention of our General Counsel. All communications are reviewed by our General Counsel and provided to the members of our board of directors consistent with a screening policy providing that unsolicited items, sales materials, abusive, threatening or otherwise inappropriate materials and other routine items and items unrelated to the duties and responsibilities of our board of directors shall not be relayed on to directors. Any communication that is not relayed is recorded in a log and made available to our board of directors.

The address for these communications is:

GoPro, Inc.
c/o General Counsel
3025 Clearview Way
San Mateo, California 94402

NOMINATIONS PROCESS AND DIRECTOR QUALIFICATIONS

Nomination to the Board of Directors

Candidates for nomination to our board of directors are selected by our board of directors based on the recommendation of the nominating and governance committee in accordance with the committee's charter, our certificate of incorporation and bylaws, our Corporate Governance Guidelines, and the criteria adopted by our board of directors regarding director candidate qualifications. In recommending candidates for nomination, the nominating and governance committee considers candidates recommended by directors, officers, employees, stockholders and others, using the same criteria to evaluate all candidates. Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates as appropriate and, in addition, the committee may engage consultants or third-party search firms to assist it in identifying and evaluating potential nominees.

In 2020 no new candidates were considered for nomination.

Additional information regarding the process for properly submitting stockholder nominations for candidates for membership on our board of directors is set forth below under "Additional Information – Stockholder Proposals to Be Presented at Next Annual Meeting."

Director Qualifications

With the goal of developing a diverse, experienced and highly qualified board of directors, the nominating and governance committee is responsible for developing and recommending to our board of directors the desired qualifications, expertise and characteristics of members of our board of directors, including qualifications that the committee believes must be met by a committee-recommended nominee for membership on our board of directors and specific qualities or skills that the committee believes are necessary for one or more of the members of our board of directors to possess.

Since the identification, evaluation and selection of qualified directors is a complex and subjective process that requires consideration of many intangible factors, and will be significantly influenced by the particular needs of our board of directors from time to time, our board of directors has not adopted a specific set of minimum qualifications, qualities or skills that are necessary for a nominee to possess, other than those that are necessary to meet U.S. legal, regulatory and Nasdaq listing requirements and the provisions of our certificate of incorporation, bylaws, Corporate Governance Guidelines, and charters of the board committees. When considering nominees, our nominating and governance committee may take into consideration many factors, including among other things, a candidate's independence, integrity, diversity (inclusive of age, gender, ethnicity, sexual orientation and gender identity, in accordance with the nominating and governance committee charter), skills, knowledge about our business or industry, willingness and ability to devote adequate time and effort to the board of directors responsibilities in the context of the existing composition, knowledge about other areas that are expected to contribute to the board of directors' overall effectiveness, and needs of the board of directors and its committees. Our board of directors and nominating and governance committee believe that a diverse, experienced and highly qualified board of directors fosters a robust, comprehensive and balanced decision-making process for the continued effective functioning of our board of directors and success of the Company. Accordingly, through the nomination process, the nominating and governance committee seeks to promote board membership that reflects a diversity of business experience, expertise, viewpoints, personal backgrounds and characteristics that are expected to contribute to our board of directors' overall effectiveness. The brief biographical description of each director set forth in

Proposal 1 below includes the primary individual experience, qualifications, attributes and skills of each of our directors that led to the conclusion that each director should serve as a member of our board of directors at this time.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Our board of directors currently consists of nine directors. All of our directors will stand for election at the Annual Meeting to be held on June 1, 2021 and shall serve for a one-year term expiring at the 2022 Annual Meeting of Stockholders, and until such director's successor is duly elected and qualified or until such director's earlier death, resignation, or removal.

Shares represented by proxies will be voted "FOR" the election of each of the nine nominees named below, unless the proxy is marked to "WITHHOLD" authority to so vote. If any nominee for any reason is unable to serve or for good cause will not serve, the proxies may be voted for such substitute nominee as the proxy holder might determine. Each nominee has consented to being named in this Proxy Statement and to serve if elected.

Nominees to the Board of Directors

The nominees, their ages, occupations, and length of board service as of April 20, 2021 are provided in the table below. Additional biographical descriptions of each nominee are set forth in the text below the table.

Name of Director/Nominee	Age	Principal Occupation	Director Since
Nicholas Woodman	45	Chief Executive Officer and Chairman, GoPro, Inc.	2004
Tyrone Ahmad-Taylor(2)	53	Vice President, Product Marketing, Facebook, Inc.	2018
Kenneth Goldman(1) †	71	President, Hillspire LLC	2013
Peter Gotcher(1)(3)	61	Independent Investor	2014
James Lanzone(2)	50	Chief Executive Officer, Tinder	2018
Alexander Lurie(1)	47	Chief Executive Officer, SurveyMonkey, Inc.	2016
Susan Lyne(2)(3)	69	President and Managing Partner, BBG Ventures LLC	2017
Frederic Welts(3)	68	President and Chief Operating Officer, Golden State Warriors	2017
Lauren Zalaznick(2)(3)	58	Media Executive	2016

(1) Member of the audit committee.

(2) Member of the nominating and governance committee

(3) Member of the compensation and leadership committee

† Lead Independent Director

Nicholas Woodman founded GoPro and has served as our Chief Executive Officer and a member of the board of directors since 2004, as Chairman since January 2014 and as President from 2004 until June 2014. Mr. Woodman got his start in 1998 by founding an online gaming company, Funbug.com. When that venture failed in 2001, Mr. Woodman planned an international surfing trip to look for inspiration. While preparing for that trip, Mr. Woodman had the idea for a 35mm film-based wrist camera that could be worn during sports like surfing, enabling the user to capture images while engaged in the sport. This idea became GoPro's first product, the HERO Camera. In the years that followed, Mr. Woodman, along with friends, family and employees, innovated on the HERO Camera concept along with a wide array of mounting devices that make it easy to mount the camera to everything from helmets to surfboards, vehicles and more recently a software subscription service to manage, edit, and store camera content. Mr. Woodman holds a B.A. in Visual Arts from the University of California, San Diego. We believe Mr. Woodman's experience as the founder of GoPro and his knowledge of our products and customers give him the experience and leadership capabilities that qualify him to serve as a member of our board of directors.

Tyrone Ahmad-Taylor has served on our board of directors since June 2018. Since June 2017, Mr. Ahmad-Taylor has been Vice President, Product Marketing of Facebook, Inc., an online social platform. Prior to his role at Facebook, Mr. Ahmad-Taylor was CEO and President of THX Limited from November 2015 to May 2017. From March 2014 to July 2015, Mr. Ahmad-Taylor was Vice President, SmartTV Services of Samsung Electronics Company Limited and Head, SmartTV Services of Samsung Electronics Company Limited from October 2012 to March 2014. Mr. Ahmad-Taylor is currently an Advisory Board Member of Consumer Technology Association. We believe Mr. Ahmad-Taylor is qualified to serve as a member of our board of directors based on his extensive executive experience in the consumer products industry and his background in product development and marketing.

Kenneth Goldman has served on our board of directors since December 2013 and as lead independent director of our board since April 2017. Since December 2018, Mr. Goldman has served on the board of directors at Sustainability Accounting Standards Board (SASB) Foundation. Since September 2017, Mr. Goldman has served as the President of Hillspire LLC, a wealth management service provider. From October 2012 to June 2017, Mr. Goldman served as the Chief Financial Officer of Yahoo! Inc., an Internet commerce website, where he was responsible for Yahoo's global finance functions including financial planning and analysis, controllership, tax, treasury, and investor relations. From September 2007 to October 2012, Mr. Goldman was the Senior Vice President, Finance and Administration and Chief Financial Officer of Fortinet Inc., a provider of threat management technologies. From November 2006 to August 2007, Mr. Goldman served as Executive Vice President and Chief Financial Officer of Dexterra, Inc., a mobile enterprise software company. From August 2000 until March 2006, Mr. Goldman served as Senior Vice President of Finance and Administration and Chief Financial Officer of Siebel Systems, Inc., a supplier of customer software solutions and services. Previously, Mr. Goldman has been the Chief Financial Officer of Sybase, Inc. (acquired by SAP SE), Excite@Home, Cypress Semiconductor Corporation and VLSI Technology, Inc. (acquired by Philips Electronics). Mr. Goldman currently serves on the board of directors of NXP Semiconductor N.V., Zuora, Inc., Fortinet, and RingCentral, as well as the Trustee Emeritus of Cornell University. From December 1999 to December 2003, Mr. Goldman served on the Financial Accounting Standards Board's (FASB's) primary Advisory Council (FASAC). Mr. Goldman was appointed in January 2015 to a three-year term to the Public Company Accounting Oversight Board's (PCAOB) Standing Advisory Group (SAG), an organization that provides advice on the need to formulate new accounting standards or change existing standards. Mr. Goldman holds a B.S. in Electrical Engineering from Cornell University and an M.B.A. from Harvard Business School. We believe Mr. Goldman is qualified to serve as a member of our board of directors based on his experience on the boards of directors of numerous companies, his extensive executive experience and his service as a member of FASAC and SAG. He provides a high level of expertise and significant leadership experience in the areas of finance, accounting and audit oversight.

Peter Gotcher has served on our board of directors since June 2014. Mr. Gotcher is an independent private investor focusing on investments in digital media technology companies. From September 1999 to June 2002, Mr. Gotcher was a venture partner with Redpoint Ventures, a private investment firm. Prior to that, Mr. Gotcher was a venture partner with Institutional Venture Partners, a private investment firm, from 1997 to 1999. Mr.

Gotcher founded Digidesign, Inc., a manufacturer of digital audio workstations, and served as its President, Chief Executive Officer and Chairman from 1984 until it was acquired by Avid Technology, a media software company, in 1995. He served as the Executive Vice President of Avid Technology from 1995 to 1996. Mr. Gotcher currently serves as the Chairman of the board of directors of Dolby Laboratories, and is on the board of trustees of Santa Clara University. Mr. Gotcher holds a B.A. in English Literature from the University of California at Berkeley. We believe Mr. Gotcher is qualified to serve as a member of our board of directors based on his broad understanding of the operational, financial, and strategic issues facing public companies and his background providing guidance to companies in the digital media industry.

James Lanzone has served on our board of directors since August 2018. Since July 2020, Mr. Lanzone has served as the Chief Executive Officer of Tinder, a geosocial networking and online dating application which is part of the Match Group. From January 2020 to July 2020, Mr. Lanzone served as Executive-in-Residence at venture capital firm Benchmark Capital. From September 2020 to June 2020, Mr. Lanzone served as Strategic Advisor at ViacomCBS Corp. From May 2016 to December 2019, Mr. Lanzone served as Chief Digital Officer of CBS Corporation, a leading mass media company. In addition, from January 2014 to December 2019, Mr. Lanzone was CEO of CBS Interactive, a division of CBS Corporation. Previously, Mr. Lanzone served as President of CBS Interactive from March 2011 to December 2013. From January 2009 to February 2011, Mr. Lanzone was Founder and CEO of Clickr Media, Inc., an Internet video search engine and navigation guide, which was acquired by CBS Corporation in 2011. Mr. Lanzone is currently a member of Supernova Partners and Newport Festivals Foundation. We believe Mr. Lanzone is qualified to serve as a member of our board of directors based on his extensive executive experience and digital product and media expertise.

Alexander Lurie has served on our board of directors since February 2016. Since January 2016, Mr. Lurie has served as the Chief Executive Officer of SurveyMonkey, Inc., a creator and publisher of online surveys, and he has served as a member of the board of SurveyMonkey since 2009, including as Chairman of the Board from July 2015 to January 2016. Mr. Lurie served as GoPro’s Senior Vice President of Media from November 2014 until January 2016. From February 2013 to January 2014, Mr. Lurie served as Executive Vice President for Guggenheim Digital Media, an internet media company. From April 2010 to August 2012, Mr. Lurie served as SVP, Strategic Development at CBS Corporation, a mass media corporation. From February 2008 to April 2010, Mr. Lurie served as Chief Financial Officer and Head of Business Development for CBS Interactive, a division of CBS Corporation. Mr. Lurie came to CBS Interactive via its acquisition of CNET Networks, a technology information website, where he served as Chief Financial Officer and head of Corporate Development from February 2006 to February 2008. Mr. Lurie began his career in the investment banking group at JPMorgan where he led equity transactions and mergers and acquisitions in the Internet sector. He holds a J.D. and M.B.A. degree from Emory University, and a B.A. in Political Science from the University of Washington. We believe Mr. Lurie is qualified to serve as a member of our board of directors based on his previous experience as an executive officer of GoPro, his operational and financial expertise from his management experience, and his background in the digital media industry.

Susan Lyne has served on our board of directors since April 2017. Since September 2014, Ms. Lyne has been Managing Partner of BBG Ventures, an early-stage investment fund focused on women-led tech startups. From February 2013 to September 2014, Ms. Lyne was Chief Executive Officer of the AOL Brand Group where she oversaw the content brands of AOL, Inc., a global media technology company. From September 2008 to February 2013, she was Chief Executive Officer and then Chair of Gilt Groupe, Inc., the innovative ecommerce company that pioneered flash sales in the United States. From 2004 to 2008, Ms. Lyne served as President and Chief Executive Officer of Martha Stewart Living Omnimedia, Inc., a diversified media and merchandising company. From 1996 to 2004, Ms. Lyne held various positions at The Walt Disney Company, a diversified worldwide entertainment company, including President of ABC Entertainment where she oversaw the development of shows including Desperate Housewives, Grey's Anatomy, and Lost. Ms. Lyne is on the board of Blade Urban Air Mobility, Inc. and has previously served as a director of Gilt Groupe, Inc., AOL, Inc., Martha Stewart Living Omnimedia, Inc., Starz Entertainment Group, LLC, and CIT. In addition, Ms. Lyne is a member of the Rockefeller University Council and a member of the Council on Foreign Relations. We believe Ms. Lyne is qualified to serve as a member of our board of directors based on her experience on the boards of directors of other companies, her extensive executive experience and her background in the media and consumer products industries.

Frederic Welts has served on our board of directors since October 2017. Since October 2011, Mr. Welts has served as President and Chief Operating Officer of the Golden State Warriors. In 2018 he was inducted into the Basketball Hall of Fame in Springfield, MA. Prior to joining the Warriors, Mr. Welts spent nine years with the Phoenix Suns, serving the organization as President and Chief Executive Officer for the last two seasons. Prior to joining the Suns, Mr. Welts enjoyed a successful 17-years (1982-1999) at the NBA league office in New York, where he ascended through the ranks to eventually become the league's third-in-command as the Executive Vice President, Chief Marketing Officer and President of NBA Properties. Mr. Welts currently serves as a board member of the Bay Area Council and the Warriors Community Foundation. He is also a member of the NBA's Team Advisory Committee and Global Inclusion Council. Mr. Welts has been honored with multiple awards recognizing his significant contributions to promoting diversity, inclusion and equality in sports and society, including the Anti-Defamation League's Torch of Liberty Award, the United States Tennis Association 2011 ICON Award, GLSEN's (Gay, Lesbian and Straight Education Network) Respect Award and GLAAD's (Gay & Lesbian Alliance Against Defamation) Davidson/Valentini Award. We believe Mr. Welts is qualified to serve as a member of our board of directors based on his extensive executive experience and marketing expertise.

Lauren Zalaznick has served on our board of directors since July 2016. Since January 2014, Ms. Zalaznick serves as a board member and senior advisor to leading media, tech and digital companies. She is currently a member of the boards of directors of RTL Group, a Bertelsmann Company (since April 2018), The Nielsen Company (since April 2016) where she chairs the Nomination and Governance Committee and sits on the Compensation and Leadership Committee, and she is a board observer of SerialBox (since July 2019). She is also a Senior Advisor to The Boston Consulting Group in the Global TMT Practice. From 2004 through December 2013, Ms. Zalaznick held various roles of increasing responsibility within Comcast/NBCUniversal, Inc. including Chairwoman, Entertainment & Digital Networks where she had responsibility for the Bravo, Oxygen, Style, Telemundo and Mun2 networks and ran its digital portfolio. As an independent advisor, Ms. Zalaznick works with companies at every stage of maturity focused on content, marketing, sales, and direct-to-consumer strategies. Most recently, she has focused on the burgeoning audio sector, consulting for the CEO/Founders of Gimlet Media (acquired by Spotify), This American Life, and Serial Productions (acquired by The New York Times). She is a former director of Penguin Random House, Shazam (acquired by Apple), and Refinery29 (acquired by Vice Media). Ms. Zalaznick is a member of the Producers Guild of America and the Academy of Television Arts & Sciences. Since July 2011, Ms. Zalaznick is a Trustee emerita of Brown University, from which she graduated magna cum laude and Phi Beta Kappa. We believe Ms. Zalaznick is qualified to serve as a member of our board of directors based on her operational and management expertise and her background in digital media and content strategy.

There are no family relationships among our current directors and officers.

Non-Employee Director Compensation Arrangements

Only the non-employee Directors of the Company are compensated for service on the Board.

GoPro adopted a Director Compensation Policy at the time of our IPO in June 2014. The Director Compensation Policy is intended to:

- provide fair compensation commensurate with the work required to serve on our Board;
- be aligned with compensation paid to directors at our peer group companies and reflect the size, scope and complexity of GoPro;
- align directors' interests with the interests of our stockholders; and
- to be easily understood and communicated - both to the directors and to our stockholders.

Annual Review and Benchmarking

Each year our nominating and governance committee undertakes a full review of our then current Director Compensation Policy. The nominating and governance committee engages Compensia to undertake an independent assessment of the Director Compensation Policy and make recommendations to ensure compliance with the goals listed above, director pay at comparable companies (including any revisions to our peer group) and sound governance principles. The annual review typically begins early in the fiscal year, and the nominating and governance committee makes its recommendations to the Board during Q2 regarding any revisions to the then current policy. As a result of the 2020 review and recommendation, in April 2020 the Board determined that no changes would be made to the Director Compensation Policy for the 2020-2021 board service cycle. At that same meeting, in response to the impact of the Covid-19 pandemic on the Company, and the uncertainty of future events, our board of directors voluntarily waived the cash compensation for director service that would have been paid during the period beginning April 14, 2020 and ending December 31, 2020.

Components of 2020 Director Compensation

Annual Cash Retainers

Cash Retainer	$50,000.00
Additional Cash Retainer for Lead Independent Director	$20,000.00
Additional Cash Retainer for chair of audit committee	$25,000.00
Additional Cash Retainer for audit committee member (other than chair)	$12,500.00
Additional Cash Retainer for chair of compensation and leadership committee	$20,000.00
Additional Cash Retainer for compensation and leadership committee member (other than chair)	$10,000.00
Additional Cash Retainer for chair of nominating and governance committee	$10,000.00
Additional Cash Retainer for nominating and governance committee member (other than chair)	$5,000.00

Annual Equity Grant

Restricted Stock Units (RSUs)	$185,000.00

Form and Timing of Payments

All equity awards (whether to employees, consultants or non-employee directors) are granted under the terms and conditions of one of our equity incentive compensation plans, which were adopted by the Board and approved by stockholders. Prior to our IPO in June 2014, all equity awards were approved under and governed by the GoPro, Inc. 2010 Equity Incentive Plan ("2010 Plan"). At the time of our IPO, the GoPro, Inc. 2014 Equity Incentive Plan ("2014 Plan") become active, and all equity grants following the date of IPO were awarded under and governed by the 2014 Plan.

RSU awards to directors are made annually upon election to our board of directors at our Annual Meeting. Directors who are appointed to our board of directors between Annual Meetings receive a pro-rated award of RSUs. The award value is converted to RSUs using the 3-month trailing average of our closing price through the date immediately preceding the date of grant. The RSUs vest as to 25% of the total RSUs granted in each quarter following the date of grant with the final 25% to vest on the earlier of the next Annual Meeting or the one-year anniversary of the date of grant, subject to continuous service on the board through each vesting date. The RSUs will accelerate and vest in full in the event of a change in control of GoPro as defined in the 2014 Plan.

The cash retainers are paid quarterly in arrears.

Non-employee directors receive no other form of remuneration, perquisites or benefits, but are reimbursed for their reasonable travel expenses incurred in attending board and committee meetings.

Director Compensation

The following table provides information for 2020 concerning all compensation awarded to, earned by or paid to each person who served as a non-employee director for some portion of 2020. Nicholas Woodman, our Chief Executive Officer, is not included in the table below because he did not receive additional compensation for his services as a director. His compensation as an employee is shown below in “Executive Compensation – 2020 Summary Compensation Table.”

In response to the impact of the Covid-19 pandemic on the economy and the Company, our board of directors voluntarily waived all cash compensation that would have been paid for director service for the period between April 14, 2020 and December 31, 2020.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)[1]		Total ($)
Tyrone Ahmad-Taylor	13,750	272,722	(2)	286,472
Kenneth Goldman	23,750	272,722	(2)	296,472
Peter Gotcher	20,625	272,722	(2)	293,347
James Lanzone	13,750	272,722	(2)	286,472
Alexander Lurie	12,500	272,722	(2)	285,222
Susan Lyne	16,250	272,722	(2)	288,972
Frederic Welts	15,000	272,722	(2)	287,722
Lauren Zalaznick	20,625	272,722	(2)	293,347

(1) The amounts reported in this column represent the aggregate grant date value of RSUs or option awards, as applicable, made to directors in 2020 computed in accordance with FASB ASC Topic 718.

(2) On June 2, 2020, each non-employee director received an award of 57,780 RSUs which vested as to 25% of the shares subject to the award in each quarter following the date of grant, with the final 25% to vest on June 01, 2021, the date of our Annual Meeting, subject to the director’s continuous service on our board of directors on each vesting date. As of December 31, 2020, 28,890 of the RSUs remained unvested for each board member. In the event of a change in control (as defined under the Company’s 2014 Plan), these RSUs will accelerate and become immediately vested.

Our non-employee directors held option and RSU awards to acquire the following number of shares as of December 31, 2020:

	Number of Shares Underlying Outstanding Awards	
Name	Option Awards	RSU Awards
Tyrone Ahmad-Taylor	36,338	28,890
Kenneth Goldman	189,325 (1)	28,890
Peter Gotcher	117,608 (2)	28,890
James Lanzone	23,175	28,890
Alexander Lurie	105,913	28,890
Susan Lyne	73,736	28,890
Frederic Welts	55,400	28,890
Lauren Zalaznick	93,543	28,890

(1) Consists of options to purchase 95,000 shares of Class B common stock under an option award granted pursuant to our 2010 Plan and 94,325 shares of Class A common stock under option awards granted pursuant to our 2014 Plan.

(2) Consists of options to purchase 17,234 shares of Class B common stock under an option award granted pursuant to our 2010 Plan and 100,374 shares of Class A common stock under option awards granted pursuant to our 2014 Plan.

OUR BOARD OF DIRECTORS RECOMMENDS

A VOTE "FOR" ELECTION OF EACH OF THE NOMINATED DIRECTORS

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our audit committee has re-appointed PricewaterhouseCoopers LLP as GoPro's independent registered public accounting firm to perform the audit of GoPro's consolidated financial statements for the year ending December 31, 2021 and recommends that stockholders vote for ratification of such selection. PricewaterhouseCoopers LLP has served as GoPro's independent registered public accounting firm since 2011. The audit committee continuously evaluates the independence and effectiveness of PricewaterhouseCoopers LLP and its personnel, and the cost and quality of its audit and audit-related services.

Although ratification by stockholders is not required by law, GoPro has determined that it is good practice to request ratification of this selection by the stockholders. In the event that PricewaterhouseCoopers LLP is not ratified by our stockholders, the audit committee will review its future selection of PricewaterhouseCoopers LLP as GoPro's independent registered public accounting firm.

PricewaterhouseCoopers LLP audited GoPro's financial statements for the years ended 2020 and 2019. Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting, in which case, they will be given an opportunity to make a statement at the Annual Meeting if they desire to do so, and will be available to respond to appropriate questions.

Independent Registered Public Accounting Firm Fees and Services

We regularly review the services and fees from our independent registered public accounting firm. These services and fees are also reviewed with our audit committee annually. In accordance with standard policy, PricewaterhouseCoopers LLP periodically rotates the individuals who are responsible for GoPro's audit. The following table shows the fees billed by PricewaterhouseCoopers LLP for the years ended December 31, 2020 and 2019:

Fees Billed to GoPro	2020	2019
Audit fees[1]	$ 2,721,800	$ 2,510,700
Audit-related fees	—	—
Tax fees[2]	21,900	206,300
All other fees[3]	2,700	2,700
Total fees	$ 2,746,400	$ 2,719,700

(1) *"Audit fees"* include fees for audit services primarily related to the audit of our annual financial statements and internal control over financial reporting; the review of our quarterly financial statements; comfort letters, consents, and assistance with and review of documents filed with the SEC; and audit services provided in connection with other statutory and regulatory filings.

(2) *"Tax fees"* include fees for tax compliance, advice and planning. Tax advice fees encompass a variety of permissible tax services, including technical tax advice related to federal, state and international income tax matters, transfer pricing, international tax structure planning, assistance with indirect sales tax and assistance with tax audits.

(3) *"All other fees"* include fees for products and services, namely software subscription fees.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

Our audit committee's policy is to preapprove all audit and permissible non-audit services, other than de minimis non-audit services, provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accounting firm and management are required to report periodically to the audit committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date.

All services relating to the fees described in the table above were approved by our audit committee.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE *"FOR"* APPROVAL OF PROPOSAL NO. 2

PROPOSAL NO. 3

ADVISORY VOTE TO ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION

General

In accordance with the requirements of Section 14A of the Exchange Act (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the ''Dodd-Frank Act'')) and the related rules of the SEC, we are providing stockholders an opportunity to make a non-binding advisory vote on the frequency of future advisory votes on executive compensation. This non-binding advisory vote must be submitted to stockholders every six years. While the results of the vote are non-binding and advisory in nature, the board of directors intends to carefully consider the results of this vote.

You have four choices for voting on the following resolution. You can choose whether future advisory votes on executive compensation should be conducted every "ONE YEAR," "TWO YEARS" or "THREE YEARS." You may also "ABSTAIN" from voting. The frequency that receives the greatest number of votes cast by stockholders on this matter at the meeting will be considered the advisory vote of our stockholders.

At our 2015 Annual Meeting, we asked our stockholders to express a preference for the frequency of our Say-On-Pay vote. In 2015, the majority of our stockholders voted to hold the Say-On-Pay vote every three years.

After careful consideration, the nominating and governance committee and board of directors recommend that future advisory votes on compensation of our Named Executive Officers be held annually. Our board of directors believes that holding an annual vote is the most appropriate option because (i) it would provide immediate and direct input from our stockholders on our compensation principles and practices as disclosed in the proxy statement every year, (ii) an annual advisory vote provides frequent communication from our stockholders, which is consistent with our efforts to seek input from our stockholders regarding corporate governance and our compensation philosophy, and (iii) the lack of an annual Say-On-Pay advisory vote might make it more difficult for us to understand the outcome of a stockholder vote as to whether the stockholder vote pertains to the compensation disclosed in the current year proxy statement or pay practices relating to previous years.

Stockholders are not voting to approve or disapprove the board of directors' recommendation. Instead, stockholders may indicate their preference regarding the frequency of future advisory votes on the compensation of our Named Executive Officers by selecting one year, two years or three years. Stockholders that do not have a preference regarding the frequency of future advisory votes may abstain from voting on the proposal. For the reasons discussed above, we are asking our stockholders to vote for the future of frequency advisory votes on the compensation for our Named Executive Officers to occur annually.

Your vote on this proposal is advisory, and therefore not binding on GoPro, the board of directors or the nominating and governance committee, and will not be interpreted as overruling a decision by, or creating or implying any additional fiduciary duty for, the board or the compensation and leadership committee. Nevertheless, our board of directors and nominating and governance committee value the opinions of our stockholders and will take into account the outcome of this vote when making future decisions regarding the frequency of holding future advisory votes on executive compensation.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE TO HOLD FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION EVERY “ONE YEAR" UNDER PROPOSAL NO. 3

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of March 31, 2021, by:

- each stockholder known by us to be the beneficial owner of more than 5% of our Class A common stock or Class B common stock;
- each of our directors;
- each of our named executive officers (“**NEOs**”); and
- all directors and executive officers as a group.

Percentage ownership of our common stock before this offering is based on 125,244,940 shares of our Class B common stock and 28,485,046 shares of our Class A common stock outstanding on March 31, 2021. Beneficial ownership is determined in accordance with the rules of the SEC and thus represents voting or investment power with respect to our securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned by them, subject to community property laws where applicable. Shares of our Class A common stock and Class B common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2021 or RSUs and performance share units ("PSUs") that may be earned, vest and settle within 60 days of March 31, 2021 are deemed to be outstanding and to be beneficially owned by the person holding the options or RSUs and PSUs for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

	Shares Beneficially Owned				
	Class A		Class B		% of Total Voting Power[(1)]
Name of Beneficial Owner	**Shares**	**%**	**Shares**	**%**	
Directors and Named Executive Officers:					
Nicholas Woodman[(2)]	305,361	*	28,420,130	99.77	69.36
Tyrone Ahmad-Taylor[(3)]	90,178	*	—	*	*
Kenneth Goldman[(4)]	209,785	*	95,000	*	*
Peter Gotcher[(5)]	271,228	*	17,234	*	*
James Lanzone[(6)]	131,279	*	—	*	*
Alexander Lurie[(7)]	256,095	*	—	*	*
Susan Lyne[(8)]	179,332	*	—	*	*
Frederic Welts[(9)]	152,434	*	—	*	*
Lauren Zalaznick[(10)]	207,584	*	—	*	*
Brian McGee[(11)]	326,266	*	—	*	*
Eve Saltman[(12)]	194,253	*	—	*	*
Dean Jahnke[(13)]	224,410	*	9,600	*	*
Aimée Lapic[(14)]	140,871	*	—	*	*
All executive officers and directors as a group (13 persons)[(15)]	**2,689,076**	**2.12**	**28,541,964**	**99.77**	**69.82**
5% Stockholders					
Nicholas Woodman and Jill R. Woodman, as Co-Trustees of the Woodman Family Trust[(16)]	—	*	26,487,910	92.99	64.59
BlackRock, Inc.[(17)]	8,567,556	6.84	—	*	2.09
The Vanguard Group - 23-1945930[(18)]	11,013,073	8.79	—	*	2.69
Prentice Capital Management[(19)]	12,668,519	10.11	—	*	3.09

* Represents beneficial ownership of less than 1% of our outstanding shares of common stock of the designated class of security or less than 1% of the Total Voting Power, as applicable.

Unless otherwise indicated, the address of each of the individuals and entities named below is c/o GoPro, Inc., 3025 Clearview Way, San Mateo, California 94402.

(1) Percentage of total voting power represents voting power with respect to all shares of our Class A common stock and Class B common stock, as a single class. The holders of our Class B common stock are entitled to ten votes per share, and holders of our Class A common stock are entitled to one vote per share.

(2) Consists of: (i) 26,487,910 shares of Class B common stock held by the Woodman Family Trust under Trust Agreement dated March 11, 2011 of which Nicholas Woodman and Jill Woodman are co-trustees, (ii) 966,110 shares of Class B common stock held by Mr. Woodman's 2019 GRAT, (iii) 966,110 shares of Class B common stock held by the 2019 GRAT for Mr. Woodman's spouse, (iv) 235,170 shares of Class A common stock held by Mr. Woodman and (v) 70,191 shares of Class A common stock subject to performance stock units held by Mr. Woodman that may settle within 60 days of March 31, 2021. As a co-trustee, Mr. Woodman may be deemed to have shared voting and investment power over the shares owned by the Woodman Family Trust. Mr. Woodman is the sole trustee of both GRATs.

(3) Consists of (i) 53,840 shares of Class A common stock held by Mr. Ahmad-Taylor and (ii) 36,338 shares of Class A common stock subject to options held by Mr. Ahmad-Taylor that are exercisable within 60 days of March 31, 2021.

(4) Consists of (i) 668 shares of Class A common stock held by Mr. Goldman, (ii) 114,792 shares of Class A common stock held in the Goldman-Valeriote Family Trust, (iii) 94,325 shares of Class A common stock subject to options held by Mr. Goldman that are exercisable within 60 days of March 31, 2021, and (iv) 95,000 shares of Class B common stock subject to options held by Mr. Goldman that are exercisable within 60 days of March 31, 2021. Kenneth Goldman and Susan Valeriote are co-trustees and have shared voting and investment power over the shares owned by the Goldman-Valeriote Family Trust.

(5) Consists of: (i) 28,890 shares of Class A common stock held by Mr. Gotcher, (ii) 141,964 shares of Class A common stock held in the Peter and Marie-Helene Gotcher Family Trust, (iii) 100,374 shares of Class A common stock subject to options held by Mr. Gotcher that are exercisable within 60 days of March 31, 2021, and (iv) 17,234 shares of Class B common stock subject to options held by Mr. Gotcher that are exercisable within 60 days of March 31, 2021. Mr. Gotcher is the President of The Peter and Marie-Helene Gotcher Family Trust.

(6) Consists of (i) 108,104 shares of Class A common stock held by Mr. Lanzone, and (ii) 23,175 shares of Class A common stock subject to options held by Mr. Lanzone that are exercisable within 60 days of March 31, 2021.

(7) Consists of (i) 150,182 shares of Class A common stock held by the Lurie-Volgelsong Revocable Living Trust, and (ii) 105,913 shares of Class A common stock subject to options held by Mr. Lurie that are exercisable within 60 days of March 31, 2021. Mr. Lurie and his spouse are co-trustees of the Lurie-Volgelsong Revocable Living Trust.

(8) Consists of (i) 105,596 shares of Class A common stock held by Ms. Lyne, and (ii) 73,736 shares of Class A common stock subject to options held by Ms. Lyne that are exercisable within 60 days of March 31, 2021.

(9) Consists of (i) 97,034 shares of Class A common stock held by the Frederic K. Welts, Jr. Living Trust, and (ii) 55,400 shares of Class A common stock subject to options held by Mr. Welts that are exercisable within 60 days of March 31, 2021. Mr. Welts is the sole trustee and beneficiary of the Frederic K. Welts, Jr. Living Trust.

(10) Consists of (i) 114,041 shares of Class A common stock held by Ms. Zalaznick and Phelim Dolan and (ii) 93,543 shares of Class A common stock subject to options held by Ms. Zalaznick that are exercisable within 60 days of March 31, 2021.

(11) Consists of: (i) 13,252 shares of Class A common stock held by Mr. McGee, (ii) 276 shares of Class A common stock held by Mr. McGee's spouse, (iii) 305,967 shares of Class A common stock subject to options held by Mr. McGee that are exercisable within 60 days of March 31, 2021, and (iv) 6,771 shares of Class A common stock subject to performance stock units held by Mr. McGee that may settle within 60 days of March 31, 2021.

(12) Consists of (i) 25,373 shares of Class A common stock held by Ms. Saltman, (ii) 142,754 shares of Class A common stock subject to options held by Ms. Saltman that are exercisable within 60 days of March 31, 2021, (ii) 22,367 shares of Class A common stock subject to restricted stock units held by Ms. Saltman that may settle within 60 days of March 31, 2021, and (iii) 3,759 shares of Class A common stock subject to performance stock units held by Ms. Saltman that may settle within 60 days of March 31, 2021.

(13) Consists of: (i) 122,589 shares of Class A common stock held by Mr. Jahnke, (ii) 97,858 shares of Class A common stock subject to subject to options held by Mr. Jahnke that are exercisable within 60 days of March 31, 2021, (iii) 9,600 shares of Class B common stock subject to options held by Mr. Jahnke that are exercisable within 60 days of March 31, 2021, and (iv) 3,963 shares of Class A common stock subject to performance stock units held by Mr. Jahnke that may settle within 60 days of March 31, 2021.

(14) Consists of (i) 18,238 shares of Class A common stock held by Ms. Lapic, (ii) 58,035 shares of Class A common stock subject to options held by Ms. Lapic that are exercisable within 60 days of March 31, 2021, (ii) 57,420 shares of Class A common stock subject to restricted stock units held by Ms. Lapic that may settle within 60 days of March 31, 2021, and (iii) 7,178 shares of Class A common stock subject to performance stock units held by Ms. Lapic that may settle within 60 days of March 31, 2021.

(15) Consists of (i) 1,330,009 shares of Class A common stock, (ii) 28,420,130 shares of Class B common stock, (iii) 1,187,418 shares of Class A common stock subject to options that are exercisable within 60 days of March 31, 2021, (iv) 79,787 shares of Class A common stock subject to restricted stock units that may settle within 60 days of March 31, 2021, (v) 91,862 shares of Class A common stock subject to performance stock units that may settle within 60 days of March 31, 2021, and (vi) 121,834 shares of Class B common stock subject to options that are exercisable within 60 days of March 31, 2021.

(16) Consists of 26,487,910 shares of Class B common stock held by the Woodman Family Trust under Trust Agreement dated March 11, 2011 of which Nicholas Woodman and Jill Woodman are co-trustees. As a co-trustee, Mr. Woodman may be deemed to have shared voting and investment power over the shares owned by the Woodman Family Trust.

(17) Based solely on a Schedule 13G Amendment No. 4 filing made on January 29, 2021. Consists of 8,567,556 shares of Class A common stock held by BlackRock, Inc. The address for BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

(18) Based solely on a Schedule 13G Amendment No. 5 filing made on February 10, 2021. The Vanguard Group - 23-1945930 (“Vanguard”) has shared voting power over 267,919 shares, sole dispositive power over 10,645,964 shares and shared dispositive power over 367,109 shares. The address for Vanguard is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

(19) Based solely on a Schedule 13G Amendment No. 2 filing made on February 14, 2020. Consists of 12,668,519 shares of Class A common stock held by Prentice Capital Management, LP. The address for Prentice Capital Management is 100 West Putnam Avenue-Slagle House, Greenwich, CT 06830.

EXECUTIVE OFFICERS

The names of our current executive officers, their ages as of March 31, 2021, and their positions are shown below.

Executive Officers	Age	Position(s)
Nicholas Woodman	45	Chief Executive Officer and Chairman
Brian McGee	61	Executive Vice President, Chief Financial Officer and Chief Operating Officer
Eve Saltman	56	Vice President, Corporate/Business Development, General Counsel and Secretary
Dean Jahnke	47	Vice President, Global Sales
Aimée Lapic	51	Senior Vice President, Chief Digital and Marketing Officer

Our board of directors chooses executive officers, who then serve at the board's discretion. There is no family relationship among any of our directors or executive officers.

For information regarding Mr. Woodman, please refer to "Proposal No. 1 – Election of Directors" discussed above.

Brian McGee has served as our Chief Financial Officer and Chief Operating Officer since February 2020. Mr. McGee had served as the Company's Chief Financial Officer since March 11, 2016. Mr. McGee served as our Vice President of Finance from September 2015 to March 2016, and was responsible for financial planning, tax, treasury and risk management in that role. From May 2011 to September 2015, Mr. McGee served in various positions at Qualcomm, most recently as the Vice President, Business Operations. Prior to Qualcomm, Mr. McGee was at Atheros Communications from December 2009 to May 2011 as the Vice President, General Manager Global Powerline Business. Prior to Atheros Communications, from January 2007 to December 2009, Mr. McGee was the Senior Vice President, Chief Financial Officer and Treasurer, at Intellon, a fabless semiconductor company that was acquired by Atheros Communications in December 2009. From 2003 to 2006, Mr. McGee was Vice President Finance and Chief Financial Officer of Lexar, a maker of digital media storage. Mr. McGee holds a B.S. in Finance from California Polytechnic State University and a Certificate in Management Accounting.

Eve Saltman has served as our Vice President, Corporate/Business Development, General Counsel and Secretary since March 2018 and was appointed Chief Compliance Officer in February 2021. Ms. Saltman served as our Vice President, Deputy General Counsel and Assistant Secretary from February 2017 to September 2017, our Deputy General Counsel and Assistant Secretary from July 2014 to February 2017, and our Associate General Counsel and Assistant Secretary from January 2014 to July 2014. From September 2017 to March 2018, Ms. Saltman served as General Counsel and Corporate Secretary of Asana, Inc., a collaborative work management application company. Prior to joining GoPro in 2014, Ms. Saltman served as VP, General Counsel, and Corporate Secretary of OL2, Inc. dba OnLive, a provider of cloud gaming services from September 2012 to January 2014 and VP, Legal, OnLive, Inc., from September 2008 to August 2012. Since 2014, Ms. Saltman has also served as a director of Lexicon of Sustainability, Inc., a non-profit organization. Ms. Saltman holds a B.A. in History from Cornell University and a J.D. from Georgetown Law School.

Dean Jahnke has served as GoPro's Vice President, Global Sales since June 2018, Interim Head of Sales from March 2018 to June 2018, Senior Director of Sales – North America from April 2017 to March 2018, Director of Sales from February 2016 to March 2017, and Area Sales Manager from March 2014 to January 2016. Prior to joining GoPro, Mr. Jahnke served as Senior Sales Manager of Western Digital from August 2008 to March 2014. Before that, Mr. Jahnke was Senior Merchant at Best Buy from June 2000 to August 2008. Mr. Jahnke attended Minnesota State University, Mankato.

Aimée Lapic has served as GoPro's Senior Vice President, Chief Digital Officer since April 2020 and since August 2020 our Senior Vice President, Chief Digital and Marketing Officer. Prior to joining GoPro, Ms. Lapic was the Chief Marketing Officer of Pandora from 2017 to 2019. She served as Senior Vice President/Global Chief Marketing Officer for Banana Republic from 2015 to 2017, as well as the General Manager of BananaRepublic.com from 2015 to 2017. She has also held numerous positions across Gap, Inc., including Senior Vice President and General Manager of Gap Outlet International from 2011 to 2014. Since April 2019, Ms. Lapic has served as a member of the board of directors of Cardlytics, Inc. and from 2016 to 2019, she served as a marketing advisory board member of Ridge Ventures, a venture capital firm focused on early-stage consumer internet and enterprise IT investments. She holds a B.A. in English Literature from Princeton University and an M.B.A. from Harvard Business School.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

GoPro's executive compensation programs, policies and practices ("**ECPs**") are designed to reflect the three major tenets of our executive compensation philosophy, namely to:

- Align executive compensation with the achievement of our business objectives and financial performance;
- Motivate our executive officers to take actions that enhance long-term stockholder value; and
- Enable us to attract, reward and retain our executive officers who contribute to our success.

We manage our ECPs, including compensation-related corporate governance standards, in a manner consistent with our executive compensation philosophy. These ECPs are intended to drive performance and prohibit or minimize behaviors that we do not believe serve our stockholders' long-term interests.

Business Highlights for 2020

In 2020, we continued to evolve GoPro into a more efficient subscription-oriented direct-to-consumer business. We grew our GoPro paid subscriber base by 145% year-over-year and generated more than $200 million in cash flow from operations in the second half of the year, contributing to a year-end cash balance of $328 million. Strong Q4 performance resulted in $0.39 of non-GAAP EPS for the quarter and $0.08 of non-GAAP EPS for the year. Additionally, GoPro's adjusted EBITDA for the full year 2020 was $43.2 million.

One of our 2020 priorities was to make the GoPro subscription central to our business. To further the GoPro subscription business priority, we set a goal in 2020 to grow paid subscribers from 311,00 paid subscribers at the beginning of the year to between 600,000 and 700,000 paid subscribers by the end of the year. We exceeded that goal, driving the number of paid subscribers to 761,000 by year end, moving the GoPro subscription business towards a more meaningful element of our business.

On April 15, 2020, as a result of the impact of the Covid-19 pandemic on our business, GoPro announced a strategic restructuring to focus on become a more efficient and profitable direct-to-consumer business. This resulted in a reduction of $100 million in operating expenses including a workforce reduction of more than 20%. Our resulting 2020 performance amidst the pandemic demonstrates GoPro's continued relevance as a personal experience-sharing solution for consumers and a creative tool for professionals. While GoPro has endured during the pandemic and exceeded our targets for paid subscriptions, we did not meet our 2020 targets for net revenue and pre-tax profit/loss.

We doubled full year GoPro.com revenue to $283 million and plan to build upon our direct-to-consumer success. Our select retail partners and distributors around the world will continue to play an important role in our global strategy – a strategy we believe will yield improving margins and profitability while serving our end users wherever they want to be served.

In 2020, we took an approach to keep our people safe and healthy while adapting to pandemic-related work circumstances. Our teams adapted well to these changes, delivering our newest flagship HERO9 Black, software, subscription services and lifestyle products. We also updated the GoPro app with a new feature called Mural – a personal content management 'mural' that solves for the bottomless pit that is everyone's smartphone camera roll, and in Q1 of 2021 renamed the GoPro app to Quik. This new app experience is derived from our legacy, free-to-use video editing app, Quik, which had nearly 9 million monthly active users in 2020. We plan to migrate users of the legacy Quik app to the new Quik app over time as part of our subscription growth efforts and are excited to continue building upon our app's capabilities to serve the needs of both GoPro camera owners and non-owners alike – thereby expanding our TAM while growing new, higher operating margin revenue streams.

We also adapted how we marketed our products and designed unique features into our products to support customers as they adjusted to life during a pandemic such as the #HomePro challenge, the launch of HD webcam features for our cameras, and the launch of a live streaming platform for GoPro subscribers.

We're excited about 2021 and believe the steps we took to strengthen our business in 2020 will benefit us when the world eventually rebounds from the pandemic.

Executive Compensation Best Practices

Compensation and Leadership Committee Independence	Our board of directors maintains a compensation and leadership committee comprised solely of independent directors.
Compensation and Leadership Committee Advisor Independence	The compensation and leadership committee engages and retains its own advisors. During 2020, the compensation and leadership committee engaged Compensia, an independent national compensation consulting firm, to assist with its responsibilities.
Annual Compensation Review	The compensation and leadership committee annually reviews our executive compensation philosophy and strategy, including reviewing the composition of our compensation peer group.
Compensation-Related Risk Assessment	We conduct annual evaluations of our compensation programs, policies, and practices, including our ECPs, to ensure that they reflect an appropriate level of risk-taking but do not encourage our employees to take excessive or unnecessary risks that could have a material adverse impact on GoPro.
No Executive Perquisites	We do not offer perquisites or other personal benefits to our executive officers, including our Named Executive Officers, or NEOs, except where we believe it is appropriate to assist an individual in the performance of his or her duties, to make our executive officers more efficient and effective, and for recruitment and retention purposes. Our executive officers, including our NEOs, participate in our health and welfare benefit programs on the same basis as all our employees.
"Double-Trigger" Reasonable Change in Control Arrangements	The change in control post-employment compensation arrangements for our executive officers, including our NEOs, are based on a "double-trigger" arrangement that provides for the receipt of payments and benefits only in the event of (i) a change in control of our company and (ii) a qualifying termination of employment.
Executive Severance Benefits	The Executive Severance Policy is intended to provide specified payments and benefits to certain executive officers (other than the Chief Executive Officer), and other employees of the Company, in the event of certain terminations of employment not involving a change in control of the Company. In addition, our arrangement with Mr. Woodman provides for the receipt of payments and benefits in the event of a qualifying termination of employment.

Prohibition on Hedging and Pledging	Our management team, including our NEOs, and the members of our board of directors, are prohibited from speculating in our equity securities, including the use of short sales, or any equivalent transaction involving our equity securities and from engaging in any hedging or pledging transactions with respect to our equity securities.
Succession Planning	Our board of directors reviews the risks associated with our most critical executive positions on an annual basis so that we have an adequate succession strategy, and we have plans in place for these critical positions.
Retirement Programs	Other than our Section 401(k) plan, which is generally available to all U.S. employees, we do not offer defined benefit or contribution retirement plans or arrangements or nonqualified deferred compensation plans or arrangements for our management team, including our NEOs.
Compensation Recoupment Policy	We maintain a compensation recoupment policy applicable to cash incentive-based compensation awards paid to our executive officers. In the event of a material restatement of financial results filed with the SEC, the policy permits our board of directors, if the board determines it appropriate under the circumstances, to seek recovery of all or any portion of the incentive awards paid or awarded to an executive officer who is found to have engaged in fraud or intentional or illegal conduct in excess of the awards that would have been paid or awarded based on the restated financial results.
Stock Ownership Guidelines	In July 2020, the compensation and leadership committee adopted revised stock ownership guidelines for our Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, other Section 16 Officers and non-employee directors to align their interests with those of our stockholders.

This Compensation Discussion and Analysis ("**CD&A**") is intended to assist our stockholders in understanding our ECPs by presenting the following:

1. **Elements of Our Executive Compensation Program** sets forth our executive compensation philosophy and describes the programs, policies and practices we apply and use to support achievement of our corporate goals and performance objectives.

2. **Further Considerations for Setting Executive Compensation** discusses, among other things, the role of our compensation and leadership committee, compensation consultants, compensation peer group, and the impact of tax and accounting considerations.

3. **Business Highlights for 2020** summarizes our business results that impacted our 2020 executive compensation decisions.

4. **Executive Compensation Decisions for 2020** explains the compensation decisions that were made for 2020 based on our corporate results.

5. **Severance and Change in Control Arrangements** discusses employment agreements and policies associated with our current executives.

This CD&A focuses on the material elements of compensation of our NEOs as of December 31, 2020:

- Nicholas Woodman, our Chief Executive Officer and Chairman of our board of directors;

- Brian McGee, our Executive Vice President, Chief Financial Officer since February 2, 2018; and since February 3, 2020, our Executive Vice President, Chief Financial Officer and Chief Operating Officer;

- Eve Saltman, our Vice President, Corporate/Business Development, General Counsel and Secretary, since March 29, 2018; and since February 2021, our Vice President, Corporate/Business Development, General Counsel and Secretary and Chief Compliance Officer;

- Dean Jahnke, our Vice President, Global Sales since June 2018; and

- Aimée Lapic, our Senior Vice President, Chief Digital Officer since April 2020 when she joined the company; and since August 17, 2020, our Senior Vice President, Chief Digital and Marketing Officer.

Elements of Our Executive Compensation Program

Compensation Philosophy and Guiding Principles

We have designed our ECPs to reward our executive officers, including our NEOs, at a level consistent with our overall business strategy and financial performance and to provide remuneration sufficient to attract, retain, and motivate them to exert their best efforts in the highly-competitive technology and consumer-oriented environments in which we operate. We have also designed our ECPs to reward our executive officers, including our NEOs, for superior performance. We believe that competitive compensation packages consisting of a combination of base salaries, annual cash bonus opportunities, and long-term incentive opportunities in the form of equity awards that are earned over a multi-year period, enable us to attract top talent, motivate effective short-term and long-term performance, and satisfy our retention objectives. As an overarching objective, we seek to design each pay element to align the compensation of our executive officers with our corporate performance and long-term value creation for our stockholders. That principle has guided the design of both the annual and long-term incentive compensation of our executive officers.

The compensation and leadership committee reviews and analyzes market trends and the prevalence of various compensation delivery vehicles and adjusts the design and operation of our executive compensation program as it deems necessary and appropriate. While the compensation and leadership committee considers these factors in its deliberations and places no formal emphasis on any one factor in its overall compensation strategy, our annual Executive Bonus Plan does assign values to specific performance metrics.

The compensation and leadership committee will continue to evaluate our compensation philosophy and program objectives as circumstances merit. At a minimum, we expect the compensation and leadership committee to review executive compensation annually and update as deemed necessary and appropriate.

Compensation Elements

The three primary elements of our executive compensation program are: (i) base salary, (ii) annual cash bonus opportunities, and (iii) long-term incentive opportunities in the form of equity awards subject to multi-year vesting, in each case as described below:

Compensation Element	What This Element Rewards	Purpose and Key Features of Element
Base salary	Individual performance, level of experience, expected future performance and contributions.	Provides competitive level of fixed compensation determined by the market value of the position, and the qualifications, experience and performance expectations of each executive officer and each position.
Annual cash bonuses	Achievement of pre-established corporate and individual performance objectives (for 2020, focused on our revenue growth, profitability and paid subscription growth, as well as individual contributions and management objectives).	Motivate executive officers to achieve, during the fiscal year, (i) short-term financial and operational objectives, and (ii) individual performance objectives. Performance levels are established to motivate our executive officers to achieve or exceed performance objectives.
Long-term incentives/equity awards	Corporate and individual performance that enhance long-term stockholder value. Vesting requirements promote retention of highly-valued executive officers.	Annual (i) stock options and Restricted Stock Units ("**RSUs**") that vest over three to four years, based on continued service, and (ii) Performance Stock Units ("**PSUs**") that are subject to both a performance-based vesting condition (as determined by the compensation and leadership committee) and a service-based vesting condition, each of which provides a variable "at risk" pay opportunity. Because the ultimate value of these equity awards is directly related to the market price of our Class A common stock, and the awards are subject to vesting over an extended period of time, they serve to focus management on the creation and maintenance of long-term stockholder value and help us attract, retain, motivate, and reward executive officers.

Our executive officers also participate in the standard employee benefit plans available to most of our employees. In addition, our executive officers are eligible for post-employment payments and benefits under certain circumstances (severance and change in control payments and benefits). Each of these compensation elements is discussed in detail below, including a description of each particular element and how it fits into our overall executive compensation program and a discussion of the amounts of compensation paid to our executive officers, including our NEOs, in 2020 under each of these elements.

Base Salary

We believe that a competitive base salary is a necessary element of our executive compensation program, so that we can attract and retain a stable and highly qualified management team. Base salaries for our executive officers are intended to be competitive with those received by other individuals in similar positions at the companies with which we compete for talent, and to maintain internal parity across our executive officer team.

Generally we take into consideration peer market data provided by Compensia for the role we are looking to fill. We establish the initial base salaries of our executive officers through arm's-length negotiation at the time we hire the individual executive officer, taking into account his or her position, qualifications, experience, and the base salaries of our other executive officers. Thereafter, the compensation and leadership committee reviews the base salaries of our executive officers, including our NEOs, at least annually.

Annual Cash Bonuses

Our executive officers, including our NEOs, are participants in our annual Executive Bonus Plan, pursuant to which we generally use annual cash bonuses to motivate participants to achieve our short-term financial and operational objectives while making progress towards our longer-term growth and other goals. Consistent with our executive compensation philosophy, these annual bonuses are intended to help us to deliver a competitive target total direct compensation opportunity to our executive officers. Annual cash bonuses for our executive officers are intended to be competitive with those received by other individuals in similar positions at the companies with which we compete for top talent, and to maintain internal parity across our executive team.

The compensation and leadership committee determines bonus targets, subject to adjustment in certain circumstances, such as mid-year changes in base salary and leaves of absence. Overall funding of the bonus pool is generally determined by reference to corporate performance measures, but the compensation and leadership committee can, at its discretion, adjust individual participants' bonuses, based on each participant's individual performance. Individual performance goals for each participant are generally identified at the beginning of the year in discussions with our Chief Executive Officer (except with respect to his own performance goals). These goals may be quantitative or qualitative in nature, depending on the organizational priorities for a given year, and they typically focus on key departmental or operational objectives or functions. Most of these goals are intended to provide a set of common objectives that facilitate collaborative management and engagement, although participants could also be assigned individual objectives.

In light of the impact of the Covid-19 pandemic on corporate performance measures, no annual bonus was paid in 2020 to our NEOs or employees. As a result, the compensation and leadership committee determined that a semi-annual bonus plan is appropriate for 2021 in order to motivate participants to achieve our short-term financial and operational objectives while continuing to make progress towards our longer-term growth and other goals. The compensation and leadership committee maintained the same key performance categories as established for 2020 and re-distributed the weighting in 2021 for net revenue and paid subscriptions (25% net revenue, 50% pre-tax profit/loss and 25% paid subscriptions).

Long-Term Incentives/Equity Awards

We use long-term incentive compensation in the form of equity awards to motivate our executive officers, including our NEOs, by providing them with the opportunity to build an equity interest in GoPro and to share in the potential appreciation in the value of our Class A common stock.

Generally, in determining the size of the equity awards granted to our executive officers, including our NEOs, the compensation and leadership committee takes into consideration the recommendations of our Chief Executive Officer (except with respect to his own equity award), as well as the factors described in Compensation Setting Process, below. The compensation and leadership committee also considers the dilutive effect of our long-term incentive compensation practices, and the overall impact that these equity awards, as well as awards to other employees, may have on stockholder value.

Annual equity awards are granted to our executive officers, including our NEOs, in the form of stock options, which represent the right to purchase shares of our Class A common stock at a price equal to the fair market value of our Class A common stock on the date of grant subject to time-based vesting; RSUs, which represent the right to receive shares of our Class A common stock subject to time-based vesting; and PSUs, which represent the right to receive shares of our Class A common stock subject to both achievement of one or more performance metrics and time-based vesting. The proportion and mix of long-term equity vehicles (time-based stock options, time-based RSUs, and performance-based PSUs) is determined by the compensation and leadership committee each year (see "Executive Compensation Decisions for 2020 – Long-Term Incentive Compensation" below). The compensation and leadership committee evaluates equity vehicles annually to determine which form and mix of equity best aligns executive incentives with the long-term interest of our stockholders. The compensation and leadership committee may also choose to utilize other performance-based equity vehicles.

On February 18, 2020, the compensation and leadership committee granted additional PSUs with a grant date of February 18, 2020 to Nicholas Woodman, Brian McGee, Dean Jahnke and Eve Saltman. These 2020 PSUs were designed to be earned and vest between 0% and 150% of a target number of shares based upon achievement of two metrics: (1) a threshold profitability level to a maximum profitability level, and (2) a threshold subscription hurdle to a maximum subscription hurdle. 50% of each 2020 PSU will be earned (if at all) based on the satisfaction of the profitability threshold and the other 50% of each 2020 PSU will be earned (if at all) based on the satisfaction of the subscription threshold. To the extent actually earned, the 2020 PSUs will be subject to time-based vesting, with one third of the total number of shares earned under each 2020 PSU vesting on the initial vesting date of February 15, 2021 and an additional one-twelfth of the total number of earned shares under each 2020 PSU vesting quarterly thereafter, for so long as the recipient remains in service to GoPro. If GoPro undergoes a change in control before the performance measurement period has ended, then the revenue achievement metric would have been adjusted to reflect the pre-closing period, and the 2020 PSUs determined to be so earned pursuant to the adjusted metric will remain subject to any remaining time-based vesting, which will be governed by the individual executive's change in control severance agreements.

Welfare and Health Benefits

We maintain a tax-qualified retirement plan under Section 401(k) of the Internal Revenue Code (the "**Code**") for our U.S. employees, including our executive officers, who satisfy certain eligibility requirements, including requirements relating to age and length of service, that provides them with an opportunity to save for retirement on a tax-advantaged basis. We intend for this plan to qualify under Sections 401(a) and 501(a) of the Code so that contributions by employees to the plan, and income earned on plan contributions, are not taxable to employees until distributed from the plan. Under the plan, pre-tax contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participants' directions.

All participants' interests in their deferrals are 100% vested when contributed to this plan. The Company matches 100% of the employee's personal contributions up to 4% of eligible compensation. In 2020, we made matching contributions into the Section 401(k) plan for our employees, which are deductible when made by the Company. However, due to the impact of the pandemic and changes in our economic circumstances, we suspended the company matching contributions as of May 14, 2020. Globally, we maintain retirement programs for our non-US employees where applicable.

In addition, we provide certain other benefits to our executive officers, including our NEOs, on the same basis as all our full-time employees. These benefits include health, dental and vision benefits, health and dependent care flexible spending accounts, short-term and long-term disability insurance, accidental death and dismemberment insurance, basic life insurance coverage and discretionary time-off. We do not offer our employees a non-qualified deferred compensation plan, a defined benefit pension or an actuarial plan.

We design our employee benefits programs to be affordable and competitive in relation to the market, as well as compliant with applicable laws and practices. We adjust our employee benefits programs as needed based upon regular monitoring of applicable laws and practices, the competitive market and our employees' needs.

Perquisites and Other Personal Benefits

Currently, we do not view perquisites or other personal benefits as a component of our executive compensation program. Accordingly, we do not provide perquisites to our executive officers, except in situations where we believe it is appropriate to assist an individual in the performance of his or her duties, to make our executive officers more efficient and effective, and for recruitment and retention purposes. During 2020, none of the NEOs received perquisites or other personal benefits that were, in the aggregate, valued at $10,000 or more. In the future, we may provide perquisites or other personal benefits to our executive officers where we believe it serves a sound business purpose. We do not expect that any future perquisites or other personal benefits will be a significant aspect of our executive compensation program. All future practices with respect to perquisites or other personal benefits will be approved and subject to periodic review by the compensation and leadership committee.

Further Considerations for Setting Executive Compensation

Compensation-Setting Process

Role of the Compensation and Leadership Committee

The compensation and leadership committee is responsible for establishing our overall compensation philosophy and reviewing and approving our executive compensation program, including the specific compensation of our executive officers, including our NEOs. The compensation and leadership committee has the authority to retain special counsel and other advisors, including compensation consultants, to assist in carrying out its responsibilities to determine the compensation of our executive officers and, as noted previously, in 2020 retained an executive compensation consultant, Compensia, Inc. ("**Compensia**"), as further discussed below. The compensation and leadership committee's authority, duties, and responsibilities are described in its charter, which is reviewed annually and revised and updated as warranted. The charter is available on our website at *http://investor.gopro.com*.

In determining our overall compensation philosophy and approving the compensation of our executive officers, the compensation and leadership committee is assisted by its compensation consultant, as well as our Chief Executive Officer, and our executive compensation staff to formulate recommendations with respect to specific compensation actions. The compensation and leadership committee makes all final decisions regarding compensation for our executive officers, including base salary levels, target annual cash bonus opportunities, actual cash bonus payments, and long-term incentive opportunities in the form of equity awards that are earned over a multi-year period. The compensation and leadership committee meets on a regularly-scheduled basis and at other times as needed and periodically reviews compensation matters with the entire board of directors.

Annually, the compensation and leadership committee reviews our executive compensation program, including any incentive compensation plans and arrangements, to assess whether our compensation elements, actions and decisions (i) are properly coordinated, (ii) are aligned with our vision, mission, values and corporate goals, (iii) provide appropriate short-term and long-term incentives for our executive officers, (iv) achieve their intended purposes, and (v) are competitive with the compensation of executives in comparable positions at the companies with which we compete for executive talent. Following this assessment, the compensation and leadership committee may make any necessary or appropriate modifications to our existing plans and arrangements or adopt new plans or arrangements.

The compensation and leadership committee also conducts an annual review of our executive compensation strategy to ensure that it is appropriately aligned with our business strategy and achieving our desired objectives. Further, the compensation and leadership committee reviews market trends and changes in competitive compensation practices, as described below.

The factors considered by the compensation and leadership committee in determining the compensation of our executive officers, including our NEOs, include:

- the recommendations of our Chief Executive Officer (except with respect to his own compensation), with the advice of our compensation staff;

- our financial and other objective elements of corporate performance;
- our corporate and individual achievements measured against short-term and long-term performance objectives;
- the individual performance of each executive officer against his or her business objectives;
- a review of the relevant competitive market analysis prepared by its compensation consultant (as described below);
- the expected future contribution of the individual executive officer;
- historical compensation decisions we have made regarding our executive officers; and
- internal pay equity based on the impact on our business and performance.

The compensation and leadership committee does not weigh these factors in any predetermined manner, nor does it apply any formulas in making its decisions. The members of the compensation and leadership committee consider this information in light of their individual experience, knowledge of GoPro, knowledge of each executive officer, knowledge of the competitive market and business judgment in making their decisions regarding executive compensation and our executive compensation program.

As part of this process, the compensation and leadership committee evaluates the performance of our Chief Executive Officer each year and makes all decisions regarding his base salary adjustments, target annual cash bonus opportunities, actual cash bonus payments and long-term incentive opportunities in the form of equity awards that are earned over a multi-year period. Our Chief Executive Officer is not present during any of the deliberations regarding his compensation.

Role of our Chief Executive Officer

Our Chief Executive Officer works closely with the compensation and leadership committee in determining the compensation of our other executive officers, including the other NEOs. Our Chief Executive Officer works with the compensation and leadership committee to recommend the structure of the annual Executive Bonus Plan, to identify and develop corporate and individual performance objectives for the annual Executive Bonus Plan, and to evaluate actual performance against the selected measures.

At the beginning of each year, our Chief Executive Officer reviews the performance of our other executive officers, including the other NEOs, for the previous year, and makes recommendations to the compensation and leadership committee for each element of compensation. The compensation and leadership committee then reviews these recommendations and considers the other factors described above and makes decisions as to the target compensation of each executive officer (other than our Chief Executive Officer), as well as each individual compensation element.

While the compensation and leadership committee will consider our Chief Executive Officer's recommendations, as well as the competitive market analysis prepared by Compensia, these recommendations and market data serve as only two of several factors that the compensation and leadership committee considers in making its decisions with respect to the compensation of our executive officers. No executive officer participates in the determination of the amounts or elements of his or her own compensation.

Role of Compensation Consultant

Pursuant to its charter, the compensation and leadership committee has the authority to engage its own legal counsel and other advisors, including compensation consultants, as determined in its sole discretion, to assist in carrying out its responsibilities. The compensation and leadership committee has the authority to make all determinations regarding the engagement, fees and services of these advisors, and any such advisor reports directly to the compensation and leadership committee.

Accordingly, the compensation and leadership committee has engaged Compensia to provide information, analysis, and other assistance relating to our executive compensation program on an ongoing basis. The nature and scope of the services provided to the compensation and leadership committee by Compensia in 2020 included the following:

- researched, analyzed and developed a proposed compensation peer group;
- provided advice with respect to compensation best practices, regulatory developments and market trends for executive officers and members of our board of directors;
- conducted an analysis of long-term incentive equity practices currently used by our compensation peer group and advised on the adjustment and design of our long-term incentive plans;
- conducted an analysis of the levels of overall compensation and each element of compensation for our executive officers;
- conducted an analysis of the levels of overall compensation and each element of compensation for the members of our board of directors;
- provided adjustment and design advice on our annual Executive Bonus Plan; and
- provided *ad hoc* advice and support throughout the year.

Representatives of Compensia attend all meetings of the compensation and leadership committee and communicate with the compensation and leadership committee outside of meetings. Compensia reports to the compensation and leadership committee rather than to management, although Compensia may meet with members of management, including our Chief Executive Officer, and members of our executive compensation staff, for purposes of gathering information on proposals that management may make to the compensation and leadership committee.

The compensation and leadership committee has assessed the independence of Compensia taking into account, among other things, the various factors as set forth in Exchange Act Rule 10C-1 and the enhanced independence standards and factors set forth in the applicable Nasdaq listing standards and has concluded that its relationship with Compensia and its respective work on behalf of the compensation and leadership committee has not raised any conflict of interest.

Compensation Peer Group

Given our unique history and business, market competitors and geographical location, the compensation and leadership committee believes that the competitive market for executive talent includes publicly traded technology companies, including Internet-based product and services companies. Accordingly, it develops a compensation peer group to contain a carefully selected cross-section of public companies using factors described below, with revenues and market capitalizations that are similar to ours and that may also compete in a similar market for executive talent.

Each year, in the fourth quarter, the Company reviews its standards and benchmarks for setting executive compensation including for our NEOs, for the upcoming fiscal year. One of the benchmarks we use is the peer group reference. In October 2019, the compensation and leadership committee directed Compensia to formulate a group of peer companies to be used as a reference for market positioning and for assessing competitive market practices in connection with making 2020 executive compensation decisions. Compensia reviewed the pool of U.S.-based publicly traded companies, taking into consideration our industry sector, the size of such companies (based on revenues and market capitalization) relative to our size and growth rate, and the following additional factors:

- the comparability of the company's primary sales channels, including via the Internet;
- the company's consumer products and/or business services focus;
- the comparability of the company's operating history;
- the comparability of the company's organizational complexities and growth attributes;
- the stage of the company's maturity curve (which increases its likelihood of attracting the type of executive talent for whom we compete); and
- the comparability of the company's operational performance (for consistency with our strategy and future performance expectations).

Following this review, Compensia recommended to the compensation and leadership committee a peer group of 18 information technology and consumer-oriented companies, which the compensation and leadership committee subsequently approved. The selected companies had revenues ranging from \$668 million to \$2.5 billion and market capitalizations ranging from \$328 million to \$2.4 billion, and similar consumer product and subscription businesses, which were comparable peers at the time of selection. The compensation and leadership committee reviewed the compensation data drawn from the compensation peer group to develop a representation of the "competitive market" specifically tailored to GoPro with respect to current executive compensation levels and related policies and practices. The compensation and leadership committee then evaluated how its contemplated compensation actions and decisions compared to the competitive market.

The companies comprising the 2020 compensation peer group are as follows:

Acushnet Holdings	Gogo	NETGEAR	Universal Electronics
Callaway Golf Company	Groupon	Plantronics	Vista Outdoor
Crocs	iRobot	Sonos	YETI Holdings
Fitbit	MoneyGram International	Stitch Fix	
Fossil Group	Movado Group	TiVo	

As an overarching objective, we seek to design each pay element to align the compensation of our management team with our corporate performance and long-term value creation for our stockholders. That principle has guided the design of both the annual and long-term incentive compensation of our executive officers. The compensation and leadership committee does not believe that it is appropriate to make compensation decisions, whether regarding base salaries or short-term or long-term incentive compensation, solely using benchmarking as guidance. The compensation and leadership committee, however, does believe that information regarding the compensation practices at our compensation peer group is useful in two respects. First, the compensation and leadership committee recognizes that our compensation policies and practices must be competitive in the marketplace. Second, this information is useful in assessing the reasonableness and appropriateness of individual executive compensation elements and of our overall executive compensation packages.

Other Compensation Policies

Compensation Recoupment Policy

We maintain a compensation recoupment policy applicable to cash incentive-based compensation awards paid to our executive officers. In the event of a substantial restatement of financial results filed with the Securities and Exchange Commission, the policy permits the board, if the board determines appropriate under the circumstances, and the executive officer engaged in fraud or intentional illegal conduct that materially contributed to the restatement, to seek recovery of all or any portion of the cash incentive awards paid or awarded to an executive officer in excess of the awards that would have been paid or awarded based on the restated financial results.

In addition, pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, as applicable to all public companies, we may be legally required to seek reimbursement from our Chief Executive Officer and Chief Financial Officer if, as a result of their misconduct, we restate our financial results due to our material noncompliance with any financial reporting requirements under the federal securities laws.

Equity Grant Policy

It is our policy to avoid the granting of equity awards close in time to the release of material non-public information, and we have adopted a written equity grant policy to specify the timing of the effectiveness of our equity awards to avoid such timing. This policy, which we review annually and update as necessary, provides the following guidelines to be observed by the compensation and leadership committee and our board of directors in administering the grant of equity awards under our equity compensation plans in 2020:

- upon our IPO, when the 2014 Plan became effective, our board of directors delegated to the compensation and leadership committee the express authority to administer our 2014 Plan, including the authority to grant awards under the 2014 Plan;

- our board of directors has delegated to the equity management committee (a committee consisting solely of our Chief Executive Officer) the non-exclusive authority to grant equity awards under the 2014 Plan to employees below the level of executive staff vice president (i.e., employees who are not Section 16 officers and who are not listed as members of our management team in our investor relations website) where the awards fall within standard guidelines approved by the compensation and leadership committee and subject to a limitation on the number of shares of our common stock that may be granted in any year;

- equity awards approved by the management committee will be periodically granted on the 15th day of February, May, August or November;

- all equity awards granted outside the equity management committee guidelines or to our employees at or above the level of vice president who serve on the Company's executive staff must be approved by the compensation and leadership committee; and

- all equity awards to the non-employee members of our board of directors will be granted automatically in accordance with the terms of our Director Compensation Policy.

Under our 2014 Plan, the exercise price of any option to purchase shares of our Class A common stock may not be less than the fair market value (based on the market closing price) of our Class A common stock on the date of grant.

Stock Ownership Guidelines

The Company maintains stock ownership guidelines to better align the interests of our Chief Executive Officer, our President, our Chief Operating Officer, our Chief Financial Officer, our other Section 16 Officers, and our non-employee directors with the interests of our stockholders. Pursuant to the stock ownership guidelines, our Chief Executive Officer is required to achieve ownership of our common stock valued at five times his annual base salary within five years of becoming a Section 16 Officer. Our President, Chief Operating Officer, Chief Financial Officer and other Section 16 Officers are required to achieve ownership of our common stock valued at two times their annual base salary within five years of becoming a Section 16 Officer. Our non-employee directors are required to achieve ownership of our common stock valued at five times the amount of the annual retainer payable to directors within five years of joining our board of directors. The ownership levels of our directors, our Chief Executive Officer, our Chief Finance Officer and Chief Operating Officer, our Vice President, Global Sales, and our Vice President, Corporate/Business Development, General Counsel and Secretary and Chief Compliance Officer as of March 31, 2021, are set forth in the beneficial ownership table section below, and all of our Section 16 Officers and directors met the requirements of, and were in compliance with, our stock ownership guidelines as of March 31, 2021.

Derivatives Trading and Hedging and Pledging Policies

We have adopted a policy prohibiting our employees, including our executive officers, and members of our board of directors from speculating in our equity securities, including the use of short sales or any equivalent transaction involving our equity securities. In addition, they may not engage in any other hedging, pledging or monetization transactions or trading on margin and other similar or related arrangements, with respect to the securities that they hold. Finally, no employee, including an executive officer, or member of our board of directors may acquire, sell, or trade in any interest or position relating to the future price of our equity securities.

Rule 10b5-1 Sales Plans

From time to time, certain of our directors and executive officers have adopted written plans, known as Rule 10b5-1 plans, in which they have contracted with a broker to buy or sell shares of our common stock on a periodic basis. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the director or officer when entering into the plan, without further direction from the director or officer. The director or officer may amend or terminate the plan in some circumstances. The adoption, amendment, termination and certain other actions with respect to Rule 10b5-1 plans must comply with the terms of our Policy on Securities Trades by GoPro, Inc. Personnel and the GoPro, Inc. Requirements for Trading Plans.

Frequency of Say-on-Pay Advisory Vote

At our 2015 annual meeting of stockholders, our stockholders selected, on a non-binding advisory basis, three years as the frequency at which we will hold a non-binding advisory vote to approve the compensation to be paid by us to our NEOs. After careful consideration, the compensation and leadership committee and board of directors recommend that future advisory votes on compensation of our NEOs be held on an annual basis, beginning at our 2022 annual meeting. Our board of directors believes holding an annual vote is desirable because it would provide immediate and direct input from our stockholders on our compensation principles and practices as disclosed in the proxy statement every year.

Tax and Accounting Considerations

Deductibility of Executive Compensation

Section 162(m) of the Tax Code generally disallows public companies a tax deduction for federal income tax purposes of remuneration in excess of $1 million paid to certain executive officers.

The Tax Cuts and Jobs Act enacted in December 2017 repealed exceptions to the deductibility limit that were previously available for “qualified performance-based compensation,” including stock option grants, effective for taxable years after December 31, 2017. As a result, any compensation paid to certain of our executive officers in excess of $1 million will be non-deductible unless it qualifies for transition relief afforded to compensation payable pursuant to certain binding arrangements in effect on November 2, 2017, and which have not subsequently been materially modified. Because of ongoing uncertainties in the interpretation and implementation of the changes to Section 162(m), however, including the scope of the transition relief, we can offer no assurance of the deductibility of our compensatory arrangements.

Accounting for Stock-Based Compensation

The compensation and leadership committee considers the potential accounting treatment in designing compensation plans and arrangements for our executive officers and other employees. Chief among these is FASB ASC Topic 718, the standard which governs the accounting treatment of stock-based compensation awards.

FASB ASC Topic 718 requires us to recognize the grant date fair value of all share-based payment awards to employees in our financial statements, including grants of options to purchase shares of our Class A common stock as well as RSUs and PSUs that may be settled for shares of our Class A common stock.

FASB ASC Topic 718 also requires us to recognize the compensation cost of our share-based payment awards in our income statement over the period that an employee, including our executive officers, is required to render service in exchange for the award (which, generally, will correspond to the award’s vesting schedule).

Compensation-Related Risks

Our board of directors is responsible for the oversight of our risk profile, including compensation-related risks. The compensation and leadership committee monitors our compensation policies and practices as applied to our employees to ensure that these policies and practices do not encourage excessive and unnecessary risk-taking. In October 2020, our compensation and leadership committee conducted a review of our compensation programs, including our executive compensation program, and, based on this review, determined that the level of risk associated with these programs is not reasonably likely to have a material adverse effect on the Company.

Base Salary for Named Executive Officers

In February 2020, the compensation and leadership committee increased Mr. Woodman's base salary to $825,000 effective January 1, 2020. In February 2020, the compensation and leadership committee also reviewed Mr. McGee, Ms. Saltman and Mr. Jahnke's base salaries based on an analysis prepared by Compensia regarding the competitive market, as well as the performance of these NEOs as evaluated by our Chief Executive Officer. At that time, the compensation and leadership committee approved a base salary of $525,000 for Mr. McGee, $425,000 for Ms. Saltman and $400,000 for Mr. Jahnke. In April 2020, in response to the Covid-19 pandemic, Mr. Woodman waived his base salary for the remainder of the year, effective April 14, 2020.

In March 2020, the compensation and leadership committee approved a base salary of $415,000 for Aimée Lapic as a new hire in the role of Senior Vice President, Chief Digital Officer. In August 2020, Ms. Lapic's base salary was increased to $435,000 to reflect an expanded remit to include responsibility for our Global Marketing organization as well as a dotted line for the software engineering organization to further optimize her organization's effectiveness and the benefits of such effectiveness for the Company. The base salaries of our NEOs during 2020 are set forth in the “2020 Summary Compensation Table” below.

Annual Cash Bonuses for Named Executive Officers

In February 2020, the compensation and leadership committee designed cash bonus opportunities for our executive officers, including our NEOs. The compensation and leadership committee exercised its authority to select net revenue, pre-tax profit/loss and paid subscriptions weighted at 20%, 60% and 20% respectively, as the performance measures for the 2020 annual cash bonus opportunities for our executive officers, and also established the related threshold and target performance levels for each of these measures. The compensation committee has used net revenue and pre-tax profit as bonus plan metrics in prior years and prioritized paid subscriptions in 2020, given the growth in that aspect of our business.

Under the 2020 Executive Bonus Plan, the performance measures involving our financial results could be determined in accordance with GAAP, or such financial results could consist of non-GAAP financial measures, subject to adjustment by the compensation and leadership committee for one-time items or unbudgeted or unexpected items when determining whether the target levels for the performance measures had been met.

Individual payouts of between 0% and 130% of funded bonuses (with the aggregate individual payouts not to exceed the overall funding level of the plan itself) would also reflect individual performance, based on a review of each executive officer’s actual performance during the year, as ultimately determined by our compensation and leadership committee.

Target Bonus Opportunities

For 2020, the target annual cash bonus opportunities for each of our NEOs under the 2020 Bonus Plan, expressed as a percentage of his or her annual base salary, were as follows:

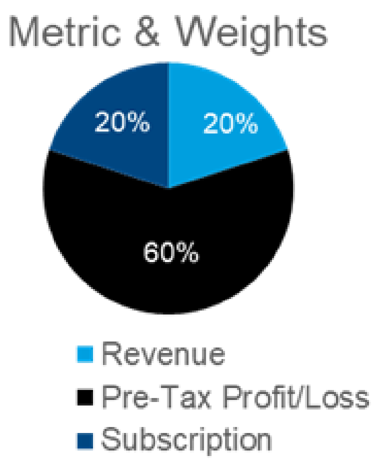
Named Executive Officer	**Annual Base Salary ($)**	**Target Bonus Opportunity (as a percentage of base salary) (%)**	**Target Bonus Opportunity ($)**
Nicholas Woodman	825,000	100	825,000
Brian McGee	525,000	75	393,750
Eve Saltman	425,000	50	212,500
Dean Jahnke	400,000	75	300,000
Aimée Lapic(1)	294,615	60	176,769

(1) Ms. Lapic's annual base salary for 2020 is the weighted average of her $415,000 annual base salary from April 20, 2020 to August 16, 2020, and her $435,000 annual base salary from August 17, 2020 to December 31, 2020. Ms. Lapic's annual target bonus opportunity (in dollars) for 2020 reflects her target bonus opportunity (as a percentage of base salary) for 2020 multiplied by her weighted average base salary over 2020.

The target annual cash bonus opportunities of our executive officers, including our NEOs, focused on our short-term financial objectives as reflected in our annual operating plan while, at the same time, allowed for recognition of individual contributions toward achievement of those objectives and the successful execution of each executive’s individual roles and responsibilities. Target bonus opportunities differ among NEOs based on market data, position and level.

Corporate Performance Objectives

For purposes of the 2020 Executive Bonus Plan, the compensation and leadership committee selected net revenue, pre-tax profit/loss and subscriptions as the corporate performance measures weighted at 20%, 60% and 20% respectively, each corresponding to a plan funding level of between 25% and 150%, based on our actual performance between threshold, target, and maximum levels. These metrics were chosen to prioritize our focus on top and bottom line growth as well as our growing subscriptions business. The Executive Bonus Plan would have a funding level of 0% for actual performance below the threshold level, with the combined component percentages (either a percentage between 25% and 150% or 0%) determining the plan funding percentage of between 25% and 150% calculated on a straight-line basis between the respective threshold and target percentages. The target levels for the 2020 corporate performance measures were as follows:



The compensation and leadership committee believed these performance measures and weightings were appropriate for our business in 2020, as the Company continued to focus on our top and bottom line while growing our subscription business. The compensation and leadership committee established target performance levels for each measure at levels that it believed to be challenging, but attainable, through the successful execution of our annual operating plan.

The threshold and target levels of achievement for each corporate performance measure and their respective plan funding percentages, with the actual plan funding percentage with respect to each measure to be determined independently were as follows:

Company Performance Target (Bonus Weighting)		Threshold	Target	Maximum
Net Revenue [1]	Level of Attainment	$1.153 billion	$1.201 billion	$1.237 billion
	Component Funding	25%	100%	150%
Pre-Tax Profit/Loss [2]	Level of Attainment	$42.9 million	$66.0 million	$72.6 million
	Component Funding	25%	100%	150%
Subscription [3]	Level of Attainment	600K paid subscribers	650K subscribers	700K paid subscribers
	Component Funding	25%	100%	150%

(1) Net revenue would be calculated by our finance department and verified by our executive management, subject to certification and final approval by our compensation and leadership committee.

(2) Pre-tax profit/loss would be determined on a non-GAAP basis, which excludes stock compensation expenses, intangible charges, and other one-time charges as appropriate but includes bonus expense (including bonus payments under this 2020 Executive Bonus Plan).

(3) Subscriptions refers to the total number of paid subscribers of GoPro Plus subscription services measured as of the end of the fiscal year.

In the event actual performance results were between the threshold and target performance levels, the plan funding percentage would be calculated on a straight-line basis between the respective threshold and target percentages.

After the overall level of funding under the 2020 Executive Bonus Plan was determined (between 25% and 150%), our compensation and leadership committee could then adjust individual payouts between 0% and 130% of funded levels, provided that the aggregate bonus payouts under the plan could not exceed the overall level of funding of the plan itself.

2020 Performance Results and Bonus Decisions

In February 2021, the compensation and leadership committee determined that, based on actual 2020 performance with respect to each corporate performance measure, weighted and combined payout results were at 30% of target bonus opportunities, reflecting 150% achievement of the subscriptions metric, which is weighted at 20%. Revenue and pre-tax profit/loss did not meet threshold attainment. Due to the impact of the Covid-19 pandemic on the Company, the compensation and leadership committee declined to fund any portion of the 2020 Executive Bonus Plan and no bonuses were paid to our executives.

Long-Term Incentive Compensation

Equity Awards for Named Executive Officers

In 2020, the compensation and leadership committee directed Compensia to review the various long-term incentive vehicles used by our peers and determined that designing a compensation plan using a mix of 25% stock options, 50% RSUs and 25% PSUs would be the best approach for us to attract and retain key talent in our industry and align our executive officers' interests with the long-term interests of our stockholders. The PSU award would vest only if the committee determined that the "Threshold Profitability Hurdle" in pre-tax profit/loss and the "Threshold Subscription Hurdle," each weighted at 50%, for fiscal year 2020. If the committee determined that the Threshold

Profitability Hurdle and Threshold Subscription Hurdle had not been achieved, none of the shares under the PSU award would vest and the PSU award will permanently and immediately cancel in full without consideration.

Company Performance Target (Bonus Weighting)		Threshold	Target	Maximum
Pre-Tax Profit/Loss [(1) (2)]	Level of Attainment	$42.9 million	$66.0 million	$72.6 million
	Component Funding	25%	100%	150%
Subscription	Level of Attainment	600K paid subscribers	650K subscribers	700K paid subscribers
	Component Funding	25%	100%	150%

In February 2020, Messrs. Woodman, McGee, Jahnke and Ms. Saltman were awarded PSUs that may be settled in shares of our Class A common stock. In addition, our NEOs other than our CEO were awarded stock options to purchase shares of our Class A common stock and RSUs that may be settled in shares of our Class A common stock. These awards were based on the competitive market for their respective roles, contributions in 2019 and expected long-term contributions to GoPro.

In May 2020, Ms. Lapic was awarded PSUs and RSUs that may be settled in shares, as well as stock options to purchase shares, of our Class A common stock, all comprising her new hire equity award.

The equity awards granted to our NEOs in 2020 are set forth in the "2020 Summary Compensation Table" and the "2020 Grants of Plan-Based Awards Table" below.

2020 Compensation for our Chief Executive Officer

Due to the impact of the Covid-19 pandemic on our company, Nicholas Woodman, our Chief Executive Officer, volunteered to waive his salary beginning April 14, 2020 through the remainder of the year ending December 31, 2020. Accordingly, Mr. Woodman and GoPro entered into a waiver agreement (the "**Waiver Agreement**"), which included the foregoing request (the "**Salary Waiver**"), and provided that Mr. Woodman's salary would not be increased again without the consent of GoPro, that Mr. Woodman has no entitlement to or expectation of a reversal of the Salary Waiver or other gross-up or true-up of or increase in his salary, and that Mr. Woodman waives any claim to "good reason" under his employment agreement in connection with the Salary Waiver and the associated adverse effects on the level of Mr. Woodman's participation in certain of our company's benefit plans.

Severance and Change in Control Arrangements

Employment Arrangements

We have entered into written employment offer letters to each of our executive officers, including our Chief Executive Officer and our other NEOs. Each of these arrangements was approved on our behalf by our board of directors or the compensation and leadership committee, as applicable. We believe that these arrangements were appropriate to induce these individuals to forego other employment opportunities or leave their current employer for the uncertainty of a demanding position in a new and unfamiliar organization.

In entering into these arrangements, our board of directors or the compensation and leadership committee, as applicable, was aware that it would be necessary to recruit candidates with the requisite experience and skills to manage a growing business in a dynamic and ever-changing environment. Accordingly, it recognized that it would need to develop competitive compensation packages to attract qualified candidates in a highly-competitive labor market. At the same time, our board of directors or the compensation and leadership committee, as applicable, was sensitive to the need to integrate new executive officers into the executive compensation structure that it was seeking to develop, balancing both competitive and internal equity considerations.

Each of these employment arrangements provides for “at will” employment and sets forth the initial or ongoing compensation arrangements for the NEO, including an initial or ongoing base salary, a target annual cash bonus opportunity, and, in some instances, a recommendation for an equity award in the form of stock options, RSUs, or PSUs.

For a summary of the material terms and conditions of the employment arrangements with each of our NEOs, see “Employment, Severance and Change in Control Agreements” below.

Change in Control and Severance Policy

In January 2014, we adopted a Change in Control and Severance Policy, with payments and benefits triggered by a qualifying termination of employment in the event of a change in control of the Company applicable to our executive officers, including our NEOs and certain other employees, pursuant to which each individual entered into a written agreement governing such situations. We believe that the severance policy serves several objectives. First, it eliminates the need to negotiate separation payments and benefits on a case-by-case basis. Second, it helps assure an executive officer that his or her severance payments and benefits are comparable to those of other executive officers with similar levels of responsibility and tenure. Third, it incentivizes our executive officers to remain employed and focused on their responsibilities during the pendency or negotiation of a change in control transaction, which we believe would help to preserve our value and the potential benefit to be received by our stockholders in the transaction. Finally, the Change in Control and Severance Policy is easier for us to administer than individually negotiated severance agreements, as it requires less time and expense in negotiation and execution.

The agreements with our executive officers, including each of our NEOs (other than our Chief Executive Officer) require us to provide certain payments and benefits upon a qualifying termination of employment, which includes a termination of employment without cause or where the NEO resigns with good reason, within three months preceding or 12 months following a change in control of our company. The receipt of these payments and benefits is contingent upon the NEO’s execution, delivery, and non-revocation of a release and waiver of claims satisfactory to us following the NEO's separation from service. In addition, for six months following the termination of employment, and as a condition to the payments and benefits, the NEO must cooperate with any transition efforts that we request and must not disparage us, or our directors, officers or employees. As noted in the following paragraph, Mr. Woodman, our Chief Executive Officer, is no longer a party to these agreements.

We entered into an employment letter with Mr. Woodman in June 2014, the terms of which supersede in their entirety the change in control and severance agreement he executed in January 2014. This employment letter sets forth the post-employment compensation arrangements for Mr. Woodman in the event of a qualifying termination of employment in connection with a change in control of GoPro.

For descriptions of the change in control severance arrangements with each of our NEOs, including an estimate of the amount payable upon a qualifying termination of employment, see “Arrangements with Our Named Executive Officers” below.

Executive Severance Policy

Subject to executing a written agreement setting forth the terms and conditions of the Executive Severance Policy, senior leadership team members other than our Chief Executive Officer, as well as such other employees as our board or the compensation and leadership committee may designate, receive benefits under our Executive Severance Policy. The compensation and leadership committee designated the following NEOs as participants in the Executive Severance Policy: Messrs. McGee and, Jahnke and Mses. Saltman and Lapic.

Under the Executive Severance Policy, if a participant undergoes a qualifying termination of employment (as defined in the Executive Severance Policy) and executes an irrevocable general release of claims in favor of GoPro within 60 days following such qualifying termination of employment, we will provide the participant the following severance payments and benefits (in addition to compensation and benefits earned by the participant but not yet paid through the termination date):

- *Cash Severance.* We will pay the participant a cash lump sum equal to 12 months of the participant’s base salary (less applicable deductions and withholding), as in effect immediately prior to the participant’s termination by GoPro or, in the case of voluntary termination by the participant with good reason (as defined in the policy), immediately prior to the occurrence of the event constituting good reason.
- *COBRA Payments.* Subject to the participant timely electing coverage in accordance with the requirements of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“**COBRA**”), we will continue to pay the employer portions of such insurance premiums for the participant and/or his or her eligible dependents, as applicable, for up to 12 months following the participant’s termination. Such COBRA subsidies will cease, however, if a participant becomes eligible for comparable group medical, dental and/or vision insurance coverage under the plan(s) of a subsequent employer, or if the participant otherwise ceases to be eligible to receive COBRA coverage under our plan(s), before the end of the aforementioned 12-month period.

If the participant is or becomes eligible to receive any other cash severance payments and benefits from us comparable to those described in the “Cash Severance” paragraph above, including under a “double-trigger” arrangement in connection with a change in control of GoPro (such as under our Change in Control and Severance Policy), the participant will receive the greater of the payments and benefits under the Executive Severance Policy or under the other arrangement (such as the Change in Control and Severance Policy).

Finally, participants in the Executive Severance Policy are required to agree that, during the six-month period following their cessation of employment, they will cooperate with us in every reasonable respect, use their best efforts to assist us with the transition of their duties to their successors and not in any way or by any means disparage GoPro, the members of our board or our officers and employees.

For descriptions of the severance arrangements with each of our NEOs, including an estimate of the amount payable upon a qualifying termination of employment, see "Arrangements with Our Named Executive Officers" below.

2021 Base Salary for Named Executive Officers

In February 2021, the compensation and leadership committee reinstated and increased Mr. Woodman's base salary to $850,000 effective January 1, 2021. The compensation and leadership committee also reviewed Mr. McGee, Ms. Saltman, Mr. Jahnke, and Ms. Lapic's base salaries based on an analysis prepared by Compensia regarding the competitive market, as well as the performance of these NEO's as evaluated by our Chief Executive Officer. At that time, the compensation and leadership committee approved a base salary of $575,000 for Mr. McGee, $438,000 for Ms. Saltman, $412,000 for Mr. Jahnke, and $457,000 for Ms. Lapic.

2020 Summary Compensation Table

The following table provides information concerning compensation awarded to, earned by or paid to each of our NEOs for 2020, 2019 and 2018.

Name and Principal Position	Year		Salary ($)	Stock Awards ($)[1]	Option Awards ($)[2]	Non-Equity Incentive Plan Compensation ($)[3]	All Other Compensation ($)		Total ($)
Nicholas Woodman,	2020	(4)	240,962	2,934,573	—	0	160	(5)	3,175,695
Chief Executive Officer	2019		800,000	4,157,196	—	544,000	154	(5)	5,501,350
	2018	(6)	1	—	—	—	—		1
Brian McGee,[7]	2020		525,000	887,473	292,535	—	160	(5)	1,705,168
Executive Vice President, Chief Financial Officer and Chief Operating Officer	2019		505,137	1,106,347	361,027	257,620	154	(5)	2,230,285
	2018		454,740	724,085	600,225	162,001	176	(5)	1,941,227
Eve Saltman,	2020		424,616	496,980	163,820	0	11,151	(8)	1,096,567
Vice President, Corporate/ Business Development, General Counsel & Corporate Secretary	2019		375,000	603,464	196,924	127,500	11,354	(9)	1,314,242
	2018		265,575	499,237	567,901	63,312	46,326	(10)	1,442,351
Dean Jahnke,[11] Vice President, Global Sales	2020		399,808	496,980	163,820	0	12,760	(12)	1,073,368
	2019		375,000	704,038	229,745	191,250	11,354	(9)	1,511,387
Aimée Lapic,[13] Senior Vice President, Chief Digital and Marketing Officer	2020		294,615	1,312,632	459,759	—	828	(14)	2,067,834

(1) The amounts reported in this column represent the aggregate grant date fair value of the RSUs or PSUs, as applicable, made to each NEO in 2020, 2019 and 2018 computed in accordance with FASB ASC Topic 718 and excluding the effect of estimated forfeitures. For all three years, PSUs were included in in the mix of equity awards granted to our NEOs and are included in the "Stock Awards" column in the table above, along with time-based RSUs. The performance metrics selected for the PSUs in each year were based solely on internal Company goals for a single fiscal year (FY 2018 (revenue), FY 2019 (revenue) and FY 2020 (revenue, profitability and subscriptions) and, as such, the PSUs were determined to be performance awards under FASB ASC Topic 718.

The grant date fair value for both time-based RSU and PSU awards was determined to be equal to the closing price of our Class A common stock on the date of grant.

The number of PSUs that ultimately vest, if any, depends on whether the Company achieves certain levels of performance with respect to the designated performance measures. The grant date fair values of the PSUs included in this column are based on payouts at target, which we determined, in accordance with the applicable stock-based compensation accounting rules, to be the probable levels of achievement of the performance goals related to those awards at the time of grant. The table below shows the grant date fair value of the PSUs granted during fiscal 2020, assuming that: (i) our performance with respect to those performance measures will be at target levels (i.e., probable performance); and (ii) our performance with respect to those performance measures will be at levels that would result in a maximum payout.

Note that the amounts reported in this column and the table, below, reflect the accounting cost for these RSUs or PSUs, as applicable, and do not correspond to the actual economic value that may be received by the NEO.

Name	Fiscal Year of Grant	Grant Date Fair Value (Target/Probable Performance) ($)	Grant Date Fair Value (Maximum Performance) ($)
Nicholas Woodman	2020	2,934,573	4,401,859
Brian McGee	2020	295,824	443,737
Eve Saltman	2020	165,660	248,492
Dean Jahnke	2020	165,660	248,492
Aimée Lapic	2020	437,544	656,318

(2) The amounts reported in this column represent the aggregate grant date fair value of option awards made to each NEO in 2020, 2019 and 2018 computed in accordance with FASB ASC Topic 718 and excluding the effect of estimated forfeitures. The assumptions used in calculating the grant date fair value of the option awards reported in the Option Awards column are set forth in Note 6 to the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 12, 2021. Note that the amounts reported in this column reflect the accounting cost for these options and do not correspond to the actual economic value that may be received by the NEO.

(3) The amounts reported in this column represent the NEO's annual cash bonus awards, which for 2019 and 2018, we awarded under the 2019 Executive Bonus Plan and the 2018 Executive Bonus Plan respectively, based on the compensation and leadership committee's determination of individual and overall company performance. No bonus was paid for 2020 under the 2020 Executive Bonus Plan.

(4) In April 2020, our CEO volunteered to forego the remainder of his salary through the end of 2020 due to the impact of the Covid-19 pandemic on the business.

(5) Represents the value of corporate merchandise.

(6) In January 2018, our CEO volunteered to forego salary and bonus for 2018 and entered into a waiver agreement for which he would receive a nominal salary of $1 and no 2018 target cash bonus opportunity. In connection with our 2018 results, the compensation and leadership committee reinstated Mr. Woodman's base salary and target opportunity effective January 1, 2019.

(7) Effective as of February 3, 2020, Mr. McGee was promoted to Executive Vice President, Chief Financial Officer and Chief Operating Officer.

(8) Represents $10,991 in matching 401(k) account contributions and $160 in value of corporate merchandise.

(9) Represents $11,200 in matching 401(k) account contributions and $154 in value of corporate merchandise.

(10) Represents a $25,000 sign-on bonus, a $9,650 spot bonus, $11,000 in matching 401(k) account contributions, $500 in charitable contribution matching and $176 in value of corporate merchandise.

(11) Mr. Jahnke was promoted to Vice President, Global Sales in June 2018 and designated by the Board as a Section 16 officer on February 4, 2019.

(12) Represents $11,400 in matching 401(k) account contributions, $1,200 in waived medical reimbursement and $160 in value of corporate merchandise.

(13) Ms. Lapic, was hired as Senior Vice President, Chief Digital Officer starting April 2020 and in August 2020 her role expanded to Senior Vice President, Chief Digital and Marketing Officer. Ms. Lapic was designated by the Board as a Section 16 officer in October 2020.

(14) Represents $638.46 in matching 401(k) account contributions, $160 in value of corporate merchandise and $30 of gym reimbursement.

2020 Grants of Plan-Based Awards Table

The following table provides information concerning each grant of an award made in 2020 for each of our NEOs under any plan. This information supplements the information about these awards set forth in the 2020 Summary Compensation Table. All options and stock awards represented in the table below were granted pursuant to our 2014 Plan, unless otherwise noted.

				Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards						
Name	Award Type	Grant Date	Approval Date	Threshold ($)(1)	Target ($)	Maximum ($)(2)	Threshold (#)(3)	Target (#)(3)	Maximum (#)(3)	All Other Stock Awards: Number of Shares or Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise Price of Option Awards ($/Share)	Grant Date Fair Value of Stock and Option Awards ($)(4)
Nicholas Woodman	Cash	N/A	—	206,250	825,000	1,237,500							
	PSU(5)	02/18/2020	02/18/2020	—	—	—	179,815	719,258	1,078,887	—	—	—	2,934,573
Brian McGee	Cash	N/A	—	98,438	393,750	590,625	—	—	—	—	—	—	—
	PSU(5)	02/18/2020	02/18/2020	—	—	—	18,127	72,506	108,759	—	—	—	295,824
	RSU(6)	02/18/2020	02/18/2020	—	—	—	—	—	—	145,012	—	—	591,649
	Option(7)	02/18/2020	02/18/2020	—	—	—	—	—	—	—	144,676	4.08	292,535
Eve Saltman	Cash	N/A	—	53,125	212,500	318,750	—	—	—	—	—	—	—
	PSU(5)	02/18/2020	02/18/2020				10,151	40,603	60,905				165,660
	RSU(6)	02/18/2020	02/18/2020	—	—	—	—	—	—	81,206	—	—	331,320
	Option(7)	02/18/2020	02/18/2020	—	—	—	—	—	—	—	81,019	4.08	163,820
Dean Jahnke	Cash	N/A	—	75,000	300,000	450,000	—	—	—	—	—	—	—
	PSU(5)	02/18/2020	02/18/2020				10,151	40,603	60,905	—	—	—	165,660
	RSU(6)	02/18/2020	02/18/2020	—	—	—	—	—	—	81,206	—	—	331,320
	Option(7)	02/18/2020	02/18/2020	—	—	—	—	—	—	—	81,019	4.08	163,820
Aimée Lapic (8)	Cash	N/A	—	44,192	176,769	265,154	—	—	—	—	—	—	—
	PSU(5)	05/15/2020	03/27/2020	—	—	—	28,710	114,841	172,262	—	—	—	437,544
	RSU(9)	05/15/2020	03/27/2020	—	—	—	—	—	—	229,682	—	—	875,088
	Option(10)	05/15/2020	03/27/2020	—	—	—	—	—	—	—	232,143	3.81	459,759

(1) As set forth under the 2020 Executive Bonus Plan, the threshold amount represents corporate financial performance of (i) achievement of net revenue at $1.153 billion, (ii) achievement of pre-tax profit/loss of $42.89 million and (iii) achievement of GoPro Plus paid subscribers of 600 thousand, which, together, would result in an overall plan funding level of 25% (and individual bonus payouts at 25% of annual target bonus opportunities for 2020, subject to adjustment by the compensation and leadership committee).

(2) As set forth under the 2020 Executive Bonus Plan, the maximum amount represents corporate financial performance of (i) achievement of net revenue at $1.238 billion, (ii) achievement of pre-tax profit/loss of $72.58 million and (iii) achievement of GoPro Plus paid subscribers of 700 thousand, which, together, would result in an overall plan funding level of 150% (and individual bonus payouts at 150% of annual target bonus opportunities for 2020, subject to adjustment by the compensation and leadership committee).

(3) The amounts in these columns represent the threshold, target, and maximum number of shares that may be earned and vest with respect to performance-based restricted stock units granted during fiscal 2020.

(4) The amounts reported in this column represent the aggregate grant date fair value of each award computed in accordance with FASB ASC Topic 718. The grant date fair value for PSU awards was computed based on achievement of the PSU awards' performance at 100% of the target number of shares granted, which was the probable outcome of the performance conditions on the grant date. The grant date fair value for both RSUs and PSUs was determined to be equal to the closing price of our Class A common stock on date of grant. The assumptions used in calculating the grant date fair value of the option awards reported in the Option Awards column are set forth in Note 6 to the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC

on February 12, 2021. Note that the amounts reported in this column reflect the accounting cost for these awards and do not correspond to the actual economic value that may be received by the NEO.

(5) The PSUs granted on February 18, 2020, and May 15, 2020, are scheduled to vest between February 15, 2021, and February 15, 2023, subject to the satisfaction of the defined performance conditions for the performance period beginning on January 1, 2020, and ending on December 31, 2020, as determined by the committee.

The determination of the number of PSUs granted which are ultimately deemed to have been earned will be based on two equally-weighted metrics, the Profitability Attainment Metric (50% of the PSUs granted) and the Subscription Attainment Metric (50% of the PSUs granted). If the committee determines both the Threshold Profitability Hurdle and the Threshold Subscription Hurdle had not been achieved, none of the shares under the PSU awards will vest and all PSUs subject to the award will immediately be forfeited in their entirety. If the Threshold Hurdle or higher of one or both metrics is determined by the committee to have been achieved the number of PSUs earned will be determined according to the Hurdle Schedule and the earned PSUs subject to that Hurdle will then be subject to the time-based vesting schedule described below.

	% PSUs Granted that are Earned		
Performance Metric	**Threshold**	**Target**	**Maximum**
50% Profitability Attainment Hurdle	25%	100%	150%
50% Subscription Attainment Hurdle	25%	100%	150%

If the achievement against either of the Hurdles falls between the Threshold and the Target or between the Target and the Maximum, the committee will determine the number of PSUs subject to that metric which will be deemed to have been earned and become subject to the time-based vesting.

After the number of earned PSUs has been determined, 1/3rd of the earned PSUs will vest on the later of (x) February 15, 2021, or (y) the date when the committee determines the Hurdle(s) achieved, and the remaining earned PSUs will vest quarterly thereafter as to 1/12th of the earned PSUs on the 15th of each of February, May, August and November, subject to the participant's continued service to the Company through each vesting date. Earned but unvested PSUs may accelerate and become vested subject to the terms of the change in control and severance agreement between the participant and the Company.

(6) One-fourth of the total RSUs granted vested on February 15, 2021, and an additional 1/4th will vest annually thereafter until the units are fully vested, subject to the participant's continued service to the Company through each vesting date. Unvested RSUs may accelerate and become vested subject to the terms of the change in control and severance agreement between the participant and the Company.

(7) One-fourth of the total options granted vested on February 15, 2021, and an additional 1/48th will vest monthly thereafter until the options are fully vested, subject to the participant's continued service to the Company through each vesting date. Unvested options may accelerate and become vested and exercisable subject to the terms of the change in control and severance agreement between the participant and the Company.

(8) Ms. Lapic's estimated future payouts under the 2020 Executive Bonus Plan reflect her weighted-average base salary over 2020.

(9) One-fourth of the total RSUs granted will vest on May 15, 2021, and an additional 1/4th will vest annually thereafter until the units are fully vested, subject to the participant's continued service to the Company through each vesting date. Unvested RSUs may accelerate and become vested subject to the terms of the change in control and severance agreement between the participant and the Company.

(10) One-fourth of the total options granted will vest on May 15, 2021, and an additional 1/48th will vest monthly thereafter until the options are fully vested, subject to the participant's continued service to the Company through each vesting date. Unvested options may accelerate and become vested and exercisable subject to the terms of the change in control and severance agreement between the participant and the Company.

Outstanding Equity Awards at December 31, 2020 Table

The following table provides information concerning unexercised options, stock that has not vested and outstanding equity incentive plan awards for each NEO as of December 31, 2020.

	Option Awards				Stock Awards					
Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Options Unexercisable	Option Exercise Price ($)[1]	Option Expiration Date	Award Type	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)[2]	Equity Incentive Plan Awards: Market or Payout Value of Shares, Units or Other Rights That Have Not Vested ($)[2]	Award Type	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Nicholas Woodman	—	—	—	—	PSU[3]	126,185	1,044,812	N/A	—	—
	—	—	—	—	PSU[4]	539,444	4,466,596	N/A	—	—
Brian McGee	30,000[5]	—	28.54	10/14/2025	RSU[6]	25,230	208,904	N/A	—	—
	86,800[7]	—	10.71	02/02/2026	RSU[8]	73,269	606,667	N/A	—	—
	113,636[9]	—	9.44	02/14/2027	RSU[10]	145,012	1,200,699	N/A	—	—
	4,197[11]	58,761[11]	5.74	05/14/2028	PSU[3]	11,195	92,695	N/A	—	—
	43,916[12]	51,903[12]	7.55	05/14/2029	PSU[4]	54,380	450,266	N/A	—	—
	0[13]	144,676[13]	4.08	02/17/2030	—	—	—	N/A	—	—
Eve Saltman	134,803[14]	61,275[14]	5.58	04/15/2028	RSU[15]	44,735	370,406	N/A	—	—
	23,954[12]	28,311[12]	7.55	05/14/2029	RSU[8]	39,965	330,910	N/A	—	—
	0[13]	81,019[13]	4.08	02/17/2030	RSU[10]	81,206	672,386	N/A	—	—
	—	—	—	—	PSU[3]	6,107	50,566	N/A	—	—
	—	—	—	—	PSU[4]	30,452	252,143	N/A	—	—
Dean Jahnke	9,600[16]	—	16.39	04/30/2024	RSU[17]	7,500	62,100	N/A	—	—
	32,448[18]	23,178[18]	5.83	08/14/2028	RSU[8]	46,626	386,063	N/A	—	—
	27,947[12]	33,029[12]	7.55	05/14/2029	RSU[10]	81,206	672,386	N/A	—	—
	0[13]	81,019[13]	4.08	02/17/2030	PSU[3]	7,125	58,995	N/A	—	—
	—	—	—	—	PSU[4]	30,452	252,143	N/A	—	—
Aimée Lapic	0[19]	232,143[19]	3.81	05/14/2030	RSU[20]	229,682	1,901,767	N/A	—	—
					PSU[4]	86,131	713,165	N/A	—	—

(1) Represents the fair market value of a share of our Class A or Class B common stock, as applicable. For options granted pre-IPO, market value of our common stock was determined by our board of directors on the date of grant. For options granted after our IPO, market value is the closing price of our Class A common stock on the date of grant. See Note 6 to the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 12, 2021, for a discussion of the valuation of our Class A common stock.

(2) The amounts in these columns represent shares of restricted stock units with service-based vesting requirements, including PSUs for which the performance conditions have been satisfied but are subject to additional time-based service requirements. The PSUs for which the performance conditions have been satisfied continue to be denoted as "PSUs" in these columns for reference. The share numbers and values for the 2019 PSUs for which the performance conditions have been met reflect a downward adjustment to 55% of the original target shares based on the goal metric certification by the compensation and leadership committee on February 18, 2020. The share numbers and values for the 2020 PSUs for which the performance conditions have been met reflect a downward adjustment to 75% of the original target shares based on the goal metric certification by the compensation and leadership committee on February 10, 2021.

(3) After the number of earned PSUs was determined by the compensation and leadership committee on February 18, 2020, 1/3rd of the earned PSUs vested on February 18, 2020, and the remaining earned PSUs will vest quarterly on the 15th of each of February, May, August and November, until the PSUs are fully vested, subject to the participant's continued service to the Company through each vesting date. Unvested PSUs may accelerate and become vested subject to the terms of the change in control and severance agreement between the participant and the Company.

(4) After the number of earned PSUs was determined by the compensation and leadership committee on February 10, 2021, 1/3rd of the earned PSUs vested on February 15, 2021, and the remaining earned PSUs will vest quarterly on the 15th of each of February, May, August and November, until the PSUs are fully vested, subject to the participant's continued service to the Company through each vesting date. Unvested PSUs may accelerate and become vested subject to the terms of the change in control and severance agreement between the participant and the Company.

(5) One-fourth of the total options granted vested on September 28, 2016, and an additional 1/48th vested monthly thereafter until the options were fully vested. These options are now fully vested.

(6) One-fourth of the total RSUs granted vested on February 15, 2019, and an additional 1/4th will vest annually thereafter until the units are fully vested, subject to Mr. McGee's continued service to the Company through each vesting date. Unvested RSUs may accelerate and become vested subject to the terms of the change in control and severance agreement between Mr. McGee and the Company.

(7) One-fourth of the total options granted vested on February 03, 2017, and an additional 1/48th vested monthly thereafter until the options were fully vested. These options are now fully vested.

(8) One-fourth of the total RSUs granted vested on February 15, 2020, and an additional 1/4th will vest annually thereafter until the units are fully vested, subject to the participant's continued service to the Company through each vesting date. Unvested RSUs may accelerate and become vested subject to the terms of the change in control and severance agreement between the participant and the Company.

(9) One-sixth of the total options granted vested on August 15, 2017, and an additional 1/36th vested monthly thereafter until the options were fully vested. These options are now fully vested.

(10) One-fourth of the total RSUs granted vested on February 15, 2021, and an additional 1/4th will vest annually thereafter until the units are fully vested, subject to the participant's continued service to the Company through each vesting date. Unvested RSUs may accelerate and become vested subject to the terms of the change in control and severance agreement between the participant and the Company.

(11) One-fourth of the total options granted vested on February 15, 2019, and an additional 1/48th will vest monthly thereafter, until the options are fully vested, subject to the participant's continued service to the Company through each vesting date. Unvested options may accelerate and become vested and exercisable subject to the terms of the change in control and service agreement between the participant and the Company.

(12) One-fourth of the total options granted vested on February 15, 2020, and an additional 1/48th will vest monthly thereafter, until the options are fully vested, subject to the participant's continued service to the Company through each vesting date. Unvested options may accelerate and become vested and exercisable subject to the terms of the change in control and service agreement between the participant and the Company.

(13) One-fourth of the total options granted vested on February 15, 2021, and an additional 1/48th will vest monthly thereafter, until the options are fully vested, subject to the participant's continued service to the Company through each vesting date. Unvested options may accelerate and become vested and exercisable subject to the terms of the change in control and service agreement between the participant and the Company.

(14) One-fourth of the total options granted vested on March 29, 2019, and an additional 1/48th will vest monthly thereafter until the options are fully vested, subject to Ms. Saltman's continued service to the Company through each vesting date. Unvested options may accelerate and become vested subject to the terms of the change in control and severance agreement between Ms. Saltman and the Company.

(15) One-fourth of the total RSUs granted vested on April 15, 2019, and an additional 1/4th will vest annually thereafter until the units are fully vested, subject to Ms. Saltman's continued service to the Company through each vesting date. Unvested RSUs may accelerate and become vested subject to the terms of the change in control and severance agreement between Ms. Saltman and the Company.

(16) One-fourth of the total options granted vested on March 31, 2015, and an additional 1/48th vested monthly thereafter until the option was fully vested. Mr. Jahnke received this stock option award on May 01, 2014, prior to our IPO under the 2010 Plan. All options under the 2010 Plan entitle the option holder to conduct a cash exercise and request that out Class B common stock be issued to settle the exercise. Any other exercise type, and a cash exercise absent such a request, would be settled in our Class A common stock. These options are now fully vested.

(17) One-sixth of the total RSUs granted vested on August 15, 2018, and an additional 1/6th will vest semi-annually thereafter until the units are fully vested, subject to Mr. Jahnke's continued service to the Company through each vesting date. Unvested RSUs may accelerate and become vested subject to the terms of the change in control and severance agreement between Mr. Jahnke and the Company.

(18) One-fourth of the total options granted vested on August 15, 2019, and an additional 1/48th will vest monthly thereafter until the options are fully vested, subject to Mr. Jahnke's continued service to the Company through each vesting date. Unvested options may accelerate and become vested and exercisable subject to the terms of the change in control and severance agreement between Mr. Jahnke and the Company.

(19) One-fourth of the total options granted will vest on May 15, 2021, and an additional 1/48th will vest monthly thereafter until the options are fully vested, subject to Ms. Lapic's continued service to the Company through each vesting date. Unvested options may accelerate and become vested and exercisable subject to the terms of the change in control and severance agreement between Ms. Lapic and the Company.

(20) One-fourth of the total RSUs granted will vest on May 15, 2021, and an additional 1/4th will vest annually thereafter until the units are fully vested, subject to Ms. Lapic's continued service to the Company through each vesting date. Unvested RSUs may accelerate and become vested subject to the terms of the change in control and severance agreement between Ms. Lapic and the Company.

Option Exercises and Stock Vested Table

The following table provides information concerning the exercise of options and the vesting of RSUs and PSUs in 2020 for each NEO as of December 31, 2020. Value realized on vesting of RSUs and PSUs is based on the fair market value of our Class A common stock on the vesting date multiplied by the number of shares vested and does not necessarily reflect the proceeds received by the NEO.

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting**	**Value Realized on Vesting ($)**
Nicholas Woodman	—	—	176,658	816,413
Brian McGee	138,507	313,026	71,043	298,341
Eve Saltman	—	—	44,236	153,349
Dean Jahnke	—	—	40,640	177,312
Aimée Lapic	—	—	—	—

Change in Control Arrangements with our Named Executive Officers

Arrangements with Mr. Woodman

Under his employment letter dated June 2, 2014, Mr. Woodman is eligible to receive severance payments and benefits upon a qualifying termination of employment, including a termination of employment in connection with a change in control of our company.

If Mr. Woodman's employment is terminated by us for any reason other than cause or he resigns for good reason prior to a change in control of GoPro, he will be eligible to receive:

- a single lump sum payment equal to the sum of 12 months of his then-current base salary and target bonus (assuming a 150% achievement threshold);
- an additional payment equal to the *pro-rata* portion of his actual target bonus for the year of his termination of employment; and
- continuation of COBRA benefits for 12 months following his termination of employment (or if applicable law requires otherwise, a lump sum payment equal to that amount).

If Mr. Woodman's employment is terminated by us for any reason other than cause or he resigns for good reason within 24 months following a change in control of GoPro, he will be eligible to receive:

- a single lump sum payment equal to the sum of 24 months of his then-current base salary and target bonus (assuming a 150% achievement threshold);
- an additional payment equal to the *pro-rata* portion of his actual target bonus for the year of his termination of employment;

- full accelerated vesting of all the shares of our common stock subject to his then-outstanding and unvested equity awards, if any; and
- continuation of benefits under COBRA for 18 months following his termination of employment (or if applicable law requires otherwise, a lump sum payment equal to that amount).

These payments and benefits are conditioned on Mr. Woodman's execution and delivery of an irrevocable release and waiver of claims to us within the 60 days following his termination of employment.

Further, if we undergo a change in control, any payments that would be "parachute payments" within the meaning of Section 280G of the Code will be reduced so that Mr. Woodman retains, on an after-tax basis, the greatest amount of these payments.

In connection with Mr. Woodman's Salary Waiver, we entered into a Waiver Agreement with Mr. Woodman, as discussed above under "2020 Compensation for our Chief Executive Officer."

Arrangements with Mr. McGee

Under his employment letter dated September 2015, Mr. McGee is eligible to receive severance payments and benefits upon a qualifying termination of employment, including a termination of employment in connection with a change in control of our company.

Pursuant to his change in control and severance agreement dated September 28, 2015, if Mr. McGee's employment is terminated by us for any reason other than for cause or he voluntarily resigns for good reason within the three-month period preceding or the 12-month period following a change in control of GoPro, he will be eligible to receive:

- 12 months of his then-current base salary;
- 100% of his target annual bonus;
- $3,000 per month for 12 months in lieu of employee benefits; and
- all of the shares of our common stock subject to each then-outstanding and unvested equity award held by Mr. McGee, including awards that would otherwise only vest upon satisfaction of performance criteria, will accelerate and become vested and exercisable in full immediately prior to his separation from service.

Further, if we undergo a change in control, any payments that would be "parachute payments" within the meaning of Section 280G of the Code will be reduced so that Mr. McGee retains, on an after-tax basis, the greatest amount of these payments.

Arrangements with Ms. Saltman

In March 2018, we entered into an employment offer letter with Ms. Saltman. Among other things, this letter provided that, subject to the approval of the board of directors, Ms. Saltman would be granted an option to purchase 196,078 shares of our Class A common stock, which would vest as to 25% of the shares subject to the option on the first anniversary of her commencement of employment and thereafter in equal monthly installments over 36 months thereafter, subject to her continuous employment as of each vesting date. The letter also provided that, subject to the approval of the board of directors, Ms. Saltman would be granted 89,469 RSUs to vest in four equal annual installments of 25%, each measured from the date of grant, subject to her continuous service as of each vesting date.

Under her change in control and severance agreement dated March 29, 2018, in the event that we terminate her employment for any reason other than cause or she voluntarily resigns her employment for good reason within the three-month period preceding or the 12-month period following a change in control of GoPro, Ms. Saltman would be eligible to receive severance payments and benefits as follows:

- 12 months of her then-current base salary;
- 100% of her target annual bonus;
- $3,000 per month for 12 months in lieu of employee benefits; and
- all of the shares of our common stock subject to each then-outstanding and unvested equity award held by Ms. Saltman, including awards that would otherwise only vest upon satisfaction of performance criteria, would accelerate and become vested and exercisable in full immediately prior to her separation from service.

Further, if we undergo a change in control, any payments that would be “parachute payments” within the meaning of Section 280G of the Code would be reduced so that Ms. Saltman would retain, on an after-tax basis, the greatest amount of these payments.

Arrangements with Mr. Jahnke

Under his employment letter dated March 2014, Mr. Jahnke is eligible to receive severance payments and benefits upon a qualifying termination of employment, including a termination of employment in connection with a change in control of our company.

Pursuant to his change in control and severance agreement dated July 31, 2018, if Mr. Jahnke’s employment is terminated by us for any reason other than for cause or he voluntarily resigns for good reason within the three-month period preceding or the 12-month period following a change in control of GoPro, he will be eligible to receive:

- 12 months of his then-current base salary;

- 100% of his target annual bonus;
- $3,000 per month for 12 months in lieu of employee benefits; and
- all of the shares of our common stock subject to each then-outstanding and unvested equity award held by Mr. Jahnke, including awards that would otherwise only vest upon satisfaction of performance criteria, will accelerate and become vested and exercisable in full immediately prior to his separation from service.

Further, if we undergo a change in control, any payments that would be “parachute payments” within the meaning of Section 280G of the Code will be reduced so that Mr. Jahnke retains, on an after-tax basis, the greatest amount of these payments.

Arrangements with Ms. Lapic

In April 2020, we entered into an employment offer letter with Ms. Lapic. Among other things, this letter provided that, subject to the approval of the board of directors, Ms. Lapic would be granted an award of $1,300,000 USD of equity split into 50% RSUs, 25% Stock Options and 25% Performance Share Units. Subject to the approval of the board of directors, Ms. Lapic would be granted an option to purchase 232,143 shares of our Class A common stock, which would vest as to 25% of the shares subject to the option on the first anniversary of her commencement of employment and thereafter in equal monthly installments over 36 months thereafter, subject to her continuous employment as of each vesting date. The letter also provided that, subject to the approval of the board of directors, Ms. Lapic would be granted 229,682 RSUs to vest in four equal annual installments of 25%, each measured from the date of grant, subject to her continuous service as of each vesting date. The letter also provided that, subject to the approval of the board of directors, Ms. Lapic would be granted 114,841 PSUs to vest only if the defined "Performance Metric" is achieved per Fiscal 2020 PSU goals. PSUs earned pursuant to the attainment of the Performance Metrics would vest as follows: 1/3rd of the PSUs earned would vest on the later of i) February 15, 2021 and ii) the date the Performance Metrics are certified as achieved, and 1/12th of the PSUs earned would vest quarterly thereafter, subject to her continuous employment as of each vesting date. PSUs that vest would be settled in the Company's Class A common stock as soon as practicable after vesting.

Under her change in control and severance agreement dated April 6, 2020, in the event that we terminate her employment for any reason other than cause or she voluntarily resigns her employment for good reason within the three-month period preceding or the 12-month period following a change in control of GoPro, Ms. Lapic would be eligible to receive severance payments and benefits as follows:

- 12 months of her then-current base salary;
- 100% of her target annual bonus;
- $3,000 per month for 12 months in lieu of employee benefits; and
- all of the shares of our common stock subject to each then-outstanding and unvested equity award held by Ms. Lapic, including awards that would otherwise only vest upon satisfaction of performance criteria, would accelerate and become vested and exercisable in full immediately prior to her separation from service.

Further, if we undergo a change in control, any payments that would be "parachute payments" within the meaning of Section 280G of the Code would be reduced so that Ms. Lapic would retain, on an after-tax basis, the greatest amount of these payments.

Estimated Payments and Benefits as of December 31, 2020

The following table sets forth the estimated payments and benefits that would be received by each of the NEOs upon a change in control of GoPro, upon a termination of employment without cause or following a resignation for good reason under our Executive Severance Policy, or in the event of a termination of employment without cause or following a resignation for good reason in connection with a change in control in GoPro under our Change in Control and Severance Policy. This table reflects amounts payable to each NEO assuming that his or her employment was terminated on December 31, 2020, and the change in control of the Company also occurred on that date. The closing market price per share of our Class A common stock on December 31, 2020, was $8.28.

	Change in Control			Termination of Employment No Change in Control				Termination of Employment Change in Control				
Named Executive Officer	Accelerated Vesting of Equity Awards ($)(1)	Excise Tax Payment ($)	Total ($)	Severance Payment ($)	Medical Benefits Continuation ($)	Accelerated Vesting of Equity Awards ($)(1)	Total ($)	Severance Payment ($)	Medical Benefits Continuation ($)	Accelerated Vesting of Equity Awards ($)(1)	Excise Tax Payment ($)	Total ($)
Nicholas Woodman	—	—	—	2,062,500	33,702 (2)	—	2,096,202	3,300,000	50,553 (2)	5,511,408	—	8,861,961
Brian McGee	—	—	—	918,750	36,000	—	954,750	918,750	36,000	3,354,012	—	4,308,762
Eve Saltman	—	—	—	637,500	36,000	—	673,500	637,500	36,000	2,584,255	—	3,257,755
Dean Jahnke	—	—	—	700,000	36,000	—	736,000	700,000	36,000	1,952,763	—	2,688,763
Aimée Lapic	—	—	—	696,000	36,000	—	732,000	696,000	36,000	3,652,611	—	4,384,611

(1) The value of the accelerated vesting of outstanding and unvested equity awards has been calculated based on the closing market price of our Class A common stock on Nasdaq on December 31, 2020, which was $8.28 per share, less, if applicable, the exercise price of each outstanding and unvested stock option. PSUs granted in 2019 subject to accelerated vesting upon a qualifying termination of 100% of eligible unvested shares reflect a downward adjustment to 55% of the original target shares based on the goal metric certification by the compensation and leadership committee on February 18, 2020. PSUs granted in 2020 are subject to accelerated vesting upon a qualifying termination of 100% of eligible unvested shares reflect a downward adjustment to 75% of the original target shares based on the goal metric certification by the compensation and leadership committee on February 10, 2021.

(2) This amount is cost of COBRA continuation based on Mr. Woodman's 2020 medical, dental and vision benefits costs.

CEO Pay Ratio

The annual total compensation of Mr. Woodman for 2020, as reported in the 2020 Summary Compensation Table, was $3,175,695. The annual total compensation of our median employee for 2020 was $114,536. Based on this information, for 2020, the ratio of the annual total compensation of Mr. Woodman to that of our median employee was approximately 27.7 to 1.

Calculation Methodology

We identified the employee with compensation at the median of the compensation of all our employees (the "**median employee**") by considering our employee population as of December 31, 2020 (the "**employee**

population determination date”). Due to a change in our employee population and employee compensation arrangements since December 31, 2018 we determined that it was necessary to identify a new median employee.

We considered all individuals (excluding our Chief Executive Officer) who were employed by us on a worldwide basis (including our consolidated subsidiaries) on the employee population determination date, whether employed on a full-time, part-time, seasonal or temporary basis, including employees on a partial-year leave of absence. The compensation measure used for purposes of identifying the median employee was based on earned salary or wages in 2020. In the case of foreign employees, total direct compensation also included “13th month pay” and any holiday allowance that was statutorily required to be paid as we view such compensation to be akin to earned salary or wages, and all amounts were converted to U.S. dollars using exchange rates in effect on the employee population determination date, without making any cost of living adjustments for employees outside of the United States. We also annualized the cash compensation of any permanent employees that were not employed by us for all of 2020. We believe our methodology represents a consistently applied compensation measure that strikes a balance in terms of administrative burden while consistently treating the primary compensation components for our worldwide employee population.

After identifying our median employee, in calculating the annual total compensation of such employee, we used the same methodology we use to calculate the amount reported for our NEOs in the “Total” column of the 2020 Summary Compensation Table.

REPORT OF THE COMPENSATION AND LEADERSHIP COMMITTEE

This report of the compensation and leadership committee is required by the SEC and, in accordance with the SEC's rules, will not be deemed to be part of or incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act or under the Exchange Act, except to the extent that we specifically incorporate this information by reference, and will not otherwise be deemed "soliciting material" or "filed" under either the Securities Act or the Exchange Act.

Our compensation and leadership committee has reviewed and discussed the "Compensation Discussion and Analysis" required by Item 402(b) of Regulation S-K with management and based on such review and discussions, the compensation and leadership committee recommended to our board of directors that the "Compensation Discussion and Analysis" be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2020.

Submitted by the Compensation and Leadership Committee

Susan Lyne, Chair
Peter Gotcher
Frederic Welts
Lauren Zalaznick

EQUITY COMPENSATION PLAN INFORMATION

The following table presents information as of December 31, 2020, with respect to compensation plans under which shares of our Class A common stock or Class B common stock may be issued.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights[1]	Weighted-Average Exercise Price of Outstanding Options, Warrants and Right ($)[2]	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities) Reflected in Column(a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	15,388,532	8.7880	24,692,672[3]
Total	15,388,532	8.7880	24,692,672

(1) Includes our 2010 Plan and our 2014 Plan. Excludes purchase rights accruing under our 2014 Employee Stock Purchase Plan.

(2) The weighted-average exercise price does not reflect the shares that will be issued in connection with the settlement of RSUs or PSUs, because these award types have no exercise price.

(3) There are no shares of common stock available for issuance under our 2010 Plan, but that plan will continue to govern the terms of options or awards granted thereunder. Any shares of Class B common stock that are subject to outstanding awards under the 2010 Plan that are issuable upon the exercise of stock options that expire or become unexercisable for any reason without having been exercised in full will generally be available for future grant and issuance as shares of Class A common stock under our 2014 Plan. In addition, the number of shares reserved for issuance under our 2014 Plan increased automatically by 5,007,128 on January 01, 2021 and will increase automatically on the first day of January of each of 2022 through 2024 by the number of shares equal to 3% of the total outstanding shares of our common stock (which includes outstanding shares of our Class A common stock, outstanding shares of our Class B common stock, outstanding stock options and outstanding RSUs and PSUs) as of the immediately preceding December 31 or a lower number approved by our board of directors. There are 8,103,277 shares of Class A common stock available for issuance under the 2014 Employee Stock Purchase Plan. The number of shares reserved for issuance under our 2014 Employee Stock Purchase Plan increased automatically by 1,669,042 on January 01, 2021 and will increase automatically on the first day of January of each year during the term of the 2014 Employee Stock Purchase Plan by the number of shares equal to 1% of the total outstanding shares of our common stock (which includes outstanding shares of our Class A common stock, outstanding shares of our Class B common stock, outstanding stock options and outstanding RSUs and PSUs) as of the immediately preceding December 31 or a lower number approved by our board of directors.

RELATED PARTY TRANSACTIONS

In addition to the executive officer and director compensation arrangements discussed above under "Executive Compensation" and "Proposal No. 1 – Election of Directors – Director Compensation," respectively, since January 1, 2020, we were a party to the following transactions in which:

- we have been or are to be a participant;
- the amount involved exceeds $120,000; and
- any of our directors, executive officers or holders of more than 5% of our capital stock, or any immediate family member of or person sharing the household with any of these individuals, had or will have a direct or indirect material interest.

Offer Letters and Change In Control Agreements

We have entered into offer letters and change in control severance agreements with our executive officers that, among other things, provide for severance and change in control benefits. See "Executive Compensation – Employment, Severance and Change in Control Agreements" for information about these agreements.

Indemnification of Directors and Officers

We have entered into indemnification agreements with each of our directors and executive officers. These indemnification agreements and our restated certificate of incorporation and amended and restated bylaws provide for indemnification of each of our directors and executive officers to the fullest extent permitted by Delaware law.

Review, Approval or Ratification of Transactions with Related Parties

Our Corporate Governance Guidelines and our Related Party Transactions policy requires that any transaction with a related party that must be reported under applicable rules of the SEC (other than compensation-related matters), must be reviewed and approved or ratified by our audit committee (other than transactions that are subject to review by our board of directors as a whole or any other committee of our board of directors). In approving or rejecting any such proposal, our audit committee will consider the relevant and available facts and circumstances, including, but not limited to, the extent of the related person's interest in the transactions, the material facts of the proposed transaction, including the proposed aggregate value of such transaction and whether the proposed transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances.

Other Transactions

None.

REPORT OF THE AUDIT COMMITTEE

The information contained in the following report of our audit committee is not considered to be “soliciting material,” “filed” or incorporated by reference in any past or future filing by us under the Securities Exchange Act of 1934 or the Securities Act of 1933 unless and only to the extent that we specifically incorporate it by reference.

The audit committee of our board of directors is composed of three independent outside directors. The audit committee has reviewed and discussed with our management and PricewaterhouseCoopers LLP our audited financial statements for the year ended December 31, 2020. The audit committee has also discussed with PricewaterhouseCoopers LLP the matters required to be discussed pursuant to AS No. 1301 “Communications with Audit Committees” as adopted by the Public Company Accounting Oversight Board.

The audit committee has received and reviewed the written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant’s communications with the audit committee concerning independence, and has discussed with PricewaterhouseCoopers LLP its independence from GoPro.

Based on the review and discussions referred to above, the audit committee recommended to the board of directors that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2020, for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee

Kenneth Goldman, Chair
Peter Gotcher
Alexander Lurie

ADDITIONAL INFORMATION

Stockholder Proposals to be Presented at Next Annual Meeting

Our bylaws provide that, for stockholder nominations to the board or other proposals to be considered at an annual meeting, the stockholder must give timely notice thereof in writing to the Secretary at GoPro, Inc., 3025 Clearview Way, San Mateo, California 94402, Attn: Secretary.

To be timely for the 2022 Annual Stockholder’s Meeting, a stockholder’s notice must be delivered to or mailed and received by our Secretary at our principal executive offices not earlier than 5:00 p.m. (Pacific Time) on February 16, 2022 and not later than 5:00 p.m. (Pacific Time) on March 18, 2022. A stockholder’s notice to the Secretary must set forth each matter the stockholder proposes to bring before the annual meeting and the information required by our bylaws.

Stockholder proposals submitted pursuant to Rule 14a-8 under the Exchange Act and intended to be presented at our 2022 Annual Meeting must be received by the Secretary no later than December 21, 2021 in order to be considered for inclusion in our proxy materials for that annual meeting.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers and any persons who own more than 10% of our common stock, to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons are required by SEC regulation to furnish us with copies of all Section 16(a) forms that they file. Based solely on its review of the copies of such forms furnished to us and written representations from the directors and executive officers, we believe that all Section 16(a) filing requirements were timely met in 2020.

Available Information

GoPro will mail without charge, upon written request, a copy of GoPro’s Annual Report, including the financial statements and list of exhibits, and any exhibit specifically requested. Requests should be sent to:

GoPro, Inc.
3025 Clearview Way
San Mateo, California 94402
Attn: Investor Relations

“Householding” — Stockholders Sharing the Same Last Name and Address

The SEC has adopted rules that permit companies and intermediaries (such as brokers) to implement a delivery procedure called “householding.” Under this procedure, multiple stockholders who reside at the same address may receive a single copy of our Annual Report and proxy materials, including the Notice of Internet Availability, unless the affected stockholder has provided contrary instructions. This procedure reduces printing costs and postage fees and helps protect the environment as well.

This year, a number of brokers with account holders who are GoPro stockholders will be “householding” our Annual Report and proxy materials, including the Notice of Internet Availability. A single Notice of Internet Availability and, if applicable, a single set of Annual Report and other proxy materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that it will be “householding” communications to your address, “householding” will continue until you are notified otherwise or until you revoke your consent. Stockholders may revoke their consent at any time by contacting Broadridge Financial Solutions by calling 1-866-540-7095 or writing to: Broadridge House Holding Department, 51 Mercedes Way, Edgewood, NY 11717.

Upon written or oral request, GoPro will promptly deliver a separate copy of the Notice of Internet Availability and, if applicable, Annual Report and other proxy materials to any stockholder at a shared address to which a single copy of any of those documents was delivered. To receive a separate copy of the Notice of Internet Availability and, if applicable, Annual Report and other proxy materials, you may write GoPro’s Investor Relations department at 3025 Clearview Way, San Mateo, California 94402, Attn: Investor Relations.

Any stockholders who share the same address and currently receive multiple copies of GoPro’s Notice of Internet Availability or Annual Report and other proxy materials who wish to receive only one copy in the future can contact their bank, broker or other holder of record to request information about householding or GoPro’s Investor Relations department at the address or telephone number listed above.

OTHER MATTERS

The board of directors does not presently intend to bring any other business before the Annual Meeting and, so far as is known to the board of directors, no matters are to be brought before the Annual Meeting except as specified in the Notice of Annual Meeting of Stockholders. As to any business that may arise and properly come before the Annual Meeting, however, it is intended that proxies, in the form enclosed, will be voted in respect thereof in accordance with the judgment of the persons voting such proxies.

APPENDIX A

Reconciliation of GAAP to Non-GAAP Measure

We report diluted net income (loss) per share in accordance with United States generally accepted accounting principles (GAAP) and on a non-GAAP basis. Additionally, we report non-GAAP adjusted EBITDA. We use 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, 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;

- adjusted EBITDA and non-GAAP net income (loss) exclude the loss on extinguishment of debt because it is not reflective of ongoing operating results in the period, and the frequency and amount of such losses are inconsistent;
- 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 and November 2020, 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.

The following table presents a reconciliation of net income (loss) to adjusted EBITDA:

(in thousands)	**Year ended December 31, 2020**
GAAP net loss	$ (66,783)
Income tax expense	4,826
Interest expense	19,993
Depreciation and amortization	19,065
POP display amortization	4,176
Stock-based compensation	29,963
Loss on extinguishment of debt	5,389
Restructuring and other costs	26,571
Adjusted EBITDA	$ 43,200

The following table presents a reconciliation of net income (loss) to non-GAAP net income:

(in thousands)	Three months ended December 31, 2020	Year ended December 31, 2020
GAAP net income (loss)	$ 44,413	$ (66,783)
Stock-based compensation	8,037	29,963
Acquisition-related costs	723	4,598
Restructuring and other costs	69	26,571
Non-cash interest expense	3,018	10,366
Loss on extinguishment of debt	5,389	5,389
Income tax adjustments	(585)	2,675
Non-GAAP net income	$ 61,064	$ 12,779
GAAP diluted net income (loss) per share	$ 0.28	$ (0.45)
Non-GAAP net income per share	$ 0.39	$ 0.08
GAAP shares for diluted net income (loss) per share	156,464	149,037
Add: effect of dilutive shares	—	3,096
Non-GAAP shares for diluted net income per share	156,464	152,133

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ________________

Commission file number: 001-36514

GOPRO, INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0629474**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
3025 Clearview Way	
San Mateo, California	**94402**
(Address of principal executive offices)	*(Zip Code)*

(650) 332-7600

(Registrant's telephone number, including area code)

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, $0.0001 par value	**GPRO**	**NASDAQ Global Select Market**

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Smaller reporting company	☐
Accelerated filer	☐	Emerging growth company	☐
Non-accelerated filer	☐		

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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $610,337,000 based upon the closing price reported for such date on The Nasdaq Global Select Market.

As of January 31, 2021, 122,634,624 and 28,885,046 shares of Class A and Class B common stock were outstanding, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2021 Annual Meeting of Stockholders (the "Proxy Statement"), to be filed within 120 days of the registrant's fiscal year ended December 31, 2020, are incorporated by reference in Part II and Part III of this Annual Report on Form 10-K. Except with respect to information specifically incorporated by reference in this Annual Report on Form 10-K, the Proxy Statement is not deemed to be filed as part of this Annual Report on Form 10-K.

GoPro, Inc.
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PART I

Special note regarding forward-looking statements

This Annual Report on Form 10-K of GoPro, Inc. (GoPro or we or the Company) includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding guidance, industry prospects, product and marketing plans, or future results of operations or financial position, made in this Annual Report on Form 10-K are forward-looking. To identify forward-looking statements, we use words such as “expect,” “anticipate,” “believe,” “may,” “will,” “estimate,” “intend,” “target,” “goal,” “plan,” “likely,” “potentially,” or variations of such words and similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their date. If any of management’s assumptions prove incorrect or should unanticipated circumstances arise, the Company’s actual results could materially differ from those anticipated by such forward-looking statements. The differences could be caused by a number of factors or combination of factors including, but not limited to, those factors identified under Item 1A Risk Factors. Forward-looking statements include plans to expand and improve product offerings in Item 1 Business and other sections of this Annual Report on Form 10-K, projections of results of operations, research and development plans, marketing plans, plans for international expansion and revenue growth drivers, plans to reduce operating expenses and drive profitability, including our restructuring plans and the improved efficiencies in our operations that such plans may create, the impact of COVID-19 on our business, operations, liquidity and capital resources, employees, customers, supply chain, financial results and the world economy, and the scope and duration thereof, plans to settle note conversion in cash, expectations regarding the volatility of the Company’s tax provision and resulting effective tax rate and projections of results of operations, the outcome of pending or future litigation and legal proceedings and any discussion of the trends and other factors that drive our business and future results in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations, and other sections of this Annual Report on Form 10-K including but not limited to Item 1A Risk Factors. In particular, the consequences of the COVID-19 pandemic to economic conditions and the industry in general, and the financial position and operating results of the Company in particular have been material, and changing rapidly, and cannot be predicted. Readers are strongly encouraged to consider the foregoing when evaluating any forward-looking statements concerning the Company. The Company does not undertake any obligation to update any forward-looking statements in this Annual Report on Form 10-K to reflect future events or developments.

Risk Factor Summary

Our business is subject to numerous risks and uncertainties, including those described in Item 1A Risk Factors on this Annual Report on Form 10-K. These risks include, but are not limited to the following:

- We may not be able to achieve revenue growth or profitability in the future, and if revenue growth or profitability is achieved, we may not be able to sustain it.
- Our goal to grow revenue and be profitable is dependent upon our ability to grow our direct-to-consumer business. If we do not effectively grow our direct-to-consumer business while simultaneously reducing our reliance on our other sales channels, our business, financial condition, results of operations and path to profitability could be harmed.
- The COVID-19 outbreak has had a material impact on the United States and global economies and could have a material adverse impact on our employees, suppliers, customers and end consumers, which could adversely and materially impact our business, financial condition and results of operations.
- If our sales fall below our forecasts, especially during the holiday season, our overall financial condition and results of operations could be adversely affected.

- If the e-commerce technology systems that give our consumers the ability to shop with us online do not function effectively, our operating results, as well as our ability to grow our direct-to-consumer business and improve profitability, could be materially adversely affected.
- Our future growth depends in part on further penetrating our total addressable market, and we may not be successful in doing so.
- To remain competitive and stimulate consumer demand, we must effectively manage product introductions, product transitions, product pricing and marketing.
- We depend 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.
- We rely on third-party suppliers, some of which are sole-source suppliers, to provide components for our products which may lead to supply shortages, long lead times for components, and supply changes, any of which could disrupt our supply chain and may increase our costs.
- We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can. New entrants also enter the digital imaging market category from time-to-time. These market factors could result in a loss of our market share and a decrease in our revenue and profitability.
- Our gross margins can vary significantly depending on multiple factors, which can result in unanticipated fluctuations in our operating results.
- We depend on key personnel to operate and grow our business. If we are unable to attract, engage and retain qualified personnel, our ability to develop, transform and successfully grow and operate our business could be harmed.
- Changes to trade agreements, trade policies, tariffs and import/export regulations may have an adverse effect on our business and results of operations.
- We face substantial risks related to inventory, purchase commitments and long-lived assets, and we could incur material charges related to these items that adversely affect our operating results.
- If we fail to manage our operating expenses effectively, our financial performance may suffer.
- Security and data protection breaches and cyberattacks could disrupt our products, services, internal operations, or information technology systems, and any such disruption could reduce our expected revenue, increase our expenses, damage our reputation, and cause our stock price to decline significantly.
- Interruptions with the cloud-based systems that we use in our operations, provided by an affiliate of Amazon.com, Inc. (Amazon), may materially adversely affect our business, results of operations and financial condition.
- Any significant cybersecurity incidents or disruption of our information systems, and our reliance on Software-as-a-Service (SaaS) technologies from third parties, could adversely affect our business operations and financial results.
- Our international business operations account for a significant portion of our revenue and operating expenses and are subject to challenges and risks.
- A small number of retailers and distributors account for a substantial portion of our revenue, and if our relationships with any of these retailers or distributors were to be terminated or the level of business with them significantly reduced, our business could be harmed.
- If we encounter problems with our distribution system, our ability to deliver our products to the market and to meet customer expectations could be harmed.
- Our success depends on our ability to maintain the value and reputation of our brand.
- We may be subject to warranty claims that could result in significant direct or indirect costs, or we could experience greater returns from retailers than expected, which could harm our business and operating results.

- If we encounter issues with our manufacturers or suppliers, our business, brand, and results of operations could be harmed and we could lose sales.
- Our intellectual property and proprietary rights may not adequately protect our products and services, and our business may suffer if it is alleged or determined that our technology, products, or another aspect of our business infringes third-party intellectual property or if third parties infringe our rights.
- If we are unable to maintain or acquire rights to include intellectual property owned by others in the content distributed by us, our marketing, sales or future business strategy could be affected or we could be subject to lawsuits relating to our use of this content.
- We are subject to governmental export and import controls and economic sanctions laws that could subject us to liability and impair our ability to compete in international markets.
- There are also risks associated with the ownership of our Class A common stock, including that our stock price has been and will likely continue to be volatile, and our convertible senior notes.

Item 1. Business

Overview

GoPro helps the world capture and share itself in immersive and exciting ways. Our cameras, mountable and wearable accessories, and subscription services have generated substantially all of our revenue. We sell our products globally through retailers, distributors and on GoPro.com.

Our product offerings include the following:

- *HERO9 Black* is our flagship waterproof camera launched in the Fall of 2020, featuring a 23.6MP sensor that provides stunning 5K video, the highest resolution ever for a HERO camera, 20MP photos and HyperSmooth 3.0 video stabilization. The HERO9 Black camera also features a new front-facing display, a larger rear touch display, an extended battery life, new Power Tools, TimeWarp 3.0, SuperPhoto, live streaming, webcam mode, built-in mounting, cloud connectivity and voice control. HyperSmooth 3.0 is our most advanced stabilization ever and includes in-camera horizon leveling that keeps shots smooth and level. TimeWarp Video 3.0 features Real Speed, which allows users to slow down footage to real speed and capture audio while recording, and Half Speed, which allows users to slow down footage even more for epic slow motion. Webcam Mode enables users to connect their HERO9 Black camera to a computer with the included USB-C cable to use the camera as a 1080p high-definition wide-angle webcam. We also introduced new Power Tools, including HindSight, Scheduled Capture and Duration Capture to help users capture the perfect shot. HindSight allows users to capture and save up to 30 seconds of video before the shutter button is pressed. Scheduled Capture allows users to set up their cameras to automatically capture photos or videos up to 24 hours in advance and Duration Capture allows users to set their HERO9 Black to record for a specified length of time. In addition, we introduced a Max Lens Mod accessory that brings Max HyperSmooth video stabilization and Max SuperView's ultra wide-angle photo and video to the HERO9 Black camera. We also continue to offer our HERO8 Black, HERO7 Black and HERO7 Silver cameras. Our cameras are compatible with our ecosystem of mountable and wearable accessories, and feature automatic uploading capabilities for photos and videos for GoPro subscribers.
- *MAX* is our 360-degree waterproof camera featuring MAX HyperSmooth image stabilization, 360-degree MAX TimeWarp Video, MAX SuperView, PowerPano, built-in mounting, high-quality audio, live streaming, voice control and a front facing touch display. MAX HyperSmooth provides the highest performance video stabilization yet, while MAX SuperView provides the widest field of view ever from a GoPro camera. PowerPano allows users to capture a 6.2mp, 270-degree panoramic photo with the push of a button and creates an artifact-free shot of action or movement. Our MAX camera features six built-in microphones that

allows users to capture immersive 360-degree audio, directional audio for vlogging and the best stereo sound ever from a GoPro.

- *GoPro subscription* is our subscription service that provides a camera protection plan and enables subscribers to easily access, edit and share content. The GoPro subscription includes unlimited cloud storage supporting source video and photo quality, camera replacement and damage protection, access to a high-quality live streaming service on GoPro.com as well as discounts on GoPro gear, mounts and accessories. Our HERO5 Black and newer cameras can automatically upload photos and videos to a subscriber's GoPro account at the highest possible quality, while HERO7 Black and newer cameras can also access our live-streaming service.
- *GoPro app* is a mobile app that allows users to share and edit their photos and videos. In December 2020, we introduced a new feature called Mural, where users can post their favorite shots to a private Mural wall. Mural organizes a user's favorite photos and videos as "events" and automatically generates a stunning highlight video for each event created. This new app experience is derived from our legacy, free-to-use video editing app, Quik, and can be fully utilized by members of our GoPro subscription service. In 2021, we plan to add powerful new editing features which will enable users of smartphones and other types of cameras to access the new GoPro app experience via a $9.99 annual subscription. As part of our subscription growth efforts, we also plan to migrate users of the legacy Quik app to the new GoPro app over time.

We also offer a full ecosystem of mountable and wearable accessories. See Products for additional information.

We believe our investments in hardware, cloud and mobile solutions have yielded a solid foundational experience for consumers that we will continue to build upon in 2021.

Our strategy

Helping our consumers capture and share their experiences in immersive and exciting ways is at the core of our business. We are committed to developing solutions that create an easy, seamless experience for consumers to capture, create and share engaging personal content. When consumers use our products and services, they often generate and share content that increases awareness for GoPro, driving a virtuous cycle and a self-reinforcing demand for our products. We believe revenue growth will be driven by the introduction of new cameras, accessories, lifestyle gear, subscription offerings and GoPro app monetization. We also believe new or improved camera features drive a replacement cycle among existing users and attract new users. Consumers can choose between numerous channels to purchase our hardware products, which are sold through GoPro.com, retailers and distributors. In addition, consumers can purchase software products through GoPro.com and via the GoPro app.

We also strive to expand our total addressable market by providing GoPro subscribers with improved benefits and providing a GoPro app experience that we believe addresses widespread pain points associated with using smartphones and GoPro cameras.

To achieve these goals, we aspire to retain employees committed to growing GoPro through great ideas and innovation by leveraging our strong brand recognition, unique culture, competitive compensation and benefits, and our strong commitment to our Diversity, Equity, Inclusion and Belonging initiatives. Our employees collaborate cross-functionally to help achieve our goals such as continuously improving our GoPro.com site and maintaining our relationships with key retailers and distributors.

Products

Cameras. We offer a family of flagship cameras, including our cloud connected HERO7 Black, HERO8 Black and HERO9 Black cameras. We also offer MAX, our waterproof 360-degree camera and our HERO7 Silver camera. HERO7 Silver, HERO7 Black, HERO8 Black, HERO9 Black and MAX cameras are durable, waterproof (without a housing), come with select mounting accessories, and have built-in Wi-Fi and Bluetooth technology, providing connectivity with a mobile device to enable remote control, content viewing, editing and sharing functionality. Our HERO9 Black camera offers 5K video, while HERO8 Black and HERO7 Black cameras can shoot video in 4K at 60 frames per second. MAX captures video in 360-degrees at 6K resolution and stitches to 5.6K. All of our current cameras feature multi-language voice and contextual control, image stabilization, a simplified user experience, and the ability to auto-upload photos and videos for GoPro subscription members via Wi-Fi for easy access and editing with our app. HERO9 Black, HERO8 Black, HERO7 Black, HERO7 Silver and MAX also feature GPS and additional sensors that capture location, elevation, speed and G-force loads.

Mounts and accessories. We offer a wide range of mounts and accessories, either bundled with a camera or sold separately, that enhance the functionality and versatility of our products, and enable our consumers to capture their experiences during a variety of activities or moments from different viewpoints. Our equipment-based mounts include three mods, which allows users to transform their HERO9 and HERO8 Black cameras into a production powerhouse. The Media Mod provides an integrated directional microphone, the Light Mod illuminates a scene and the Display Mod allows users to perfectly frame themselves during self-capture. In addition, we offer a Max Lens Mod that brings Max HyperSmooth video stabilization and Max SuperView's ultra wide-angle photo and video to the HERO9 Black camera. Other equipment-based mounts include helmet, handlebar, roll bar and tripod mounts. Our 3-way mount is a 3-in-1 mount that can be used as a camera grip, extension arm or tripod, and our floating mounts such as the Handler, and Bite Mount + Floaty, allow our cameras to float in water. We also enable consumers to wear mounts on their bodies with the use of our magnetic swivel clip, wrist housing, chest harness and head strap. Additionally, we offer spare batteries, dive filters and charging accessories and cables to connect our GoPro cameras to computers, laptops and television monitors. Our accessories expand the features, versatility and convenience of our cameras.

Lifestyle Gear. We offer a lifestyle gear lineup that melds our signature design and versatility across an exciting and ultra-functional line of bags, backpacks and cases.

Applications. We offer mobile, desktop and web applications that provides a complete media workflow for archiving, editing, multi-clip story creation, sharing content on the fly, and enhances direct-to-consumer discovery and purchase experience. In December 2020, we introduced a new feature called Mural in our GoPro app, where users can post their favorite shots to a private Mural wall. Mural organizes a user's favorite photos and videos as "events" and automatically generates a stunning highlight video for each event created. This new app experience is derived from our legacy, free-to-use video editing app, Quik, and can be fully utilized by members of our GoPro subscription service. In 2021, we plan to add powerful new editing features which will enable users of smartphones and other types of cameras to access the new GoPro app experience via a $9.99 annual subscription. As part of our subscription growth efforts, we also plan to migrate users of the legacy Quik app to the new GoPro app over time.

Services. Our GoPro subscription service offers a range of benefits to our consumers, including a camera protection plan and a platform that enables subscribers to easily access, edit and share content. The GoPro subscription also includes unlimited cloud storage supporting source video and photo quality, camera replacement and damage protection, access to a high-quality live streaming service on GoPro.com as well as discounts on GoPro lifestyle gear, mounts and accessories. Our HERO5 Black and newer cameras can automatically upload photos and videos to a subscriber's GoPro account at the highest possible quality, while HERO7 Black and newer cameras can access our live-streaming service. We had 761,000 subscribers as of December 31, 2020, which grew 52% sequentially and 145% year-over-year.

Seasonality

Historically, we have experienced our highest levels of revenue in the fourth quarter of the year, coinciding with the holiday shopping season, particularly in the United States and Europe. While we aim to reduce the impact of fourth quarter seasonality on full year performance, timely and effective product introductions and forecasting, whether just prior to the holiday season or otherwise, are critical to our operations and financial performance.

Segment information and geographic data

We operate as one reportable segment. Financial information about geographic areas is presented in Note 10 Concentrations of risk and geographic information, to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

Research and development

We are passionate about developing new and innovative products that inspire our consumers and enhance our brand. We are constantly innovating to deliver better performance, expanded functionality and increased convenience to enhance the appeal of our products. We strive to remain a market leader by consistently introducing innovative products, software and services that offer optimal performance at affordable price points.

We have a user experience-driven approach to product development and our CEO leads product design. By engaging with customers, consumers and opinion leaders in our core markets around the world, our development team strives to introduce meaningful and empowering new features that expand the versatility and performance of our products. We also benefit from input received from our in-house production team, our sponsored athletes and our brand advocates that regularly travel the world capturing content using our products. We believe leveraging this input will help refine our existing products and influence future products that give us a competitive advantage.

Our engineering team supports the development of cameras, related mounts and accessories, firmware and software. Our hardware engineering team is responsible for developing solutions to support the concepts developed by our product team. These core technologies include GoPro’s custom designed system on chip, which allows cameras to perform advanced image computation and provides unparalleled image quality and next-level image stabilization, new image silicon processors, image sensors and lenses, as well as the core algorithms that enable the systems to operate and provide optimal performance and features. Our hardware engineering team also integrates these innovations and firmware into our product designs and develops our cameras, mounts and accessories.

Our software engineering team develops applications that enhance the functionality of our products and facilitate the management, editing, sharing and viewing of content. These applications are being developed for mobile, desktop and web-based platforms. Our core technologies include rendering engines to enable smooth video playback and editing, algorithms for moment identification, automatic story creation as well as cloud-based media storage, analysis and playback. Our software engineering team also manages our cloud and web platforms that power our application experiences and direct-to-consumer business via GoPro.com.

Manufacturing, logistics and fulfillment

Our products are designed and developed in the United States, France, China and Romania, and a majority of our manufacturing is outsourced to contract manufacturers located in China and Mexico. We believe that using outsourced manufacturing enables greater scale and flexibility than establishing our own manufacturing facilities. Several key strategic parts are purchased from suppliers by us and then consigned to our manufacturers, while the vast majority of parts are procured directly by our contract manufacturers. Our strategic commodities team manages the pricing and supply of the key components of our cameras, including digital signal processors, sensors and lenses, and we leverage their expertise to achieve competitive pricing on the largest value-add components and leverage our contract manufacturers' volume purchases for best pricing on common parts.

We have third-party facilities in China for final pack-out of our finished products. These finished products are shipped to fulfillment centers in California, Kentucky, Netherlands, Hong Kong and Singapore that deliver our products to our customers.

Sales channels and customers

We offer our products in retail outlets as well as in over 100 countries through our direct sales channel, including GoPro.com, and indirectly through our distribution channel. In 2020 and 2019, revenue from GoPro.com represented 32% and 12% of our revenue, respectively, and retail accounted for 68% and 88% of our revenue, respectively.

Direct sales

We sell directly to most of our retailers in the United States, some of our retailers in Europe and to consumers worldwide through GoPro.com.

Independent specialty retailers. We use a network of location-based independent manufacturer representatives to sell our products to independent specialty retailers in the United States focused on sports and consumer activity capture markets. Our representatives provide highly personalized service to these retailers, including in-store merchandising, taking orders and providing clinics to educate retail sales personnel about GoPro products and services. We also have an internal, regionally focused sales team that provides a secondary level of service to both the independent specialty retailers and manufacturer representatives. Independent specialty retailers generally carry our higher end products, targeting their core customers who we believe tend to be early adopters of new technologies. Independent specialty retailers outside of the United States represent a similarly important sales channel for us, and we reach these customers indirectly through our network of international distributors.

Big box retailers. We sell to large retailers with a national presence, including Amazon.com, Inc., Best Buy, Inc., Target Corporation and Wal-Mart, Inc. We support these retailers with a dedicated and experienced sales management team that we believe enables us to reduce channel conflict.

Mid-market retailers. We also sell to retailers with a large regional or national presence, often focused on specific verticals such as consumer electronics, sporting goods, military, hunting and fishing, and motorsports. In the United States, we sell directly to these mid-market retailers through our experienced sales teams assigned to particular accounts and regions.

GoPro.com. We sell our full line of products to consumers worldwide through our online store at GoPro.com, which we market through online and offline advertising. Sales through GoPro.com were 32% and 12% of our revenue for 2020 and 2019, respectively, and less than 10% of our total revenue for 2018.

Distribution

We sell to over 35 distributors who resell our products to retailers in international and domestic markets. We have dedicated sales personnel focused on providing a high level of service to these distributors, including assisting with product mix planning, channel marketing and in-store merchandising, development of marketing materials, order assistance and educating the distributors' sales personnel about GoPro products.

In-store merchandising

Our in-store merchandising strategy focuses on our iconic GoPro-branded, video-enabled point of purchase (POP) merchandising displays that are located in nearly all retail outlets where our products are sold. These displays showcase GoPro videos and present our product ecosystem in a customer-friendly manner. Our larger retailers help us represent a broader range of GoPro products due to their in-store deployment of our larger and custom POP displays. As of December 31, 2020 and 2019, we had approximately 22,000 and 29,000 POP displays, respectively, in retail outlets worldwide.

Marketing and advertising

Our marketing and advertising programs are focused on engaging consumers by exposing them to compelling GoPro content and educating them about new hardware features as well as the power of our solutions for software editing (mobile and desktop applications) and content management (GoPro). We believe this approach enhances our brand while demonstrating the performance, durability and versatility of our products. Our marketing and advertising efforts span a wide range of consumer interests and leverage both traditional consumer marketing and lifestyle marketing strategies.

Consumer marketing. Social media plays an important role in our consumer marketing strategy. Our consumers capture and share personal GoPro content on social media and content sharing platforms like Facebook, Instagram, TikTok, Twitter, Vimeo and YouTube. At the end of 2020, we reached a total of 45.9 million lifetime followers. To date, we have reached over 6.6 billion views of content tagged #GoPro on TikTok and more than 3.2 billion views on GoPro's YouTube channel. We also integrate user-generated content and GoPro originally produced content into advertising campaigns across various platforms including print, online, billboards and other out of home advertising, and at consumer and trade facing events. This content also supports our in-store channel marketing efforts, appearing on our POP displays and other in-store marketing materials. We continue to believe GoPro content remains a significant asset that builds awareness for our brand and products.

Lifestyle marketing. Our lifestyle marketing programs focus on expanding GoPro brand awareness by engaging consumers through relationships with key influencers, event promotions and other outreach efforts. We cultivate strong relationships with influential athletes, celebrities, entertainers and brands, all of whom use our products to create and share engaging content with their own fans and consumers.

Competition

The market for cameras is highly competitive and characterized by frequent product introductions and rapid technological advances. We believe the principal competitive factors impacting the market for our products include quality, reliability and user experience, price and performance, design innovation, brand recognition, marketing and distribution capability, service and support, and brand reputation.

We compete against established, well-known camera manufacturers such as Canon Inc. and Nikon Corporation, as well as large, diversified electronics companies such as, Samsung Electronics Co. and Sony Corporation and specialty companies such as Garmin Ltd., the Ricoh Company, Ltd., Shenzhen Arashi Vision Co., Ltd. and SZ DJI Technology Co., Ltd. We believe we compete favorably with these companies' products. Our durable and versatile product design facilitates increased functionality and wearability, and we offer a variety of mounts and other accessories that enable a wide range of consumer use cases that are difficult for other competing products to address. Further, we offer many professional-grade features within our camera and 360-degree camera product offerings at attractive consumer price points, including our HyperSmooth 3.0 which is our most advanced stabilization ever and includes in-camera horizon leveling that keeps shots smooth and level, and for our 360 experience, MAX SuperView and PowerPano. MAX SuperView provides the widest view ever from a GoPro camera while PowerPano allows users to capture a 6.2mp, 270-degree panoramic photo with the push of one button and creates an artifact-free shot of action or movement. We also provide users with a suite of free mobile and desktop applications that enhance the overall GoPro experience. Moreover, we believe we have achieved significant brand recognition in our target vertical markets. We believe our years of experience working with active and influential consumers contributes to our ability to develop attractive products and establishes the authenticity of our brand, thereby differentiating us from current and potential competitors.

Smartphones and tablets with photo and video functionality have significantly displaced the market for traditional camera sales, and the makers of those devices also have mobile and other content editing applications and storage for content captured with those devices. Our GoPro app, GoPro subscription service and GoPro Player desktop editing application may not be as compelling a solution as those offered by other companies, such as Apple, Inc. and Google, although the GoPro app supports content from other platforms including content from iOS and Android. Also, it is possible that, in the future, the manufacturers of such devices, such as Apple, Google and Samsung, may continue to design their products for use in a range of conditions, including challenging physical environments and waterproof capabilities, or develop products with features similar to ours. In addition, new companies may emerge and offer competitive products directly in our category.

Intellectual property

Intellectual property is an important aspect of our business, and our practice is to seek protection for our intellectual property as appropriate. Our trademarks, including “GOPRO,” “HERO” and the GoPro logos, among others, are a critical component of the value of our business. In addition, we hold many issued and pending utility and design patents for innovations that help our consumers capture, create and share their content using our cameras, mounts, accessories and software. Our patents cover areas that include physical structures, image processing, operational firmware and software, post-processing software, distribution software, mount and accessory structures, as well as the ornamental aspects of our hardware and software products. As of December 31, 2020, we had approximately 885 issued patents and 393 patent applications pending in the United States, and 443 corresponding issued patents and 131 patent applications pending in foreign jurisdictions. Our issued United States patents will expire approximately between 2024 and 2039 and our issued foreign patents will expire approximately between 2022 and 2045. We cannot be certain that our patent applications will be issued or that any issued patents will provide us with any competitive advantage or will not be challenged by third parties. We continually review our development efforts to assess our innovations, including their patentability. We take active measures to protect our intellectual property against unauthorized third-party use, including misuse of our patents, copyrights, trademarks and other proprietary rights.

In addition to the foregoing protections, we generally control access to and use of our proprietary and other confidential information through the use of internal and external controls, including contractual protections in agreements with employees, contract manufacturers, distributors and others. Despite these protections, we may be unable to prevent third parties from using our intellectual property without our authorization, breaching any nondisclosure agreements with us, or independently developing products that are similar to ours, particularly in those countries where the laws do not protect our proprietary and intellectual property rights as fully as in the United States.

Human capital

We are continually investing in the engagement and retention of our global workforce by creating an inclusive workplace, providing market-competitive benefits to support our employees’ health and well-being, and fostering a learning environment in support of their growth and development. As of December 31, 2020, we employed 758 people.

Diversity and Inclusion

We are a company built on the foundation of a simple belief—“Be a HERO”—which means always bringing one’s best to any challenge or opportunity. This tenet is central to how we approach our work on diversity, equity, inclusion and belonging. We rolled out global training on interpersonal and systems bias to help employees do the internal work of understanding, recognizing, responding and preventing bias at all levels of our organization. Our CEO, Nicholas Woodman, also signed on to the Outdoor CEO Diversity Pledge, committing the Company to, over the coming years, increasing representation of underrepresented groups in our hiring, marketing and athlete rosters, as well as sharing our learnings with other outdoor brands as a catalyst for industry change.

Employee Development and Training

We prioritize employee development and training, which we believe have a direct impact on employee growth, engagement, and retention. To support managers and individual contributors within the company, we provide training and development opportunities focused on remote working as a result of the COVID-19 pandemic through our online portal, Opportunity Lab. Opportunity Lab enables employees to access virtual instructor-led classrooms or self-directed web-based courses focused on topics such as the importance of using emotional intelligence in difficult times, leading change, understanding employee engagement, feedback, and career development planning. Our leadership development focuses on building trust and relationship with peers and sharing best practices by working in small cohorts in each session. We continue to optimize our organizational efficiency and collaboration by providing training on effective meeting management and how to recognize unconscious bias. We believe that employee development is a shared responsibility of employee and manager, and through both formal and informal methods (e.g., stretch assignments and peer-to-peer learning) we build trust and encourage knowledge sharing. Through our Career Conversations program, managers and employees reflect quarterly, guided by our company competency framework, on where they stand and where they need to put in more effort or increase their skills. We have a robust talent calibration and succession planning process to ensure we fill the talent pipeline and identify any skills gaps with development plans.

Corporate and available information

We were originally incorporated as Woodman Labs, Inc. in California and began doing business as GoPro in February 2004. We reincorporated in Delaware in December 2011 and in February 2014 we changed our name to GoPro, Inc. Our principal executive offices are located at 3025 Clearview Way, San Mateo, California 94402, and our telephone number is (855) 636-3578. We completed our initial public offering in July 2014 and our Class A common stock is listed on The Nasdaq Global Select Market under the symbol “GPRO.” Our Class B common stock is not listed nor traded on any stock exchange.

We have registered and applied to register a number of trademarks with the United States Patent and Trademark Office and the trademark offices of other countries including “GOPRO,” “HERO” and the GoPro logos. This Annual Report on Form 10-K also includes references to trademarks and service marks of other entities, and those trademarks and service marks are the property of their respective owners.

Our website address is www.gopro.com. Through a link on the Investor Relations section of our website, we make available the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (SEC): our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. All such filings are available free of charge. The information posted on our website is not incorporated into this report. The SEC maintains a website that contains reports, proxy and information statements and other information regarding our filings at www.sec.gov.

Item 1A. Risk Factors

You should carefully consider the risks described below and all other information contained in this Annual Report on Form 10-K before making an investment decision. The risk factors below do not identify all risks that we face; our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. In that event, the trading price of our shares may decline, and you may lose part or all of your investment.

Risks related to our business and industry

We may not be able to achieve revenue growth or profitability in the future, and if revenue growth or profitability is achieved, we may not be able to sustain it.

Our historical results should not be considered as indicative of our future performance. For example, our annual revenue showed moderate growth from 2018 to 2019 from $1.148 billion to $1.195 billion, respectively. Our 2020 annual revenue of $891.9 million was negatively impacted by COVID-19. In future periods, we could experience declines in revenue, or revenue could remain flat or grow more slowly than we expect, which could have a material negative effect on our future operating results.

In addition, we incurred operating losses of $36.8 million, $2.3 million and $94.0 million for the full year 2020, 2019 and 2018, respectively. Lower levels of revenue or higher levels of operating expense in future periods may result in additional losses or limited profitability. Since the fourth quarter of 2016, we implemented four company-wide restructurings of our business resulting in a reduction in our global workforce and the elimination of certain open positions, consolidation of certain leased office facilities, as well as the elimination of several high-cost initiatives, including the closure of our aerial products business, in order to focus our resources on cameras and accessories, and software and subscription services. We may not realize further or sustain cost savings from these previous actions. We may continue to incur significant losses in the future for a number of reasons, including other risks described in this 2020 Annual Report, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors.

Our goal to grow revenue and be profitable is dependent upon our ability to grow our direct-to-consumer business. If we do not effectively grow our direct-to-consumer business while simultaneously reducing our reliance on our other sales channels, our business, financial condition, results of operations and path to profitability could be harmed.

Our ability to grow revenue and become profitable is dependent upon our ability to successfully implement certain strategic go to market initiatives. For example, some of our key strategic initiatives is to expand our direct-to-consumer presence through GoPro.com, expand our software and subscription services, and continue to work with key retail partners and distributors globally.

We depend upon effective sales channels, including our direct-to-consumer business through GoPro.com, to reach the consumers who are the ultimate purchasers of our products. We have converted portions of our distributors’ business into direct sales, and believe growing sales directly to our consumers will allow us to provide a best in class experience for online purchases. As we continue to convert distribution to direct sales, we might not be successful in that transition. Additionally, any reduction in sales or decreases in revenue by our current distributors and retailers or loss of key distributors or retailers could adversely affect our revenue, operating results and financial condition.

We depend on retailers to provide adequate and attractive space for our products and point of purchase displays in their stores and acquiesce to our policies. We further depend on our retailers to employ, educate and motivate their sales personnel to effectively sell our products. Based on our strategic initiative to increase our direct-to-consumer sales through GoPro.com, our retailers may decide not to adequately display our products, choose to reduce the space for our products and POP displays in their stores, or choose not to carry some or all of our products or promote competitors' products over ours and as a result, our sales could decrease and impact our plan to become more profitable.

We may not be able to transition away from some distributor agreements as quickly as we would like as a result of contractual, regulatory or other restrictions and may encounter difficulties in the transition to a more focused direct-to-consumer model. Further, our distributors build inventory in anticipation of future sales, and if such sales do not occur as rapidly as they anticipate, our distributors may decrease the size of their future product orders.

We are also subject to the risks of our distributors and large retail customers encountering financial difficulties, which could impede their effectiveness and also expose us to financial risk if they are unable to pay for the products they purchase from us and we may not be able to collect our receivables, which would materially and adversely affect our profitability and cash flows from operations. This could cause our cash collections to decrease and bad debt expense to increase. While we may resort to alternative methods to pursue claims or collect receivables, these methods are expensive and time consuming, and successful collection is not guaranteed.

The COVID-19 outbreak has had a material impact on the United States and global economies and could have a material adverse impact on our employees, suppliers, customers and end consumers, which could adversely and materially impact our business, financial condition and results of operations.

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus, COVID-19, a pandemic and public health emergency of international concern. Many federal, state and local governments, and private entities have mandated various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories, and quarantining of people who may have been exposed to the virus. At this point, we cannot reasonably estimate the duration and severity of this pandemic, including multiple waves of increased infections or variants of the coronavirus, which could have a material adverse impact on our business, results of operations, financial position and cash flows.

As result of the COVID-19 pandemic, we accelerated a shift in our sales channel strategy to focus more on direct-to-consumer sales through GoPro.com, and implemented a restructuring plan in April 2020 to realign our workforce to areas of growth combined with certain cost saving measures. This restructuring plan aims to reduce future operating expenses, including a reduction of our global workforce by approximately 20% and the consolidation of certain leased office facilities. Execution of this restructuring plan may not achieve the results and savings we anticipate and our temporary cost saving measures may negatively affect employee morale and our future recruiting efforts.

We may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers and business partners. The extent of the impact will depend on the global severity of and actions taken to contain the outbreak, which are highly uncertain and unpredictable. A prolonged disruption or any further unforeseen delay in our operations or within any of our business activities could result in increased costs and reduced revenue.

The pandemic may adversely affect our customers, our employees and our employee productivity. It may also impact the ability of our contract manufacturers, vendors and suppliers to operate and fulfill their contractual obligations, and result in an increase in costs, tariffs, delays or disruptions in performance. These supply chain effects, the direct effect of the virus and the disruption on our employees and operations, may negatively impact both our ability to meet customer demand and our revenue and profit margins.

We might experience changes in consumer demand, particularly if GoPro product owners are restricted from participating in travel, adventure and sports activities that are often the subject of their use of our products and services and, as a result of the impacts on consumer discretionary spending resulting from the effect of the COVID-19 pandemic on the global economy. Both the health and economic aspects of the COVID-19 virus are highly fluid, and the future course of each is uncertain and subject to change.

If our sales fall below our forecasts, especially during the holiday season, our overall financial condition and results of operations could be adversely affected.

Seasonal consumer shopping patterns significantly affect our business. We have traditionally experienced greater revenue in the fourth quarter of each year due to demand related to the holiday season, and in some years, including 2019, greater demand associated with the launch of new products heading into the holiday season. Fourth quarter revenue comprised 40%, 44% and 33% of our 2020, 2019 and 2018 revenue, respectively. Given the strong seasonal nature of our sales, appropriate forecasting is critical to our operations. We anticipate that this seasonal impact is likely to continue and any shortfalls in expected fourth quarter revenue due to macroeconomic conditions, any impact on consumer spending due to COVID-19 product release patterns, a decline in the effectiveness of our promotional activities, product mix, charges incurred against new products to support promotional activities, pricing pressures, supply chain disruptions, or for any other reason, including the fact that some retail locations may not be open for consumers due to COVID-19 restrictions, could cause our annual results of operations to suffer significantly. For example, due to a late stage production delay, our launch timing shifted for our HERO8 Black camera from Q3 2019 to Q4 2019 resulting in a material shift of revenue between Q3 2019 to Q4 2019. This product delay shortened the timeframe for holiday season sales and resulted in overall lower 2019 financial performance compared to our expectations.

In addition, we typically experience lower revenue in the first half of the year. For example, revenue of $253.6 million for the first half of 2020 decreased by $405.9 million, or 62%, compared to revenue of $659.5 million in the last half of 2019. First half revenue comprised 28%, 45% and 42% of our annual 2020, 2019 and 2018 revenue, respectively.

In contrast, a substantial portion of our expenses are personnel-related and include salaries, stock-based compensation, benefits and incentive-based compensation plan expenses, which are not seasonal in nature. Furthermore, our customers may adjust their purchasing habits as a result of external events such as tariff avoidance or tariff impact that could result in a lower predictability of revenue. Accordingly, in the event of revenue shortfalls, we are generally unable to mitigate a negative impact on operating margins in the short term.

If the e-commerce technology systems that give our consumers the ability to shop with us online do not function effectively, our operating results, as well as our ability to grow our direct-to-consumer business and improve profitability, could be materially adversely affected.

Our sales through GoPro.com represent an increasing percentage of our revenue and we are focused on continuing to accelerate the growth of our e-commerce sales. Revenue from GoPro.com represented 33% of revenue in the fourth quarter of 2020.

Any failure to provide effective, reliable, user-friendly e-commerce platforms that offer a wide assortment of merchandise with rapid delivery options and that continually meet the changing expectations of online shoppers in many jurisdictions could place us at a competitive disadvantage, result in the loss of e-commerce and other sales, harm our reputation with consumers, have a material adverse impact on the growth of our e-commerce business globally and could have a material adverse impact on our business and results of operations.

Any system interruptions or delays to our e-commerce business could cause potential consumers to fail to purchase our products, and could harm our reputation and brand. The operation of our direct-to-consumer e-commerce business through GoPro.com depends on our ability to maintain an efficient and uninterrupted operation of online order-taking and fulfillment operations. Our e-commerce operations subject us to certain risks that could have an adverse effect on our operating results, including risks related to the technology systems that operate GoPro.com and related support systems, such as system failures, viruses, cyberattacks, computer hackers and similar disruptions, including disruptions resulting from the COVID-19 pandemic, or the technology systems ability to accurately aggregate our total subscribers from different systems and the related revenue. If we or our designated third-party contractors and service providers are unable to maintain and upgrade GoPro.com, or if we encounter system interruptions or delays, our operating results could be adversely affected. We also sell in local currency on GoPro.com and we are subject to fluctuations in currency.

Our future growth depends in part on further penetrating our total addressable market, and we may not be successful in doing so.

Historically, the majority of our growth has been fueled by the adoption of our products by people looking to self-capture images of themselves participating in exciting physical activities. We believe that our future growth depends on continuing to reach and expand our core community of users, followers and fans, and then utilizing that energized community as brand ambassadors to an extended community.

We believe that in order to expand our market, we must provide both innovative and easy-to-use products, as well as intuitive and easy-to-use software tools and services that enable effortless editing and sharing of content, with the smartphone central to the GoPro experience. While we believe our software and subscription products will increase our total addressable market, we may not be able to acquire and retain subscribers and cannot be certain that these efforts will be successful, and as a result, we may not be able to increase our total addressable market. We may not be able to expand our market through this strategy on a timely basis, or at all, and we may not be successful in providing tools that our users adopt or believe are easy to use.

If we are not successful in broadening our user base to reach more of our core customers with integrated solutions, our future revenue growth will be negatively affected, and we may not recognize benefits from our investments in the various components of our storytelling solutions, and the marketing, sales and advertising costs associated with promoting these solutions. Additionally, we may not obtain the expected acquisition and retention benefits and our business may be adversely affected.

Our growth also depends on expanding the market with new capture perspectives with our 360-degree camera, MAX, which is a resource-intensive initiative in a highly competitive market, and by adding versatility to our products with expansion mods for HERO8 Black and HERO9 Black. While we are investing resources, including software development, sales and marketing, to reach these expanded and new consumer markets, we cannot be assured that we will be successful in doing so, including having adequate inventory to meet consumer demand. If we are not successful in penetrating additional markets, we might not be able to grow our revenue and we may not recognize benefits from our investment in new areas. For example, we made significant investments in the aerial market, but decided in the first quarter of 2018 to close our aerial business in light of difficult market and regulatory conditions, and margin challenges.

To remain competitive and stimulate consumer demand, we must effectively manage product introductions, product transitions, product pricing and marketing.

We believe that we must continually develop and introduce new products, enhance our existing products, and effectively stimulate consumer demand for new and upgraded products and services to maintain or increase our revenue. The markets for our products and services are characterized by intense competition, evolving distribution models, disruptive technology developments, short product life cycles, customer price sensitivity and frequent product introductions.

The success of new product introductions depends on a number of factors including, but not limited to, timely and successful research and development, pricing, market and consumer acceptance, the ability to successfully identify and originate product trends, effective forecasting and management of product demand, purchase commitments and inventory levels, availability of products in appropriate quantities to meet anticipated demand, ability to obtain timely and adequate delivery of components for our new products from third-party suppliers, management of any changes in major component suppliers, management of manufacturing and supply costs, management of risks associated with new product production ramp-up issues, and the risk that new products may have quality issues or other defects or bugs in the early stages of introduction including testing of new parts and features. Additionally, as a result of the COVID-19 pandemic, we may not be able to accurately forecast consumer demand and inventory requirements and appropriately manage inventory to meet demand. With respect to management and supply costs, we may be impacted by heightened demand for specialty memory, components and batteries that are not supported by our manufacturing partners. Such supply shortages may affect our ability to manage appropriate supply levels of our products and pricing pressures may negatively affect our gross margins.

In addition, the introduction or announcement of new products or product enhancements may shorten the life cycle of our existing products or reduce demand for our current products, thereby offsetting any benefits of successful product introductions and potentially lead to challenges in managing inventory of existing products. For example, in 2017, the introduction of the HERO6 Black camera at $499, while keeping the price point of the HERO5 Black camera at $399, negatively affected consumer demand for HERO5 Black, and we ultimately reduced the price of HERO5 Black to increase channel sell through rates. The HERO5 Black price adjustment had a cascading effect that resulted in price reductions for HERO5 Session and ultimately HERO6 Black cameras. Reduced product margins resulting from lower price point products may decrease the number of retailers willing to offer and promote our product lineup. Failure to manage and complete product transitions effectively or in a timely manner could harm our brand and lead to, among other things, lower revenue, excess prior generation product inventory or a deficit of new product inventory and reduced profitability. For example, as a result of reducing the price of our HERO5 Black cameras in December 2017 and HERO6 Black cameras in January 2018, we incurred price protection and marketing development funds charges which resulted in a reduction in our revenue, gross margins and operating profits.

Additionally, our brand and product marketing efforts are critical to stimulating consumer demand. We market our products globally through a range of advertising and promotional programs and campaigns, including social media. If we do not successfully market our products or plan the right promotions for the right products at the right time, the lack of success or increased costs of promotional programs could have an adverse effect on our business, financial condition and results of operations.

We depend 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.

We expect to derive the majority of our revenue from sales of cameras, mounts and accessories for the foreseeable future. A decline in the price or unit demand for these products, whether due to a strategic shift in sales channel strategy and macroeconomic conditions, including variable tariff rates, competition or otherwise, or our inability to increase sales of higher price point products, would harm our business and operating results more seriously than it would if we derived significant revenue from a variety of product lines and services. In particular, a decline in the price or unit demand of our HERO camera line or MAX camera, or our inability to increase sales of these products, could materially harm our business and operating results. Further, any delays or issues with our new product launches could have a material adverse effect on our business, financial condition and results of operations. For example, due to a late stage production delay, we shifted the launch of the GoPro HERO8 Black camera from Q3 2019 to Q4 2019 resulting in a material shift of revenue from Q3 2019 to Q4 2019. This product delay shortened the timeframe for holiday season sales and resulted in overall lower 2019 financial performance compared to our expectations.

Our research and development efforts are complex and require us to incur substantial expenses to support the development of our next generation cameras, editing applications and other products and services. Our research and development expenses were $131.6 million, $142.9 million and $167.3 million for 2020, 2019 and 2018, respectively. We expect that our research and development expenses will continue to be substantial in 2021 as we develop innovative technologies. Unanticipated problems in developing products could also divert substantial resources, which may impair our ability to develop new products and enhancements of existing products, and could further increase our costs. We may not be able to achieve an acceptable return, if any, on our research and development efforts, and our business may be adversely affected. As we continually seek to enhance our products, we will incur additional costs to incorporate new or revised features. We might not be able to, or determine that it is not in our interests to, raise prices to compensate for any additional costs.

While we have developed and released products and services to add to our offerings, we may not be successful in achieving future revenue growth driven by newly released products and services. For example, we promoted our GoPro subscription in connection with our HERO camera lineup and MAX camera, to allow consumers to auto upload content to the cloud and make edits within the GoPro app editing solution. If all the components of the storytelling solutions do not work together seamlessly or our users do not adopt them, they may not drive camera sales and our operating results could be adversely affected. In addition, we have been and will continue to expend resources to further innovate and deliver editing and sharing software solutions. If the software does not function as expected or users do not adopt our solution, sales of our cameras and GoPro subscriptions may be negatively affected. We cannot be assured that our investments in the development of software-related products and services will result in either increased revenue or profit. Changes in product mix may harm our financial results. If there is a shift in consumer demand from our higher-priced to lower-priced cameras without a corresponding increase in units sold, our revenues and gross profit could decrease and losses could result.

We rely on third-party suppliers, some of which are sole-source suppliers, to provide components for our products which may lead to supply shortages, long lead times for components, and supply changes, any of which could disrupt our supply chain and may increase our costs.

Our ability to meet customer demand depends, in part, on our ability to obtain timely and adequate delivery of components for our products. All of the components that go into the manufacturing of our cameras and accessories are sourced from third-party suppliers.

Some of the key components used to manufacture our products come from a limited or single source of supply, or by a supplier that could potentially become a competitor. Our contract manufacturers generally purchase these components on our behalf from approved suppliers. We are subject to the risk of shortages and long lead times in the supply of these components and the risk that our suppliers discontinue or modify components used in our products. In addition, the lead times associated with certain components are lengthy and preclude rapid changes in quantities and delivery schedules and could increase as a result of COVID-19. We have in the past experienced and may in the future experience component shortages, and the availability of these components may be unpredictable, including as a result of the COVID-19 pandemic.

If we lose access to components from a particular supplier or experience a significant disruption in the supply of products and components from a current supplier, we may be unable to locate alternative suppliers of comparable quality at an acceptable price, or at all, and our business could be materially and adversely affected. In addition, if we experience a significant increase in demand for our products, our suppliers might not have the capacity or elect not to meet our needs as they allocate components to other customers. Developing suitable alternate sources of supply for these components may be time-consuming, difficult and costly, and we may not be able to source these components on terms that are acceptable to us, or at all, which may adversely affect our ability to meet our development requirements or to fill our orders in a timely or cost-effective manner.

Our reliance on single source, or a small number of suppliers involves a number of additional risks, including risks related to supplier capacity constraints, price increases, timely delivery, component quality, failure of a key supplier to remain in business and adjust to market conditions, delays in, or the inability to execute on, a supplier roadmap for components and technologies, and natural disasters, fire, acts of terrorism, pandemics, including the COVID-19 pandemic, or other catastrophic events.

In particular, for our camera designs, we incorporate system on chips, sensors, lens, batteries and memory solutions that critically impact the performance of our products. These components have unique performance profiles, and, as a result, it is not commercially practical to support multiple sources for these components for our products. For example, we incorporate the GP1 system on chip from Socionext, Inc. in MAX as well as our HERO9, HERO8 and HERO7 Black cameras and rely on Socionext as the primary supplier of our system on chips. Developing next generation system on chips is a resource intensive process requiring increased investment to meet development schedules, which may impact future product schedules and overall margin expectations. If other suppliers of systems on chips become more advanced in performance or more competitive in cost, we may be placed at a disadvantage and not be able to continue improving our product performance as quickly or as competitively as planned or be able to achieve the product margins needed to be successful. We do not currently have alternative suppliers for several key components. In addition, our products also require passive components such as resistors and multi-layer ceramic capacitors, which may experience supply shortages and lengthening lead-times within the consumer electronics industry and may impact our supply chain. In the event that any of our key suppliers are unable to supply the components that we need to produce our products to meet anticipated customer demand, our business would be materially and adversely affected.

We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can. New entrants also enter the digital imaging market category from time-to-time. These market factors could result in a loss of our market share and a decrease in our revenue and profitability.

The digital imaging market is highly competitive. Further, competition has intensified in digital imaging as new market entrants and existing competitors have introduced new products and more competitive offerings into our markets. Increased competition, tariffs, and changing consumer preferences may result in pricing pressures, reduced profit margins and may impede our ability to continue to increase the sales of our products or cause us to lose market share, any of which could substantially harm our business and results of operations.

We compete against established, well-known camera manufacturers such as Canon Inc. and Nikon Corporation, as well as large, diversified electronics companies such as Samsung Electronics Co. and Sony Corporation, and specialty companies such as Garmin Ltd., the Ricoh Company, Ltd., Shenzhen Arashi Vision Co., Ltd. and SZ DJI Technology Co., Ltd. Many of our competitors have substantial market share, diversified product lines, well-established supply and distribution systems, strong worldwide brand recognition and greater financial, marketing, research and development and other resources than we do. Additionally, many of our existing and potential competitors enjoy substantial competitive advantages, such as longer operating histories; the capacity to leverage their sales efforts and marketing expenditures across a broader portfolio of products; broader distribution and established relationships with channel partners or vertically integrated business units; access to larger established customer bases; greater resources to make acquisitions; larger intellectual property portfolios; and the ability to bundle competitive offerings with other products and services. Further, new companies may emerge and offer competitive products directly in our category. We are aware that certain companies have developed cameras designed and packaged to appear similar to our products, which may confuse consumers or distract consumers from purchasing GoPro products.

Moreover, smartphones and tablets with photo and video functionality have significantly displaced the market for traditional cameras, and the makers of those devices also have mobile and other content editing applications and storage for content captured with those devices. We continue to focus on the value proposition of the GoPro mobile application by introducing new features and benefits that we believe will enable customers to edit and share their content easily. Our software applications and GoPro subscription may not be as compelling as those offered by other companies, such as Apple, Adobe or Google, although the GoPro application supports content from other platforms including content from iOS and Android. Manufacturers of smartphones and tablets, such as Apple, Google and Samsung may continue to design their products for use in a range of conditions, including challenging physical environments and waterproof capabilities, or develop products with features similar to ours.

Our gross margins can vary significantly depending on multiple factors, which can result in unanticipated fluctuations in our operating results.

Our gross margins can vary due to consumer demand, competition, product pricing, product lifecycle, product mix, new product introductions, commodity, supply chain and logistics costs, currency exchange rates, trade policy and tariffs, and the complexity and functionality of new product innovations and other factors. For example, our gross margin was 35.3%, 34.6% and 31.5% for 2020, 2019 and 2018, respectively. In particular, if we are not able to introduce new products in a timely manner at the product cost we expect, or if consumer demand for our products is less than we anticipate, or if there are product pricing, marketing and other initiatives by our competitors to which we need to react or that are initiated by us to drive sales that lower our margins, then our overall gross margin will be less than we project. For example, due to a late stage production delay, we shifted the launch of the GoPro HERO8 Black camera from Q3 2019 to Q4 2019, resulting in a material shift of revenue from Q3 2019 to Q4 2019 and a corresponding impact on our gross margin.

As we innovate with new products, we may have lower gross margins that do not deliver a sufficient return on investment. In addition, depending on competition or consumer preferences, we may face higher up-front investments in development to compete or market our products, and increased inventory write-offs. If we are unable to offset these potentially lower margins by enhancing the margins in our product categories, our profitability may be adversely affected.

The impact of these factors on gross margins can create unanticipated fluctuations in our operating results, which may cause volatility in the price of our shares.

We depend on key personnel to operate and grow our business. If we are unable to attract, engage and retain qualified personnel, our ability to develop, transform and successfully grow and operate our business could be harmed.

We believe that our future success is highly dependent on the contributions of our CEO and our executive officers, as well as our ability to attract and retain highly skilled and experienced research and development, and other personnel in the United States and abroad. All of our employees, including our executive officers, are free to terminate their employment relationship with us at any time, and their knowledge of our business and industry may be difficult to replace.

Since the fourth quarter of 2016, we implemented four global reductions-in-force and restructuring actions to reduce our operating expenses. These changes, and any future changes, in our operations and management team could be disruptive to our operations. Our restructuring actions and any future restructuring actions could have an adverse effect on our business as a result of decreases in employee morale and the failure to meet operational targets due to the loss of employees. If key employees leave, we may not be able to fully integrate new personnel or replicate the prior working relationships, and our operations could suffer as a result.

Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. While we utilize competitive salary, bonus and long-term incentive packages to recruit new employees, many of the companies with which we compete for experienced personnel also have greater resources than we do. Competition for qualified personnel is particularly intense in the San Francisco Bay Area, where our headquarters are located. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. Fluctuations in the price of our Class A common stock may make it more difficult or costly to use equity compensation to motivate, incentivize and retain our employees. For example, during 2020, our closing stock price ranged from a high of $8.86 in the fourth quarter to a low of $2.01 in the first quarter. If we are unable to attract and retain highly skilled personnel, we may not be able to achieve our strategic objectives, and our business, financial condition and operating results could be adversely affected.

Changes to trade agreements, trade policies, tariffs and import/export regulations may have an adverse effect on our business and results of operations.

The United States and other countries in which our products are produced or sold internationally have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations, or may adversely adjust prevailing quota, duty, tariff levels, or export or other licensing requirements. Countries impose, modify and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions, which make it impossible for us to predict future developments regarding tariffs and other trade restrictions. Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products, including components and materials, available to us or may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition and results of operations. We are dependent on international trade agreements and regulations. If the United States were to withdraw from or materially modify certain international trade agreements, our business and operating results could be materially and adversely affected.

We do not have internal manufacturing capabilities and rely on several contract manufacturers, including component vendors, located in China and in other countries to manufacture our products. Our contract manufacturer locations expose us to risks associated with doing business globally, including risks related to changes in tariffs or other export and import restrictions, and increased security costs. Additionally, the current United States administration continues to signal that it may continue to alter global trade agreements and terms. For example, the United States imposed additional tariffs on imports from China and continues to potentially impose other restrictions on exports from China to the United States. The Office of the United States Trade Representative (USTR) recently identified certain Chinese imported goods for additional tariffs to address China's trade policies and practices. Any announcement by the USTR to impose tariffs on GoPro cameras could have a material adverse effect on our United States bound production, business and results of our United States operations. If these duties are imposed on our cameras, we may be required to raise our prices, which may result in the loss of customers and harm our business and results of operations, or we may choose to pay for these tariffs without raising prices which may negatively impact our results of operations and profitability. Sales of our products in China are material to our business and represent a significant portion of our revenue. This revenue stream from China is at risk in the event China imposes retaliatory tariffs impacting in-bound sales of our products or imposes any other export restrictions on our products.

We continue to monitor manufacturing capabilities outside of China and may choose to pursue those capabilities to mitigate risks of additional tariffs, duties or other restrictions on our products and may decide to transition more manufacturing outside of China.

We face substantial risks related to inventory, purchase commitments and long-lived assets, and we could incur material charges related to these items that adversely affect our operating results.

To ensure adequate inventory supply and meet the demands of our retailers and distributors, we must forecast inventory needs and place orders with our contract manufacturers and component suppliers based on our estimates of future demand for particular products as well as accurately track the level of product inventory in the channel to ensure we are not in an over or under supply situation. To the extent we discontinue the manufacturing and sales of any products or services, we must manage the inventory liquidation, supplier commitments and customer expectations. For example, in 2018, we exited the aerial business, but still had inventory of our Karma drone, which we sold throughout 2018.

No assurance can be given that we will not incur additional charges in future periods related to our inventory management or that we will not underestimate or overestimate forecasted sales in a future period. Our ability to accurately forecast demand for our products is affected by many factors, including product introductions by us and our competitors, channel inventory levels, unanticipated changes in general market demand, macroeconomic conditions and consumer confidence. If we do not accurately forecast customer demand for our products, we may in future periods be unable to meet consumer, retailer or distributor demand for our products, or may be required to incur higher costs to secure the necessary production capacity and components, and our business and operating results could be adversely affected.

If we fail to manage our operating expenses effectively, our financial performance may suffer.

Our success will depend in part upon our ability to manage our operating expenses, including but not limited to our cash management, effectively. We incurred significant operating losses in 2020 and 2019 and, as of December 31, 2020, we had an accumulated deficit of $650.5 million. Beginning in the fourth quarter of 2016 through the second quarter of 2020, we implemented four global reductions-in-force and other restructuring actions to reduce our operating expenses. Although we plan to seek to operate efficiently and to manage our costs effectively, we may not realize the cost savings expected from these actions.

We will need to continue to improve our operational, financial and management controls, reporting processes and procedures, and financial and business information systems. We are also investing in areas we believe will grow revenue and our operating expenses might increase as a result of these investments. If we are unable to operate efficiently and manage our costs, we may continue to incur significant losses in the future and may not be able to maintain or achieve profitability.

In the future, in response to unfavorable market conditions or consumer demand, we may again need to strategically realign our resources, adjust our product line and/or enact price reductions in order to stimulate demand, and implement additional restructurings and workforce reductions. For example, in the fourth quarter of 2017 and first quarter of 2018, we reduced the pricing on our entire camera product line to increase consumer demand, closed our aerial products business due to unfavorable market conditions, and implemented a workforce reduction. Any such actions may result in the recording of charges including inventory-related write-offs, or other restructuring costs. Additionally, our estimates with respect to the useful life or ultimate recoverability of our assets, including purchased intangible assets and tooling, could also change and result in impairment charges.

Security and data protection breaches and cyberattacks could disrupt our products, services, internal operations, or information technology systems, and any such disruption could reduce our expected

revenue, increase our expenses, damage our reputation, and cause our stock price to decline significantly.

Our products, services and operating systems may contain unknown security vulnerabilities. For example, the firmware and software that are installed on our products may be susceptible to hacking or misuse. In addition, we offer a comprehensive online cloud management service through our GoPro subscription, which can be paired with our cameras. If malicious actors compromise the GoPro subscription, or if customer confidential information stored in the subscription is accessed without authorization, our business will be harmed.

In the ordinary course of our business, we electronically maintain sensitive data, including intellectual property, our proprietary business information and that of our customers and suppliers, and some personally identifiable information of our customers and employees in our facilities and on our networks. Through the GoPro subscription, users may store video and image files, including any telemetry or metadata that the user has chosen to associate with those files in the cloud. In our e-commerce services, we process, store and transmit consumer data. We also collect user data through certain marketing activities. For all of the foregoing internal and customer or consumer facing data and content collection, we collect and store that information in our or our third-party providers' electronic systems. These systems may be targets of attacks, such as viruses, malware or phishing attempts by cyber criminals or other wrongdoers seeking to steal our users' content or data, or our customer's information for financial gain or to harm our business operations or reputation.

Any security breach, unauthorized access or usage, virus or similar breach or disruption of our systems, including web hosting services, billing and payment processing, or software could result in the loss of confidential information, costly investigations, remediation efforts and costly notification to affected consumers. If such content were accessed by unauthorized third parties or deleted inadvertently by us or third parties, our brand and reputation could be adversely affected. Cyberattacks could also adversely affect our operating results, consume internal resources and result in litigation or potential liability for us and otherwise harm our business. Further, we are subject to general consumer regulations and laws, as well as regulations and laws specifically related to security and privacy of consumer data or content. In the event of an incident affecting the security of consumer data or content, regulators may open an investigation or pursue fines or penalties for non-compliance with these laws, or private plaintiffs may sue us, resulting in additional costs and reputational harm to our business.

Interruptions with the cloud-based systems that we use in our operations, provided by an affiliate of Amazon.com, Inc. (Amazon), may materially adversely affect our business, results of operations and financial condition.

We host the GoPro app, the GoPro subscription, GoPro Awards, our website account sign up and login and firmware upgrades for our cameras using Amazon Web Services (AWS) data centers, a provider of cloud infrastructure services, and may in the future use other third-party cloud-based systems in our operations. Accordingly, our operations depend on protecting the virtual cloud infrastructure hosted in AWS by maintaining its configuration, architecture, features, and interconnection specifications, as well as the information stored in these virtual data centers and which third-party internet service providers transmit. Any incident affecting their infrastructure that may be caused by human error, fire, flood, severe storm, earthquake, or other natural disasters, cyberattacks, terrorist or other attacks, and other similar events beyond our control could negatively affect the GoPro subscription service. A prolonged AWS service disruption affecting our GoPro subscription for any of the foregoing reasons would negatively impact our ability to serve our consumers and could damage our reputation with current and potential consumers, expose us to liability, cause us to lose consumers, or otherwise harm our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the AWS services we use. Further, if we were to make updates to the GoPro subscription that were not compatible with the configuration, architecture, features, and interconnection specifications of the third-party platform, our service could be disrupted.

In the event that our AWS service agreements are terminated, or there is a lapse of service, elimination of AWS services or features that we use, interruption of internet service provider connectivity, or damage to such facilities, we could experience interruptions in access to the GoPro subscription as well as significant delays and additional expense in arranging or creating new facilities and services and/or re-architecting our solutions for deployment on a different cloud infrastructure service provider, which could materially adversely affect our business, results of operations and financial condition.

Any significant cybersecurity incidents or disruption of our information systems, and our reliance on Software-as-a-Service (SaaS) technologies from third parties, could adversely affect our business operations and financial results.

We are increasingly dependent on information systems to process transactions, manage our supply chain and inventory, ship goods on a timely basis, maintain cost-efficient operations, complete timely and accurate financial reporting, operate GoPro.com and respond to customer inquiries.

Our information systems and those of third parties we use in our operations are vulnerable to cybersecurity risk, including cyberattacks such as distributed denial of service (DDoS) attacks, computer viruses, physical or electronic break-ins that damage operating systems, and similar disruptions. Additionally, these systems periodically experience directed attacks intended to lead to interruptions and delays in our operations as well as loss, misuse or theft of data. The increase in remote working due to the COVID-19 pandemic may also result in heightened risks related to consumer privacy, network security and fraud. We have implemented physical, technical and administrative safeguards to protect our systems. To date, unauthorized users have not had a material effect on our systems; however, there can be no assurance that attacks will not be successful in the future. In addition, our information systems must be constantly updated, patched and upgraded to protect against known vulnerabilities and optimize performance. Material disruptions or slowdown of our systems, including a disruption or slowdown could occur if we are unable to successfully update, patch and upgrade our systems.

System disruptions, failures and slowdowns, whether caused by cyberattacks, update failures or other causes, could affect our financial systems and operations. This could cause delays in our supply chain or cause information, including data related to customer orders, to be lost or delayed which could result in delays in the delivery of merchandise to our stores and customers or lost sales, especially if the disruption or slowdown occurred during our seasonally strong fourth quarter. Any of these events could reduce demand for our products, impair our ability to complete sales through our e-commerce channels and cause our revenue to decline. If changes in technology cause our information systems to become obsolete, or if our information systems are inadequate to handle our growth, we could lose customers or our business and operating results could be adversely affected.

The information systems used by our third-party service providers are vulnerable to these risks as well. In particular, we are heavily reliant on SaaS enterprise resource planning systems to conduct our order and inventory management, e-commerce and financial transactions and reporting. In addition, we utilize third-party cloud computing services in connection with our business operations. Problems faced by us or our third-party hosting/cloud computing providers, or content delivery network providers, including technological or business-related disruptions, as well as cybersecurity threats, could adversely affect our business and operating results, our ability to accurately report our financial results, as well as the experience of our consumers, which in turn could adversely affect our business and operating results.

As we expand our operations, we expect to utilize additional systems and service providers that may also be essential to managing our business. Our ability to manage our business would suffer if one or more of our providers suffer an interruption in their business, or experience delays, disruptions or quality control problems in their operations, or we have to change or add systems and services. While we conduct reasonable diligence on our service providers, we may not always be able to control the quality of the systems and services we receive from these providers, which could impair our ability to maintain appropriate internal control over financial reporting and complete timely and accurate financial reporting, and may affect our business, operating results and financial condition.

Our international business operations account for a significant portion of our revenue and operating expenses and are subject to challenges and risks.

Revenue from outside the United States comprised 52%, 64% and 65% of our revenue in 2020, 2019 and 2018, respectively, and we expect international revenue to continue to be significant in the future. Further, we currently have foreign operations in Australia, China, France, Germany, Hong Kong, Japan, Netherlands, Philippines, Romania, United Kingdom and a number of other countries in Europe and Asia. Operating in foreign countries requires significant resources and considerable management attention, and we may enter new geographic markets where we have limited or no experience in marketing, selling, and deploying our products. International expansion has required and will continue to require us to invest significant funds and other resources and we cannot be assured our efforts will be successful. International sales and operations may be subject to risks such as:

- difficulties in staffing and managing foreign operations;
- burdens of complying with a wide variety of laws and regulations, including environmental, packaging and labeling;
- adverse tax effects and foreign exchange controls making it difficult to repatriate earnings and cash;
- changes to the taxation of undistributed foreign earnings;
- the effect of foreign currency exchange rates and interest rates, including any fluctuations caused by uncertainties relating to Brexit or the strengthening of the U.S. dollar;
- political, economic instability, or social unrest in a specific country or region in which we operate, including, for example, the effects of Brexit, which could have an adverse impact on our operations in that location;
- organized crime activity;
- terrorist activities, acts of war, natural disasters, and pandemics, including the COVID-19 pandemic;
- quarantines or other disruptions to our operations resulting from pandemics or other widespread public health problems;
- trade restrictions;
- differing employment practices and laws and labor disruptions;
- the imposition of government controls;
- lesser degrees of intellectual property protection;
- tariffs and customs duties and the classifications of our goods by applicable governmental bodies;
- a legal system subject to undue influence or corruption; and
- a business culture in which illegal sales practices may be prevalent.

The occurrence of any of these risks could negatively affect our international business and consequently our business, operating results and financial condition.

A small number of retailers and distributors account for a substantial portion of our revenue, and if our relationships with any of these retailers or distributors were to be terminated or the level of business with them significantly reduced, our business could be harmed.

Our ten largest third-party customers, measured by the revenue we derive from them, accounted for 44%, 42% and 48% of our revenue in 2020, 2019 and 2018, respectively. One retailer accounted for 10%, 11% and 13% of our revenue for 2020, 2019 and 2018, respectively. The loss of a small number of our large customers, or the reduction in business with one or more of our large customers, could have a significant adverse effect on our operating results. In addition, we may choose to temporarily or permanently stop shipping product to customers who do not follow the policies and guidelines in our sales agreements, which could have a material negative effect on our revenues and operating results. Our sales agreements with these large customers do not require them to purchase any meaningful amount of our products annually and we grant limited rights to return product to some of these large customers.

If we encounter problems with our distribution system, our ability to deliver our products to the market and to meet customer expectations could be harmed.

We rely on third-party distribution facilities and logistics operators for substantially all of our product distribution to distributors and directly to retailers. Our distribution facilities include computer controlled and automated equipment, which means their operations may be vulnerable to computer viruses or other security risks, the proper operation of software and hardware, electronic or power interruptions or other system failures. Further, because substantially all of our products are distributed from only a few locations and by a small number of companies, our operations could be interrupted by labor difficulties, extreme or severe weather conditions, pandemics, such as the continued spread of COVID-19, terrorism, political unrest, cyber-attacks, floods, fires or other natural disasters or events beyond our control near our distribution centers, or port shutdowns or other transportation-related interruptions, including security breaches along our distribution routes. Additionally, we use one primary supplier for the third-party distribution and if this supplier were to experience financial difficulties, cyber-attacks, or other types of interruption it could adversely affect our business.

Our success depends on our ability to maintain the value and reputation of our brand.

Our success depends on the value and reputation of our brand, including our primary trademarks “GOPRO,” “HERO,” and the GoPro logos. The GoPro brand is integral to the growth of our business and expansion into new markets. Maintaining, promoting and positioning our brand will largely depend on the success of our marketing and merchandising efforts, our ability to provide consistent, high quality products and services, and our consumers’ satisfaction with the technical support and software updates we provide. Failure to grow and maintain our brand or negative publicity related to our products, our consumers’ user-generated content, the athletes we sponsor, the celebrities we are associated with, or the labor policies of any of our suppliers or manufacturers could adversely affect our brand, business and operating results. Maintaining and enhancing our brand also requires substantial financial investments, although there is no guarantee that these investments will increase sales of our products or positively affect our operating results

We may be subject to warranty claims that could result in significant direct or indirect costs, or we could experience greater returns from retailers than expected, which could harm our business and operating results.

We generally provide a 12-month warranty on all of our cameras, except in the European Union, or EU, where we provide a two-year warranty on all of our cameras. For certain mounts and accessories, where permitted, we provide a lifetime warranty. The occurrence of any material defects in our products could make us liable for damages and warranty claims in excess of our current reserves. In addition, we could incur significant costs to correct any defects, warranty claims or other problems, including costs related to product recalls. Any negative publicity related to the perceived quality and safety of our products could affect our brand image, decrease retailer, distributor and consumer confidence and demand, and adversely affect our operating results and financial condition. Also, while our warranty is limited to repairs and returns, warranty claims may result in litigation, the occurrence of which could adversely affect our business and operating results. Based on our historical experience with our camera products, we have an established methodology for estimating warranty liabilities with respect to cameras and accessories.

We offer the GoPro subscription, which has a camera replacement benefit as part of the monthly or yearly subscription, which is available in the United States and internationally. Accidental damage coverage, extended warranties and other camera replacement benefits are regulated in the United States on a state level and are treated differently by each state. Additionally, outside the United States, regulations for camera replacement benefits vary from country to country. Changes in interpretation of the insurance regulations or other laws and regulations concerning extended warranties, accidental damage coverage or camera replacement benefits on a federal, state, local or international level may cause us to incur costs or have additional regulatory requirements to meet in the future in order to continue to offer the GoPro subscription in compliance with any similar laws adopted in other jurisdictions. Our failure to comply with past, present and future similar laws could result in reduced sales of our products, reputational damage, penalties and other sanctions, which could harm our business and financial condition.

Consumers may be injured while engaging in activities with our products, and we may be exposed to claims, or regulations could be imposed, which could adversely affect our brand, operating results and financial condition.

Consumers use our cameras, drones and their associated mounts and accessories to self-capture their participation in a wide variety of physical activities, including extreme sports, which in many cases carry the risk of significant injury or death. Consumers may also use our drones for a wide range of flight activity, including aerial data collection, videography and photography. We may be subject to claims that users have been injured or harmed by or while using our products, including false claims or erroneous reports relating to safety, security or privacy issues, or that personal property has been damaged as a result of use of our drone. Although we maintain insurance to help protect us from the risk of such claims, such insurance may not be sufficient or may not apply to all situations. Similarly, proprietors of establishments at which consumers engage in challenging physical activities could seek to ban the use of our products in their facilities to limit their own liability. In addition, if lawmakers or governmental agencies were to determine that the use of our products increased the risk of injury or harm to all or a subset of our users or should otherwise be restricted to protect consumers, they may pass laws or adopt regulations that limit the use of our products or increase our liability associated with the use of our products. Any of these events could adversely affect our brand, operating results and financial condition.

If we encounter issues with our manufacturers or suppliers, our business, brand, and results of operations could be harmed and we could lose sales.

We do not have internal manufacturing capabilities and rely on several contract manufacturers, located primarily in China to manufacture our products. We cannot be certain that we will not experience operational difficulties with our manufacturers, including reductions in the availability of production capacity, errors in complying with product specifications, insufficient quality control, failures to meet production deadlines, increases in manufacturing costs and increased lead times. We also rely on a number of supply chain partners to whom we outsource activities related to inventory warehousing, order fulfillment, distribution and other direct sales logistics. Our supply chain partners are located in China, Czech Republic, Hong Kong, Mexico, Netherlands, Singapore and a number of other countries in Europe and the Asia Pacific region. Our manufacturers and supply chain partners may experience disruptions in their operations due to equipment breakdowns, adding lines in a different country, labor strikes or shortages, transportation security vulnerabilities, natural disasters, component or material shortages, cyber-attacks, cost increases or other similar problems. Further, in order to minimize their inventory risk, our manufacturers might not order components from third-party suppliers with adequate lead time, thereby affecting our ability to meet our demand forecast. Therefore, if we fail to manage our relationship with our manufacturers and supply chain partners effectively, or if they experience operational difficulties, our ability to ship products to our retailers and distributors could be impaired and our competitive position and reputation could be harmed.

In the event that we receive shipments of products that fail to comply with our technical specifications or that fail to conform to our quality control standards, and we are not able to obtain replacement products in a timely manner, we risk revenue losses from the inability to sell those products, increased administrative and shipping costs, and lower profitability. Additionally, if defects are not discovered until after consumers purchase our products, they could lose confidence in the technical attributes of our products and our business could be harmed.

We do not control our contract manufacturers or suppliers, including their labor, environmental or other practices. Environmental regulations or changes in the supply, demand or available sources of natural resources may affect the availability and cost of goods and services necessary to run our business. We require our contract manufacturers and suppliers to comply with our formal supplier code of conduct and relevant standards and have ongoing audit programs in place to assess our suppliers' compliance with our requirements. We periodically conduct audits of our contract manufacturers' and suppliers' compliance with our code of conduct, applicable laws and good industry practices. However, these audits may not be frequent or thorough enough to detect non-compliance. Deliberate violations of labor, environmental or other laws by our contract manufacturers or suppliers, or a failure of these parties to follow ethical business practices, could lead to negative publicity and harm our reputation or brand.

We may grow our business in part through acquisitions, joint ventures, investments and partnerships, which could require significant management attention, disrupt our business, dilute stockholder value and adversely affect our operating results.

We have completed several acquisitions and may evaluate additional acquisitions of, or strategic investments in, other companies, products or technologies that we believe are complementary to our business. We also may enter into relationships with other businesses in order to expand the distribution of our product offerings, which could involve joint ventures, strategic alliances and partnerships. Negotiating these transactions can be time-consuming, difficult and expensive, and our ability to close these transactions may be subject to third-party or government approvals, which are beyond our control. Consequently, we can make no assurance that these transactions, once undertaken and announced, will close.

If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisitions we complete could be viewed negatively by users or investors. In addition, if we encounter difficulties assimilating or integrating the businesses, technologies, products, personnel, or operations of acquired companies, particularly if the key personnel of the acquired business choose not to work for us, or we have difficulty retaining the customers of any acquired business, the revenue and operating results of the combined company could be adversely affected. Acquisitions may disrupt our ongoing operations, divert management from their primary responsibilities, subject us to additional liabilities, increase our expenses and adversely affect our business, financial condition, operating results and cash flows. In addition, our original estimates and assumptions used in assessing any transaction may be inaccurate, including estimates of accounting charges. We have recorded significant goodwill and intangible assets in connection with our acquisitions, and in the future, if our acquisitions do not yield expected revenue, we may be required to take material impairment charges that could adversely affect our results of operations.

We may have to pay cash, incur debt or issue equity securities to enter into any such acquisition, joint venture, strategic alliances or partnership, which could affect our financial condition or the value of our capital stock. . Furthermore, acquisitions may require large one-time charges and can result in increased debt or contingent liabilities, adverse tax consequences, additional stock-based compensation expense and the recording and subsequent amortization or impairments of amounts related to certain purchased intangible assets, any of which could negatively affect our future results of operations. We cannot assure investors that the anticipated benefits of any acquisition or investment will be realized.

Failure to obtain new, and maintain existing, high-quality event, venue, athlete and celebrity sponsorships could harm our business.

Establishing relationships with high profile sporting and entertainment events, venues, sports leagues and sports associations, athletes and celebrity personalities to evaluate, promote and establish product credibility with consumers, including entering into sponsorship and licensing agreements, has and will continue to be a key element of our marketing strategy. However, as competition in our markets has increased, the costs of obtaining and retaining event, venue, athlete and celebrity sponsorships and licensing agreements have increased. Additionally, we may be forced to sign longer term sponsorships in order to retain relationships. If we are unable to maintain our current associations with our event, venue, athlete and celebrity partners, or to do so at a reasonable cost, we could lose the benefits of these relationships, and we may be required to modify and substantially increase our marketing investments. In addition, actions taken by endorsers of our products that harm their reputations could also harm our brand image with consumers. The failure to correctly identify high impact events and venues or build partnerships with those who develop and promote those events and venues, promising athletes or other appealing personalities to use and endorse our products, or poor performance by our endorsers, could adversely affect our brand and result in decreased sales of our products.

Catastrophic events or political instability could disrupt and cause harm to our business.

Our headquarters are located in the San Francisco Bay Area of California, an area susceptible to earthquakes. A major earthquake or other natural disaster, fire, threat of fire, act of terrorism, public health issues or other catastrophic event in California or elsewhere that results in the destruction or disruption of any of our critical business operations or information technology systems could severely affect our ability to conduct normal business operations and, as a result, our future operating results could be harmed. Our key manufacturing, supply and distribution partners have global operations including China, Hong Kong, Japan, Mexico, Netherlands, Singapore, Taiwan and the United States. Political instability, public health issues or other catastrophic events in any of those countries could adversely affect our business in the future, our financial condition and operating results.

Risks related to our intellectual property and technology licenses

Our intellectual property and proprietary rights may not adequately protect our products and services, and our business may suffer if it is alleged or determined that our technology, products, or another aspect of our business infringes third-party intellectual property or if third parties infringe our rights.

We own patents, trademarks, copyrights, trade secrets, and other intellectual property (collectively “intellectual property”) related to aspects of our products, software, services and designs. Our commercial success may depend in part on our ability to obtain, maintain and protect these rights in the United States and abroad.

We regularly file patent applications to protect innovations arising from our research, development and design as we deem appropriate. We may fail to apply for patents on important products, services, technologies or designs in a timely fashion, or at all. We may not have sufficient intellectual property rights in all countries where unauthorized third-party copying or use of our proprietary technology occurs and the scope of our intellectual property might be more limited in certain countries. Our existing and future patents may not be sufficient to protect our products, services, technologies or designs and/or may not prevent others from developing competing products, services, technologies or designs. We cannot predict the validity and enforceability of our patents and other intellectual property with certainty.

We have registered, and applied to register, certain of our trademarks in several jurisdictions worldwide. In some of those jurisdictions, third-party filings exist for the same, similar or otherwise related products or services, which could block the registration of our marks. Even if we are able to register our marks, competitors may adopt or file similar marks to ours, seek to cancel our trademark registrations, register domain names that mimic or incorporate our marks, or otherwise infringe upon or harm our trademark rights. Although we police our trademark rights carefully, there can be no assurance that we are aware of all third-party uses or that we will prevail in enforcing our rights in all such instances. Any of these negative outcomes could affect the strength, value and effectiveness of our brand, as well as our ability to market our products. We have also registered domain names for websites, or URLs, that we use in our business, such as GoPro.com, as well as social media handles. If we are unable to protect our domain names or social media handles, our brand, business, and operating results could be adversely affected. Domain names or social media handles similar to ours have already been registered in the United States and elsewhere, and we may not be able to prevent third parties from acquiring and using domain names or social media handles that infringe, are similar to, or otherwise decrease the value of, our trademarks. In addition, we might not be able to, or may choose not to, acquire or maintain trademark registrations, domain names, social media handles or other related rights in certain jurisdictions.

Litigation may be necessary to enforce our intellectual property rights. Initiating infringement proceedings against third parties can be expensive, take significant time, and divert management’s attention from other business concerns. We may not prevail in litigation to enforce our intellectual property against unauthorized use.

Third parties, including competitors and non-practicing entities, have brought intellectual property infringement claims against us, including the matter described in Note 9 Commitments, contingencies and guarantees to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K. We expect to continue to receive such intellectual property claims in the future. While we will defend ourselves vigorously against any such existing and future legal proceedings, we may not prevail against all such allegations. We may seek licenses from third parties where appropriate, but they could refuse to grant us a license or demand commercially unreasonable terms. Further, an adverse ruling in an intellectual property infringement proceeding could force us to suspend or permanently cease the production or sale of products/services, face a temporary or permanent injunction, redesign our products/services, rebrand our products/services, pay significant settlement costs, pay third-party license fees or damage awards or give up some of our intellectual property. The occurrence of any of these events may materially and adversely affect our business, financial condition, operating results or cash flows.

If we are unable to maintain or acquire rights to include intellectual property owned by others in the content distributed by us, our marketing, sales or future business strategy could be affected or we could be subject to lawsuits relating to our use of this content.

The distribution of GoPro content helps to market our brand and our products. If we cannot continue to acquire rights to distribute user-generated content or acquire rights to use and distribute music, athlete and celebrity names and likenesses or other content for our original productions or third-party entertainment distribution channels or for our software products, our marketing efforts could be diminished, our sales could be harmed and our future content strategy could be adversely affected. In addition, third-party content providers or owners may allege that we have violated their intellectual property rights. If we are unable to obtain sufficient rights, successfully defend our use of or otherwise alter our business practices on a timely basis in response to claims of infringement, misappropriation, misuse or other violation of third-party intellectual property rights, our business may be adversely affected. As a user and distributor of content, we face potential liability for rights of publicity and privacy, as well as copyright, or trademark infringement or other claims based on the nature and content of materials that we distribute. If we are found to violate such third-party rights, then our business may suffer.

We use open source software in our platform that may subject our technology to general release or require us to re-engineer our solutions, which may cause harm to our business.

We use open source software in connection with our services. From time to time, companies that incorporate open source software into their products have faced claims challenging the ownership of open source software and/or compliance with open source license terms. Therefore, we could be subject to suits by parties claiming ownership of what we believe to be open source software or noncompliance with open source licensing terms. Some open source software licenses require users who distribute or make available open source software as part of their software to publicly disclose all or part of the source code to such software or make available any derivative works of the open source code on unfavorable terms or at no cost. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose the source code or that would otherwise breach the terms of an open source agreement, such use could nevertheless occur and we may be required to release our proprietary source code, pay damages for breach of contract, re-engineer our applications, discontinue sales in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts, any of which could adversely affect our business, financial condition or operating results.

Risks related to regulatory compliance

We are subject to governmental regulation and other legal obligations, particularly related to privacy, data protection and information security, and our actual or perceived failure to comply with such obligations could adversely affect our business and operating results.

Personal privacy, data protection and information security are significant issues in the United States and the other jurisdictions where we offer our products and services. The regulatory framework for privacy and security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Our handling of data is subject to a variety of laws and regulations, including regulation by various government agencies, including the United States Federal Trade Commission (FTC) and various state, local and foreign bodies and agencies.

The United States federal and various state and foreign governments have adopted or proposed limitations on the collection, distribution, use and storage of personal information of individuals, including end-customers and employees. In the United States, the FTC and many state attorneys general are applying federal and state consumer protection laws to the online collection, use, processing, storage, deletion and dissemination of data. Additionally, many foreign countries and governmental bodies, including in Australia, the European Union, India, Japan and numerous other jurisdictions in which we operate or conduct our business, have laws and regulations concerning the collection, use, processing, storage and deletion of personal information obtained from their residents or by businesses operating within their jurisdiction. These laws and regulations often are more restrictive than those in the United States. Such laws and regulations may require companies to implement new privacy and security policies, permit individuals to access, correct and delete personal information stored or maintained by such companies, inform individuals of security breaches that affect their personal information, and, in some cases, obtain individuals’ consent to collect and/or use personal information for certain purposes.

We also expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in the United States, the European Union and other jurisdictions, and we cannot yet determine the impact of such future laws, regulations and standards may have on our business. We expect that existing laws, regulations and standards may be interpreted differently in the future. For example, in November 2020, the California ballot initiative known as the Consumer Privacy Rights Act (CPRA) was passed. CPRA will come into effect in January 2023 (except for the CPRA's right of access which will come into effect in January 2022), and will supersede the California Consumer Privacy Act (CCPA) which went into effect in January 2020. When it goes into effect, CPRA will provide for a new privacy enforcement authority, additional data privacy rights for consumers in California and new operational requirements for companies doing business in California. Compliance with the new obligations imposed by the CPRA depends in part on how particular regulators interpret and apply them. If we fail to comply with the CCPA or CPRA or if regulators assert that we have failed to comply with the CCPA or CPRA, we may be subject to certain fines or other penalties. Also, there remains significant uncertainty surrounding the regulatory framework for the future of personal data transfers from the European Union to the United States with regulations such as the recently adopted General Data Protection Regulation (GDPR) which imposes more stringent EU data protection requirements, provides an enforcement authority, and imposes large penalties for noncompliance. Compliance with the new obligations imposed by the GDPR depends in part on how particular regulators interpret and apply them. If we fail to comply with the GDPR or if regulators assert that we have failed to comply with the GDPR, we may be subject to fines of up to 4% of our worldwide annual revenue. Future laws, regulations, standards and other obligations, including the adoption of the GDPR, CCPA and CPRA, as well as changes in the interpretation of existing laws, regulations, standards and other obligations could impair our ability to collect, use or disclose information relating to individuals, which could decrease demand for our products, require us to restrict our business operations, increase our costs and impair our ability to maintain and grow our customer base and increase our revenue.

Although we are working to comply with those federal, state and foreign laws and regulations, industry standards, contractual obligations and other legal obligations that apply to us, those laws, regulations, standards and obligations are evolving and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another, other requirements or legal obligations, our practices or the features of our products. As such, we cannot assure ongoing compliance with all such laws or regulations, industry standards, contractual obligations and other legal obligations. Any failure or perceived failure by us to comply with federal, state or foreign laws or regulations, industry standards, contractual obligations or other legal obligations, or any actual or suspected security incident, whether or not resulting in unauthorized access to, or acquisition, release or transfer of personal information or other data, may result in governmental enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business. Any inability to adequately address privacy and security concerns, even if unfounded, or comply with applicable laws, regulations, policies, industry standards, contractual obligations or other legal obligations could result in additional cost and liability to us, damage our reputation, inhibit sales, and adversely affect our business and operating results.

We could be adversely affected by violations of the United States Foreign Corrupt Practices Act, the United Kingdom Bribery Act or similar anti-bribery laws in other jurisdictions in which we operate.

The global nature of our business and the significance of our international revenue create various domestic and local regulatory challenges and subject us to risks associated with our international operations. The United States Foreign Corrupt Practices Act, or FCPA, the United Kingdom Bribery Act 2010, or the U.K. Bribery Act, and similar anti-bribery and anti-corruption laws in other jurisdictions generally prohibit United States based companies and their intermediaries from making improper payments to non-United States officials for the purpose of obtaining or retaining business, directing business to another, or securing an advantage. In addition, United States public companies are required to maintain records that accurately and fairly represent their transactions and have an adequate system of internal accounting controls. Under the FCPA, United States companies may be held liable for the corrupt actions taken by directors, officers, employees, agents, or other strategic or local partners or representatives. As such, if we or our intermediaries fail to comply with the requirements of the FCPA or similar legislation, governmental authorities in the United States and elsewhere could seek to impose substantial civil and/or criminal fines and penalties which could have a material adverse effect on our business, reputation, operating results and financial condition.

We operate in areas of the world that experience corruption by government officials to some degree and, in certain circumstances, compliance with anti-bribery and anti-corruption laws may conflict with local customs and practices. Our global operations require us to import and export to and from several countries, which geographically expands our compliance obligations. In addition, changes in such laws could result in increased regulatory requirements and compliance costs which could adversely affect our business, financial condition and results of operations. We cannot be assured that our employees or other agents will not engage in prohibited conduct and render us responsible under the FCPA or the U.K. Bribery Act. While we have compliance programs, they may not be effective to prevent violations from occurring and employees may engage in prohibited conduct nonetheless. If we are found to be in violation of the FCPA, the U.K. Bribery Act or other anti-bribery or anti-corruption laws (either due to acts or inadvertence of our employees, or due to the acts or inadvertence of others), we could suffer criminal or civil penalties or other sanctions, which could have a material adverse effect on our business.

If we fail to comply with environmental regulations and conflict minerals disclosures, our business, financial condition, operating results and reputation could be adversely affected.

We are subject to various federal, state, local and international environmental laws and regulations including laws regulating the manufacture, import, use, discharge and disposal of hazardous materials, labeling and notice requirements relating to potential consumer exposure to certain chemicals, and laws relating to the collection of and recycling of electrical and electronic equipment and their packaging.

We are also subject to the SEC’s conflict minerals rule which requires disclosure by public companies of the origin, source and chain of custody of specified minerals, known as conflict minerals, that are necessary to the functionality or production of products manufactured or contracted to be manufactured. We have and will continue to incur costs associated with complying with the rule, such as costs related to sourcing of certain minerals (or derivatives thereof), the determination of the origin, source and chain of custody of the minerals used in our products, the adoption of conflict minerals-related governance policies, processes and controls, and possible changes to products or sources of supply as a result of such activities. Within our supply chain, we may not be able to sufficiently verify the origins of the relevant minerals used in our products through the data collection and due diligence procedures that we implement, which may harm our reputation.

Although we have policies and procedures in place requiring our contract manufacturers and major component suppliers to comply with applicable federal, state, local and international requirements, we cannot confirm that our manufacturers and suppliers consistently comply with these requirements. In addition, if there are changes to these or other laws (or their interpretation) or if new similar laws are passed in other jurisdictions, we may be required to re-engineer our products to use components compatible with these regulations. This re-engineering and component substitution could result in additional costs to us or disrupt our operations or logistics.

Changes in interpretation of any federal, state, local or international regulation may cause us to incur costs or have additional regulatory requirements to meet in the future in order to comply, or with any similar laws adopted in other jurisdictions. Our failure to comply with past, present and future similar laws could result in reduced sales of our products, substantial product inventory write-offs, reputational damage, penalties and other sanctions, which could harm our business and financial condition. We also expect that our products will be affected by new environmental laws and regulations on an ongoing basis. To date, our expenditures for environmental compliance have not had a material effect on our results of operations or cash flows and, although we cannot predict the future effect of such laws or regulations, they will likely result in additional costs and may increase penalties associated with violations or require us to change the content of our products or how they are manufactured, which could have a material adverse effect on our business and financial condition.

We are subject to governmental export and import controls and economic sanctions laws that could subject us to liability and impair our ability to compete in international markets.

The United States and various foreign governments have imposed controls, export license requirements and restrictions on the import or export of some technologies. Our products are subject to United States export controls, and exports of our products must be made in compliance with various economic and trade sanctions laws. Furthermore, United States export control laws and economic sanctions prohibit the provision of products and services to countries, governments and persons targeted by United States sanctions. Even though we take precautions to prevent our products from being provided to targets of United States sanctions, our products, including our firmware updates, could be provided to those targets or provided by our customers. Any such provision could have negative consequences, including government investigations, penalties and reputational harm. Our failure to obtain required import or export approval for our products could harm our international and domestic sales and adversely affect our revenue.

We could be subject to future enforcement action with respect to compliance with governmental export and import controls and economic sanctions laws that result in penalties, costs, and restrictions on export privileges that could have a material effect on our business and operating results.

Risks related to our need for additional capital

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.

In the future, we may require additional capital to respond to business opportunities, challenges, acquisitions or unforeseen circumstances and may determine to engage in equity or debt financings or enter into credit facilities for other reasons. We may not be able to timely secure additional financing on favorable terms, or at all. For example, our current credit facility contains restrictive covenants relating to our capital raising activities and other financial and operational matters, and any debt financing obtained by us in the future could involve further restrictive covenants, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. Further, even if we are able to obtain additional financing, we may be required to use such proceeds to repay a portion of our debt. If we raise additional funds through the issuance of equity or convertible debt or other equity-linked securities, our existing stockholders could suffer significant dilution. If we are unable to obtain adequate financing under our credit facility, or alternative sources, when we require it, our ability to grow or support our business and to respond to business challenges could be significantly limited. In the event additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all.

Risks related to ownership of our Class A common stock

Our stock price has been and will likely continue to be volatile.

Since shares of our Class A common stock were sold in our IPO in July 2014 at a price of $24.00 per share, our closing stock price has ranged from $2.01 to $93.85 per share through December 31, 2020. Our stock price may fluctuate in response to a number of events and factors, such as quarterly operating results; changes in our financial projections provided to the public or our failure to meet those projections; the public's reaction to our press releases, other public announcements and filings with the SEC; significant transactions, or new features, products or services offered by us or our competitors; changes in our business lines and product lineup; changes in financial estimates and recommendations by securities analysts; media coverage of our business and financial performance; the operating and stock price performance of, or other developments involving, other companies that investors may deem comparable to us; trends in our industry; any significant change in our management; sales and purchases of any Class A common stock issued upon conversion of our convertible senior notes or in connection with the prepaid forward contract entered into in connection with our 2022 convertible senior notes, and general economic conditions. These factors, as well as the volatility of our Class A common stock, could also affect the price of our convertible senior notes.

In addition, the stock market in general, and the market prices for companies in our industry, have experienced volatility that often has been unrelated to operating performance. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Price volatility over a given period may cause the average price at which we repurchase our own stock to exceed the stock's price at a given point in time. Volatility in our stock price also affects the value of our equity compensation, which affects our ability to recruit and retain employees. In addition, some companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We have been subject to past shareholder class action lawsuits as well as derivative lawsuits and may continue to be a target for such litigation in the future. Securities litigation against us could result in substantial costs and liability and divert our management's attention from other business concerns, which could harm our business. See Note 9 Commitments, contingencies and guarantees, to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for a discussion on legal proceedings.

If we fail to meet expectations related to future growth, profitability, or other market expectations, our stock price may decline significantly, which could have a material adverse effect on investor confidence and employee retention. A sustained decline in our stock price and market capitalization could lead to impairment charges.

The dual class structure of our common stock has the effect of concentrating voting control with our CEO and we cannot predict the effect our dual class structure may have on our stock price or our business.

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. Stockholders who hold shares of Class B common stock hold approximately 70.2% of the voting power of our outstanding capital stock as of December 31, 2020 with Mr. Woodman, our Chairman and CEO, holding approximately 70.1% of the outstanding voting power. Mr. Woodman is able to control all matters submitted to our stockholders, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets or other major corporate transaction. This concentrated control could delay, defer, or prevent a change of control, merger, consolidation, or sale of all or substantially all of our assets that our other stockholders support, or conversely this concentrated control could result in the consummation of such a transaction that our other stockholders do not support. This concentrated control could also discourage a potential investor from acquiring our Class A common stock due to the limited voting power of such stock relative to the Class B common stock and might harm the trading price of our Class A common stock.

In addition, we cannot predict whether our dual class structure, combined with the concentrated control by Mr. Woodman, will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. In July 2017, FTSE Russell announced that it plans to require new constituents of its indexes to have greater than 5% of the company's voting rights in the hands of public stockholders, and S&P Dow Jones announced that it will no longer admit companies with multiple-class share structures to certain of its indexes. Because of our dual class structure, we may be excluded from these indexes and we cannot assure you that other stock indexes will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indexes, exclusion from stock indexes would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the market price of our Class A common stock could be adversely affected.

If securities analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our Class A common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

Delaware law and provisions in our restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer or proxy contest difficult, thereby depressing the trading price of our Class A common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult without the approval of our board of directors, or otherwise adversely affect the rights of the holders of our Class A and Class B common stock, including the following:

- our board of directors is not currently classified, but at such time as all shares of our Class B common stock have been converted into shares of our Class A common stock, our board of directors will be classified into three classes of directors with staggered three-year terms;
- so long as any shares of our Class B common stock are outstanding, special meetings of our stockholders may be called by the holders of 10% of the outstanding voting power of all then outstanding shares of stock, a majority of our board of directors, the chairman of our board of directors or our chief executive officer;
- when no shares of our Class B common stock are outstanding, only the chairman of our board of directors, our chief executive officer or a majority of our board of directors will be authorized to call a special meeting of stockholders;
- our stockholders may only take action at a meeting of stockholders and not by written consent;
- vacancies on our board of directors may be filled only by our board of directors and not by stockholders;
- directors may be removed from office with or without cause so long as our board of directors is not classified, and thereafter directors may be removed from office only for cause;
- our restated certificate of incorporation provides for a dual class common stock structure in which holders of our Class B common stock have the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the outstanding shares of our Class A and Class B common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets;

- our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established, and shares of which may be issued, by our board of directors without stockholder approval and which may contain voting, liquidation, dividend and other rights superior to those of our Class A and Class B common stock; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

Risks related to our convertible senior notes

We have indebtedness in the form of convertible senior notes.

In November 2020, we completed an offering of $143.8 million aggregate principal amount of 1.25% convertible senior notes due 2025 (2025 Notes). As a result of the 2025 Notes, we incurred an additional $143.8 million principal amount of indebtedness, the principal amount of which we may be required to pay at maturity in 2025.

In April 2017, we completed an offering of $175.0 million aggregate principal amount of 3.50% convertible senior notes due 2022 (2022 Notes, together with the 2025 Notes, the Notes). As a result of this 2022 Notes offering, we incurred $175.0 million principal amount of indebtedness. We repurchased $50.0 million aggregate principal amount of the 2022 Notes in November 2020, and may be required to repay the remaining principal amount of $125.0 million at maturity in 2022.

Holders of the Notes will have the right to require us to repurchase their Notes upon the occurrence of a fundamental change at a purchase price equal to 100% of the principal amount of the Notes to be purchased, plus accrued and unpaid interest, if any. In addition, the indentures for the Notes provides that we are required to repay amounts due under such indenture in the event that there is an event of default for the Notes that results in the principal, premium, if any, and interest, if any, becoming due prior to Maturity Date for the Notes. There can be no assurance that we will be able to repay our indebtedness when due, or that we will be able to refinance our indebtedness, all or in part, on acceptable terms. In addition, our indebtedness could, among other things:

- heighten our vulnerability to adverse general economic conditions and heightened competitive pressures;
- require us to dedicate a larger portion of our cash flow from operations to interest payments, limiting the availability of cash for other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes.

In addition, our ability to purchase the Notes or repay prior to maturity any accelerated amounts under the Notes upon an event of default or pay cash upon conversions of the Notes may be limited by law, by regulatory authority or by agreements governing our indebtedness outstanding at the time, including our credit facility. Our credit facility restricts our ability to repurchase the Notes for cash or repay prior to maturity any accelerated amounts under the Notes upon an event of default or pay cash upon conversion of the Notes to the extent that on the date of such repurchase, repayment or conversion, as the case may be, after giving pro forma effect to such payment, our remaining borrowing capacity pursuant to such credit facility falls below (i) to the extent that our fixed charge coverage ratio is at least to 1.0, the greater of (A) $37.5 million and (B) 15% of the lesser of the aggregate commitments under such credit facility and the aggregate borrowing base then in effect or (ii) to the extent that our fixed charge coverage ratio is less than 1.0 to 1.0, the greater of (A) $50.0 million and (B) 20% of the lesser of the aggregate commitments under such credit facility and the aggregate borrowing base then in effect.

Any of our future indebtedness may contain similar restrictions. Our failure to repurchase the Notes at a time when the repurchase is required by the indentures (whether upon a fundamental change or otherwise under the indentures) or pay cash payable on future conversions of the Notes as required by the indentures would constitute a default under the indentures. A default under the indentures or the fundamental change itself could also lead to a default under agreements governing our existing or future indebtedness, including our credit facility. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness, repurchase the Notes or make cash payments upon conversions thereof.

Our credit facility imposes restrictions on us that may adversely affect our ability to operate our business.

Our credit facility contains restrictive covenants relating to our capital raising activities and other financial and operational matters which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, our credit facility contains, and the agreements governing the Notes will contain, a cross-default provision whereby a default under one agreement would likely result in cross defaults under agreements covering other borrowings. For example, the occurrence of a default with respect to any indebtedness or any failure to repay debt when due in an amount in excess of $25 million would cause a cross default under the indenture governing the 2022 Notes, as well as under our credit facility. The occurrence of a default under any of these borrowing arrangements would permit the holders of the Notes or the lenders under our credit facility to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable. If the Note holders or the trustee under the indentures governing the Notes or the lenders under our credit facility accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay those borrowings.

Conversion of the Notes will, to the extent we deliver shares upon conversion of such Notes, dilute the ownership interest of existing stockholders, including holders who had previously converted their Notes, or may otherwise depress our stock price.

The conversion of some or all of the Notes will dilute the ownership interests of existing stockholders to the extent we deliver shares upon conversion of any of the Notes. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could be used to satisfy short positions, or anticipated conversion of the Notes into shares of our common stock could depress our stock price.

The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Notes is triggered, holders of the Notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than cash in lieu of any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders of the Notes do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for convertible debt securities that may be settled in cash, such as the Notes, may have a material effect on our reported financial results.

Under GAAP, an entity must separately account for the debt component and the embedded conversion option of convertible debt instruments that may be settled entirely or partially in cash upon conversion, such as the Notes we are offering, in a manner that reflects the issuer's economic interest cost. The effect of the accounting treatment for such instruments is that the value of such embedded conversion option would be treated as original issue discount for purposes of accounting for the debt component of the Notes, and that original issue discount is amortized into interest expense over the term of the Notes using an effective yield method. As a result, we will be required to record a greater amount of non-cash interest expense because of the amortization of the original issue discount to the Notes' face amount over the term of the Notes and because of the amortization of the debt issuance costs.

Accordingly, we will report lower net income (or greater net loss) in our financial results because of the recognition of both the current period's amortization of the debt discount and the Notes' coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the Notes.

In addition, convertible debt instruments (such as the Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the if-converted method, the effect of which is that conversion will not be assumed for purposes of computing diluted income (loss) per share if the effect would be antidilutive. Under the if-converted method, for diluted income (loss) per share purposes, convertible debt is antidilutive whenever its interest, net of tax and nondiscretionary adjustments, per common share obtainable on conversion exceeds basic income (loss) per share. Dilutive securities that are issued during a period and dilutive convertible securities for which conversion options lapse, or for which related debt is extinguished during a period, will be included in the denominator of diluted income (loss) per share for the period that they were outstanding. Likewise, dilutive convertible securities converted during a period will be included in the denominator for the period prior to actual conversion. Moreover, interest charges applicable to the convertible debt will be added back to the numerator. We cannot be sure that the accounting standards in the future will continue to permit the use of the if-converted method. If we are unable to use the if-converted method in accounting for the shares issuable upon conversion of the Notes, then our diluted income (loss) per share would be adversely affected.

In addition, if the conditional conversion feature of the Notes is triggered, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The prepaid forward may affect the value of the 2022 Notes and our common stock and may result in unexpected market activity in the 2022 Notes and/or our common stock.

In connection with the issuance of the 2022 Notes, we entered into a prepaid forward with a forward counterparty. The prepaid forward is intended to facilitate privately negotiated derivative transactions by which investors in the 2022 Notes will be able to hedge their investment. In connection with establishing its initial hedge of the prepaid forward, the forward counterparty (or its affiliate) entered into or expects to enter into one or more derivative transactions with respect to our Class A common stock with purchasers of the 2022 Notes concurrently with or after the offering of the 2022 Notes. The prepaid forward is intended to reduce the dilution to our stockholders from the issuance of our Class A common stock (if any) upon conversion of the 2022 Notes and to allow certain investors to establish short positions that generally correspond to commercially reasonable initial hedges of their investment in the 2022 Notes. In addition, the forward counterparty (or its affiliate) may modify its hedge position by entering into or unwinding one or more derivative transactions with respect to our Class A common stock and/or purchasing or selling our Class A common stock or other securities of ours in secondary market transactions at any time, including following the offering of the 2022 Notes and immediately prior to or shortly after April 15, 2022, the Maturity Date of the 2022 Notes (and are likely to unwind their derivative transactions and/or purchase or sell our Class A common stock in connection with any conversion or repurchase of the 2022 Notes, in connection with the purchase or sale of Notes by certain investors and/or in the event that sufficient borrow of our Class A common stock becomes available). These activities could also cause or avoid an increase or a decrease in the market price of our Class A common stock or the Notes.

The prepaid forward initially facilitated privately negotiated derivative transactions relating to our Class A common stock, including derivative transactions by which investors in the 2022 Notes established short positions relating to our Class A common stock to hedge their investments in the 2022 Notes concurrently with, or shortly after, the placement of the 2022 Notes. Neither we nor the forward counterparty control how such investors may use such derivative transactions. In addition, such investors may enter into other transactions in connection with such derivative transactions, including the purchase or sale of our Class A common stock, at any time. As a result, the existence of the prepaid forward, such derivative transactions, and any related market activity could cause more sales of our Class A common stock over the term of the prepaid forward than there would have otherwise been had we not entered into the prepaid forward. Such sales could potentially affect the market price of our Class A common stock and/or the 2022 Notes.

The Capped Call transactions may affect the value of the 2025 Notes and our Class A Common Stock.

In connection with the pricing of the 2025 Notes, we entered into privately negotiated capped call transactions, or Capped Calls, with one or more financial institutions. The Capped Calls are expected generally to reduce the potential economic dilution to holders of our Class A common stock upon any conversion of the 2025 Notes, with such reduction and/or offset subject to a cap.

In connection with establishing their initial hedge of the Capped Call, the capped call counterparties have advised the Company that they and/or their respective affiliates expect to purchase shares of Class A common stock and/or enter into various derivative transactions with respect to the Class A common stock concurrently with, or shortly after, the pricing of the 2025 Notes.

In addition, the capped call counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our Class A common stock and/or purchasing or selling our Class A common stock or other securities of ours in secondary market transactions prior to the maturity of the 2025 Notes (and are likely to do so during any observation period related to a conversion of the 2025 Notes or following an repurchase of the 2025 Notes by the Company on any fundamental change repurchase date or otherwise). This activity could also cause or avoid an increase or a decrease in the market price of our Class A common stock or the 2025 Notes.

The potential effect, if any, of these transactions and activities on the trading price of our Class A common stock or the 2025 Notes will depend in part on market conditions. Any of these activities could adversely affect the trading price of our Class A common stock or the 2025 Notes.

The fundamental change repurchase feature of the Notes may delay or prevent an otherwise beneficial attempt to take over our company.

The terms of the Notes require us to repurchase the Notes in the event of a fundamental change. A takeover of our company would trigger an option of the holders of the Notes to require us to repurchase the Notes. In addition, if a make-whole fundamental change occurs prior to the Maturity Date of the Notes, we will in some cases be required to increase the conversion rate for a holder that elects to convert its Notes in connection with such make-whole fundamental change. Furthermore, the indentures for the Notes prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the Notes. These and other provisions of the indentures may have the effect of delaying or preventing a takeover of our company.

We are subject to counterparty risk with respect to the prepaid forward and Capped Calls.

We will be subject to the risk that the forward counterparty and capped call counterparties might default under the prepaid forward and Capped Calls, respectively. Our exposure to the credit risk of the forward counterparty and capped call counterparties will not be secured by any collateral. Global economic conditions have in the recent past resulted in, and may again result in, the actual or perceived failure or financial difficulties of many financial institutions. If the forward counterparty or capped call counterparties becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings, with a claim equal to our exposure at that time under our transactions with the forward counterparty and/or capped call counterparties. Our exposure will depend on many factors, but, generally, an increase in our exposure will be correlated to an increase in the market price of our Class A common stock. In addition, upon a default by the forward counterparty and/or capped call counterparties, we may suffer more dilution than we currently anticipate with respect to our Class A common stock. We can provide no assurances as to the financial stability or viability of the forward counterparty to the prepaid forward or the capped call counterparties to the Capped Calls.

General Risk Factors

An economic downturn or economic uncertainty in our key United States and international markets, as well as fluctuations in currency exchange rates may adversely affect consumer discretionary spending and demand for our products.

Factors affecting the level of consumer spending include general market conditions, macroeconomic conditions, tax rates, fluctuations in foreign exchange rates and interest rates, and other factors such as consumer confidence, the availability and cost of consumer credit, levels of unemployment and a reduction in consumer spending or disposable income resulting from the COVID-19 pandemic and the impact of whether the United States government provides economic stimulus that may affect us more significantly than companies in other industries and companies with more diversified products. Additionally, the withdrawal of the United Kingdom from the European Union (Brexit) has created economic and political uncertainty, including volatility in global financial markets and the value of foreign currencies. The impact of Brexit depends on the terms of the United Kingdom's withdrawal from the European Union and such impact may not be fully realized for several years. The majority of our sales occur in U.S. dollars and an increase in the value of the dollar against the Euro and other currencies could increase the real cost to consumers of our products in those markets outside the United States. For example, in countries where we sell in local currency, we are subject to exchange rate fluctuations that create inherent risks for us and may cause us to adjust pricing which may make our products more or less favorable to the consumer. If global economic conditions are volatile or if economic conditions deteriorate, consumers may delay or reduce purchases of our products resulting in consumer demand for our products that may not reach our sales targets. Strengthening of the U.S. dollar and/or weakness in the economies of Euro zone countries could adversely impact sales of our products in the European region, which would have a material negative impact on our future operating results. Our sensitivity to economic cycles and any related fluctuation in consumer demand could adversely affect our business, financial condition and operating results.

Our effective tax rate and the intended tax benefits of our corporate structure and intercompany arrangements depend on the application of the tax laws of various jurisdictions and on how we operate our business.

We are subject to income taxes in the United States and various jurisdictions outside the United States. Our effective tax rate could fluctuate due to changes in the mix of earnings and losses in countries with differing statutory tax rates. For example, our effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates. Our tax expense could also be affected by changes in non-deductible expenses, changes in excess tax benefits related to exercises and vesting of stock-based expense, and the applicability of withholding taxes.

Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our future effective tax rate could be unfavorably affected by changes in the tax rates in jurisdictions where our income is earned, by changes in, or our interpretation, of tax rules and regulations in the jurisdictions in which we do business, by unanticipated decreases in the amounts of jurisdictional earnings, or by changes in the valuation of our deferred tax assets and liabilities. The United States, the European Commission, countries in the European Union, Australia, and other countries where we do business have been considering changes in relevant tax, accounting and other laws, regulations and interpretations, including changes to tax laws applicable to corporate multinationals. These potential changes could adversely affect our effective tax rates or result in additional tax expense and other costs to us.

In addition, we are subject to the examination of our income tax returns by the United States Internal Revenue Service (IRS) and other domestic and foreign tax authorities. These tax examinations are expected to focus on our intercompany transfer pricing practices as well as other matters. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and other taxes and have reserved for adjustments that may result from the current examinations. We cannot provide assurance that the final determination of any of these examinations will not have an adverse effect on our operating results and financial position.

If we are unable to maintain effective internal control in the future, we may not be able to produce timely and accurate financial statements, which could adversely affect our investors' confidence and our stock price.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to evaluate and determine the effectiveness of our internal control over financial reporting, and to include a management report assessing the effectiveness of our internal control over financial reporting. We expect that the requirements of these rules and regulations will continue to place significant demands on our financial and operational resources, as well as IT systems.

While we have determined that our internal control over financial reporting was effective as of December 31, 2020, we must continue to monitor and assess our internal control over financial reporting. Our control environment may not be sufficient to remediate or prevent future material weaknesses or significant deficiencies from occurring. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system's objectives will be met. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and all instances of fraud will be detected.

If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities.

Our reported financial results may be negatively impacted by the changes in the accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board (FASB), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and may even affect the reporting of transactions completed before the announcement or effectiveness of a change. Other companies in our industry may apply these accounting principles differently than we do, which may affect the comparability of our consolidated financial statements.

If our estimates or judgments relating to our critical accounting policies and estimates prove to be incorrect, our operating results could be adversely affected.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in this 2020 Annual Report in the section titled Management's Discussion and Analysis of Financial Condition and Results of Operations. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in our stock price. Significant estimates and assumptions made by management include those related to revenue recognition (including sales incentives, sales returns and implied post contract support), inventory valuation, product warranty liabilities, the valuation, impairment and useful lives of long-lived assets (property and equipment, operating lease right-of-use assets, intangible assets and goodwill), the fair value of our convertible senior notes, and income taxes.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2020, we leased office facilities around the world totaling approximately 366,000 square feet, including approximately 201,000 square feet for our corporate headquarters in San Mateo, California. All of our properties are currently leased. We believe our existing facilities are adequate to meet our current requirements. If we were to require additional space, we believe we will be able to obtain such space on acceptable, commercially reasonable terms. See Note 9 Commitments, contingencies and guarantees, to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for more information about our lease commitments.

Item 3. Legal Proceedings

Refer to Legal proceedings and investigations included in Part II, Item 8, Note 9 Commitments, contingencies and guarantees, to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for the year ended December 31, 2020.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

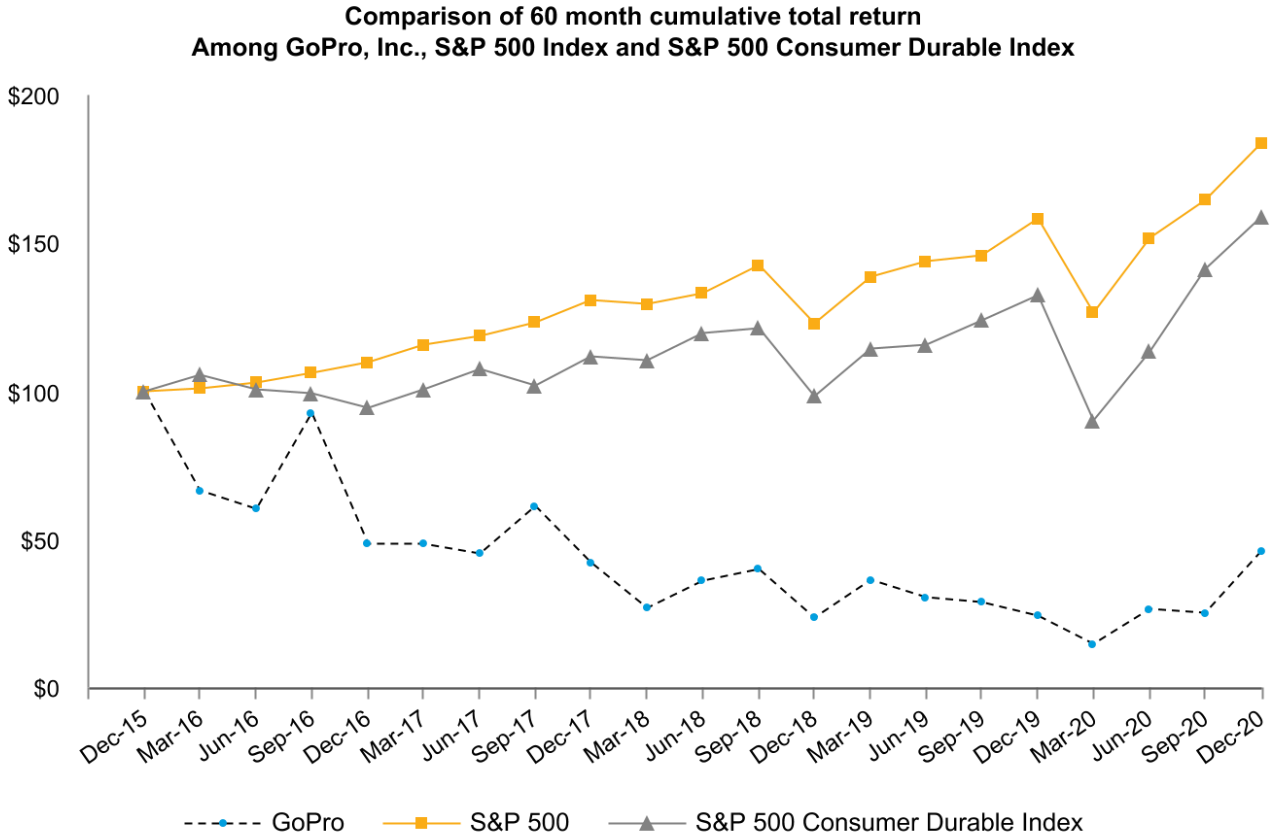
Item 5. Market for the Company's Common Shares, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market Information. Our Class A common stock is listed on The Nasdaq Global Select Market under the symbol "GPRO." Our Class B common stock is not listed nor traded on any stock exchange.

Holders. As of January 31, 2021, there were 176 holders of record of our Class A common stock and 27 holders of record of our Class B common stock.

Dividends. We have not declared or paid any cash dividends on our capital stock and do not currently intend to pay any cash dividends on our Class A or Class B common stock in the foreseeable future.

Performance graph. The graph below compares the cumulative total return on our Class A common stock with that of the S&P 500 Index and the S&P 500 Consumer Durables Index. The graph assumes $100 was invested (with reinvestment of all dividends, as applicable) at the close of market on December 31, 2015 in the Class A common stock of GoPro, Inc., the S&P 500 Index and the S&P 500 Consumer Durables Index, and its relative performance is tracked through December 31, 2020. Note that historic stock price performance is not intended to be indicative of future stock price performance.



Sales of unregistered securities. During the period covered by this Annual Report on Form 10-K, we have not sold any equity securities that were not registered under the Securities Act of 1933, as amended.

Issuer purchases of equity securities.

On October 22, 2020, 8.8 million shares out of the 9.2 million shares of Class A common stock underlying the Prepaid Forward entered into as part of our 2022 Notes were early settled and delivered to us. There was no financial statement impact due to the return of shares; however, shares outstanding for corporate law purposes were reduced by the early settlement.

No shares of our Class A or Class B common stock were purchased during the fourth quarter of 2020.

Item 6. Selected Consolidated Financial Data

The information set forth below for the five years ended December 31, 2020 is not necessarily indicative of results of future operations, and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements, related notes and other financial information included elsewhere in this Annual Report on Form 10-K.

	Year ended December 31,				
(dollars in thousands, except per share amounts)	**2020**	**2019**	**2018 (1)**	**2017 (1)**	**2016 (1)**
Consolidated statements of operations data:					
Revenue	$ 891,925	$ 1,194,651	$ 1,148,337	$ 1,179,741	$ 1,185,481
Gross profit	$ 314,514	$ 412,789	$ 361,434	$ 384,530	$ 461,920
Gross margin	35.3 %	34.6 %	31.5 %	32.6 %	39.0 %
Operating loss	$ (36,819)	$ (2,333)	$ (93,962)	$ (163,460)	$ (372,969)
Net loss	$ (66,783)	$ (14,642)	$ (109,034)	$ (182,873)	$ (419,003)
Net loss per share - basic and diluted	$ (0.45)	$ (0.10)	$ (0.78)	$ (1.32)	$ (3.01)
Other financial information:					
Adjusted EBITDA (2)	$ 43,200	$ 71,958	$ 21,778	$ (31,368)	$ (192,807)
Non-GAAP net income (loss) (3)	$ 12,779	$ 35,255	$ (31,909)	$ (95,867)	$ (201,247)
Non-GAAP diluted income (loss) per share	$ 0.08	$ 0.24	$ (0.23)	$ (0.69)	$ (1.44)

(1) The Company adopted Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842) on January 1, 2019, and adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), and ASU 2016-16 *Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory* on January 1, 2018. Prior periods were not adjusted for the adoption of these standards.

(2) We define adjusted EBITDA as net income (loss) adjusted to exclude the impact of provision for income taxes, interest income, interest expense, depreciation and amortization, point of purchase (POP) display amortization, stock-based compensation, intangible asset impairment charges, loss on extinguishment of debt, and restructuring and other costs, including right-of-use asset impairment charges.

(3) We define non-GAAP net income as net income (loss) adjusted to exclude stock-based compensation, acquisition-related costs, restructuring and other costs, including right-of-use asset impairment charges, non-cash interest expense, gain on sale and license of intellectual property, loss on extinguishment of debt and income tax adjustments. Acquisition-related costs include the amortization of acquired intangible assets and impairment charges (if applicable), as well as third-party transaction costs for legal and other professional services.

See Non-GAAP Financial Measures in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information and a reconciliation of net income (loss) to Adjusted EBITDA, net income (loss) to non-GAAP net income (loss), and shares used in the calculation of non-GAAP diluted income (loss) per share.

	As of December 31,				
(in thousands)	**2020**	**2019**	**2018 [(1)]**	**2017 [(1)]**	**2016 [(1)]**
Consolidated balance sheet data:					
Cash, cash equivalents and marketable securities	$ 325,654	$ 165,148	$ 197,512	$ 247,390	$ 217,953
Inventory	97,914	144,236	116,458	150,551	167,192
Working capital	293,991	208,925	174,574	203,156	157,074
Total assets	771,399	792,803	698,359	850,246	922,640
Total indebtedness	218,172	148,810	138,992	130,048	—
Total stockholders’ equity	216,018	233,529	212,112	298,705	446,945

(1) The Company adopted Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842) on January 1, 2019, and adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), and ASU 2016-16 *Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory* on January 1, 2018. Prior periods were not adjusted for the adoption of these standards.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements, related notes and other financial information appearing elsewhere in this Annual Report on Form 10-K. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements as a result of a variety of factors, including but not limited to, those discussed in Risk Factors and elsewhere in this Annual Report on Form 10-K. This MD&A is organized as follows:

- Overview. Discussion of our business and overall analysis of financial and other highlights affecting the Company in order to provide context for the remainder of MD&A.
- Components of Our Results of Operations. Description of the items contained in each revenue, cost of revenue and operating expense caption in the consolidated statements of operations.
- Results of Operations. Analysis of our financial results comparing 2020 to 2019 is presented below. An analysis of our financial results comparing 2019 to 2018 can be found under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on February 14, 2020, which is available free of charge on the SEC's website at www.sec.gov and our Investor Relations website at https://investor.gopro.com.
- Liquidity and Capital Resources. Analysis of changes in our balance sheets and cash flows, and discussion of our financial condition and potential sources of liquidity.
- Contractual Commitments. Overview of our contractual obligations, including expected payment schedules and indemnifications as of December 31, 2020.
- Critical Accounting Policies and Estimates. Accounting estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts.
- Non-GAAP Financial Measures. A reconciliation and discussion of our GAAP to non-GAAP financial measures.

Overview

GoPro helps the world capture and share itself in immersive and exciting ways. We are committed to developing solutions that create an easy, seamless experience for consumers to capture, create, and share engaging personal content. When consumers use our products and services, they often generate and share content that organically increases awareness for GoPro, driving a virtuous cycle and a self-reinforcing demand for our products. We believe revenue growth may be driven by the introduction of new cameras, accessories, lifestyle gear, and software and subscription offerings. We believe new camera features drive a replacement cycle among existing users and attract new users, expanding our total addressable market. Our investments in image stabilization, mobile app editing and sharing solutions, modular accessories, auto-upload capabilities, local language user-interfaces and voice recognition in more than 12 languages drive the expansion of our global market.

In 2020, we began shipping our HERO9 Black flagship camera which features a 23.6MP sensor that provides stunning 5K video, the highest resolution ever for a HERO camera, 20MP photos and HyperSmooth 3.0 video stabilization. The HERO9 Black camera also features a new front-facing display, a larger rear touch display, an extended battery life, new Power Tools, TimeWarp 3.0, SuperPhoto, live streaming, webcam mode, built-in mounting, cloud connectivity and voice control. HyperSmooth 3.0 is our most advanced stabilization ever and includes in-camera horizon leveling that keeps shots smooth and level. TimeWarp Video 3.0 features Real Speed, which allows users to slow down footage to real speed and capture audio while recording, and Half Speed, which allows users to slow down footage even more for epic slow motion. Webcam Mode enables users to connect their HERO9 Black camera to a computer with the included USB-C cable to use the camera as a 1080p high-definition wide-angle webcam. We also introduced new Power Tools including HindSight, Scheduled Capture and Duration Capture to help users capture the perfect shot. HindSight allows users to capture and save up to 30 seconds of video before the shutter button is pressed. Scheduled Capture allows users to set up their cameras to automatically capture photos or videos up to 24 hours in advance and Duration Capture allows users to set their HERO9 Black to record for a specified length of time. In addition, we introduced a Max Lens Mod accessory that brings Max HyperSmooth video stabilization and Max SuperView's ultra wide-angle photo and video to the HERO9 Black camera. Our HERO9 Black, HERO8 Black, HERO7 Black, HERO7 Silver and MAX cameras are compatible with our ecosystem of mountable and wearable accessories. The GoPro subscription includes unlimited cloud storage supporting source video and photo quality, camera replacement and damage protection, access to a high-quality live streaming service on GoPro.com as well as discounts on GoPro gear, mounts and accessories.

In December 2019, reports of a potentially deadly virus began to surface and in March 2020, the World Health Organization (the WHO) characterized the deadly virus, now called COVID-19, as a pandemic. The extent to which the COVID-19 pandemic may impact our financial condition or results of operations remains uncertain and the effect of the COVID-19 pandemic may not be fully reflected in our results of operations and overall financial performance until future periods. In the first quarter of 2020, we temporarily closed all of our offices and required most of our employees to work remotely. These changes remained largely in effect in the fourth quarter of 2020 and in most locations, we plan on maintaining closed offices through the middle of 2021. At this point, the duration and impact, if any, of these and any additional operational changes we may implement is uncertain, but changes we have implemented have not affected and are not expected to affect our ability to maintain operations, including financial reporting systems, internal control over financial reporting and disclosure controls and procedures. See section Item 1A Risk Factors for further discussion of the possible impact of the COVID-19 pandemic on our business.

The following is a summary of measures presented in our consolidated financial statements and key metrics used to evaluate our business, measure our performance, develop financial forecasts and make strategic decisions.

(units and dollars in thousands, except per share amounts)	Q4 2020	Q4 2019	% Change	FY 2020	FY 2019	% Change
Revenue	$ 357,772	$ 528,345	(32)%	$ 891,925	$1,194,651	(25)%
Camera units shipped [1]	1,108	1,857	(40)%	2,820	4,260	(34)%
Gross margin [2]	38.0 %	38.2 %	(20) bps	35.3 %	34.6 %	70 bps
Operating expenses	$ 80,728	$ 105,725	(24)%	$ 351,333	$ 415,122	(15)%
Net income (loss)	$ 44,413	$ 95,820	(54)%	$ (66,783)	$ (14,642)	356 %
Diluted net income (loss) per share	$ 0.28	$ 0.65	(57)%	$ (0.45)	$ (0.10)	350 %
Cash provided by (used in) operations	$ 106,253	$ 88,251	20 %	$ 93,782	$ (24,444)	(484)%
Other financial information:						
Adjusted EBITDA [3]	$ 67,744	$ 112,092	(40)%	$ 43,200	$ 71,958	(40)%
Non-GAAP net income [4]	$ 61,064	$ 102,498	(40)%	$ 12,779	$ 35,255	(64)%
Non-GAAP diluted net income per share	$ 0.39	$ 0.70	(44)%	$ 0.08	$ 0.24	(67)%

(1) Represents the number of camera units that are shipped during a reporting period, net of any returns.

(2) One basis point (bps) is equal to 1/100th of 1%.

(3) We define adjusted EBITDA as net income (loss) adjusted to exclude the impact of provision for income taxes, interest income, interest expense, depreciation and amortization, point of purchase (POP) display amortization, stock-based compensation, intangible asset impairment charges, loss on extinguishment of debt, and restructuring and other costs, including right-of-use asset impairment charges.

(4) We define non-GAAP net income (loss) as net income (loss) adjusted to exclude stock-based compensation, acquisition-related costs, restructuring and other costs, including right-of-use asset impairment charges, non-cash interest expense, gain on sale and license of intellectual property, loss on extinguishment of debt and income tax adjustments. Acquisition-related costs include the amortization of acquired intangible assets and impairment charges (if applicable), as well as third-party transaction costs for legal and other professional services.

Reconciliations of non-GAAP adjusted measures to the most directly comparable GAAP measures are presented under Non-GAAP Financial Measures.

Full year and fourth quarter 2020 financial performance

Revenue was $891.9 million for the full year 2020 compared to $1.195 billion in 2019. The COVID-19 pandemic, which began surfacing in December 2019, unfavorably impacted our financial performance in 2020 as certain retailers temporarily closed. As a result of the COVID-19 pandemic, we accelerated a shift in our sales channel strategy to focus on direct-to-consumer sales through GoPro.com. In the second half of 2020, revenue improved significantly with the launch of our HERO9 Black camera and strong holiday sales through GoPro.com, and we generated $208.3 million in cash flow from operations, reflecting our transition to a more efficient and profitable direct-to-consumer business. The gross margin percentage for 2020 was 35.3%, up from 34.6% in 2019. The year-over-year margin percentage improvement was primarily due to a favorable sales mix, partially offset by an increase in logistics related expenses and sales incentives. We shipped 2.8 million camera units in 2020, compared to 4.3 million camera units in 2019; however our average selling price in 2020 was $316, or a 13% increase from 2019. The increase in our average selling price was primarily due to cameras sold with a suggested retail price equal to or greater than $300, which represented 89% of our camera revenue mix in 2020, and growth in GoPro subscribers to 761,000 as of December 31, 2020 or a 145% increase year-over-year. Average selling price is defined as total revenue divided by the number of camera units shipped.

Our fourth quarter of 2020 financial results reflected the shift in our sales channel strategy to focus on direct-to-consumer sales through GoPro.com. Comparisons of our fourth quarter of 2020 financial performance to the same period in 2019 were impacted by a late stage production delay resulting in the launch of HERO8 Black in the fourth quarter of 2019 as opposed to the launch of HERO9 Black in the third quarter of 2020. Revenue in the fourth quarter of 2020 was $357.8 million compared to $528.3 million in the same period in 2019, while the gross margin percentage was 38.0% in the fourth quarter of 2020, compared to 38.2% in the same period in 2019. The slight decrease in the gross margin percentage was primarily due to an increase in tariff and logistics related charges. In the fourth quarter of 2020, revenue from GoPro.com increased 91% year-over-year. Revenue from GoPro.com in the fourth quarter of 2020 was $116.4 million, or 33% of total revenue, compared to $61.1 million, or 12% of total revenue in the same period in 2019. We shipped 1.1 million camera units in the fourth quarter of 2020, compared to 1.9 million camera units in the same period in 2019. Our average selling price was $323, representing a 14% increase year-over-year. The increase in our average selling price was primarily due to cameras sold with a suggested retail price equal to or greater than $300, which represented 91% of our camera revenue mix in the fourth quarter of 2020, and growth in GoPro subscribers.

Our fourth quarter of 2020 and full year of 2020 operating expenses decreased 23.6% and 15.4%, respectively, primarily attributable to our continued focus on cost management and the cost reductions recognized from our restructuring actions.

We were profitable on a GAAP and non-GAAP basis in the fourth quarter of 2020 with net income of $44.4 million and $61.1 million, respectively. For the full year of 2020, we incurred a net loss of $66.8 million on a GAAP basis but were profitable on a non-GAAP basis with net income of $12.8 million.

Factors affecting performance

We believe that our future success will be dependent on many factors, including those further discussed below. While these areas represent opportunities for us, they also represent challenges and risks that we must successfully address in order to operate our business and improve our results of operations.

Driving profitability through improved efficiency, lower costs and better execution. We incurred operating losses in 2020, 2019, and 2018. However, our restructuring actions have significantly reduced our on-going operating expenses in 2020, 2019, and 2018, resulting in a flatter, more efficient global organization that has allowed for improved communication and better alignment among our functional teams. Primarily as a result of the impact of the COVID-19 pandemic, we took additional restructuring actions in April 2020 to further reduce our operating expenses in marketing, sales, and general and administrative functions, and to reduce our global facility footprint. Operating expense reductions related to research and development were minor in order to protect our product roadmap and innovation. Additionally, in response to the COVID-19 pandemic, we accelerated a shift in our sales channel strategy to reduce the number of distributors and retailers that we work with to focus more on direct-to-consumer sales through GoPro.com. Revenue from GoPro.com for the year ended December 31, 2020 and 2019 was $282.6 million and $141.1 million, respectively, and represented 31.7% and 11.8% of revenue, respectively. The growth in revenue from GoPro.com contributed to the increase in gross margin, which was 35.3% and 34.6% for the year ended December 31, 2020 and 2019, respectively. For the year ended December 31, 2020 and 2019, revenue from retailers represented 68.3% and 88.2% of total revenue, respectively. If we are unable to generate adequate revenue growth, particularly in light of the impact of the COVID-19 pandemic, successfully implement our direct-to-consumer sales model, or continue to manage our expenses, we may incur significant losses in the future and may not be able to achieve profitability.

Investing in research and development and enhancing our customer experience. Our performance is significantly dependent on the investments we make in research and development, including our ability to attract and retain highly skilled and experienced research and development personnel. We expect the timing of new product releases to continue to have a significant impact on our revenue and we must continually develop and introduce innovative new cameras, mobile applications and other new offerings. We plan to further build upon our integrated mobile and cloud-based storytelling solutions, and subscription offerings. Our investments, including those for marketing and advertising, may not successfully drive increased revenue and our customers may not accept our new offerings. If we fail to innovate and enhance our brand, our products, our integrated storytelling solutions, the value proposition of our subscriptions, our market position and revenue will be adversely affected. Further, we have incurred substantial research and development expenses and if our efforts are not successful, we may not recover the value of these investments.

Improving Profitability. We believe that shifting the way we sell, and focusing on growing our direct-to-consumer sales and subscription services will accelerate our ability to achieve profitability due to an improved margin structure and lower operating expenses to support this shift in channel, particularly in light of the impact of the COVID-19 pandemic. As a result of this shift toward direct sales, we believe we can reach profitability with lower overall unit sales. We continue to believe that international markets represent a significant opportunity to achieve profitability. While the total market for digital cameras has continued to decline as smartphone and tablet camera quality has improved, we continue to believe that our consumers' differentiated use of GoPro cameras, our integrated storytelling solutions, our continued innovation of product features desired by our users, and our brand, all help support our business from many of the negative trends facing this market. However, we expect that the markets in which we conduct our business will remain highly competitive as we face new product introductions from competitors. We will continue to leverage the brand recognition of our Company to increase our global presence through GoPro.com with the active promotion of our brand, the expansion of localized products in international markets with region-specific marketing, and an investment focus on the biggest opportunities.

Our profitability also depends on expanding our subscription service offerings. If we are not successful in our shift to a direct-to-consumer sales model, expanding our product and subscription offerings and increasing our paid subscriber base, we might not be able to become consistently profitable and we may not recognize benefits from our investment in new areas.

Marketing the improved GoPro experience. We intend to focus our marketing resources to increase traffic, improve the consumer experience on GoPro.com, and further improve brand recognition. Historically, our growth has largely been fueled by the adoption of our products by people looking to self-capture images of themselves participating in exciting physical activities. Our goal of maintaining profitability depends on continuing to reach, expand and re-engage with this core user base in alignment with our strategic priorities. Sales and marketing investments will often occur in advance of any sales benefits from these activities, and it may be difficult for us to determine if we are efficiently allocating our resources in this area.

Seasonality. Historically, we have experienced the highest levels of revenue in the fourth quarter of the year, coinciding with the holiday shopping season, particularly in the United States and Europe. While we have implemented operational changes aimed at reducing the impact of fourth quarter seasonality on full year performance, timely and effective product introductions and forecasting, whether just prior to the holiday season or otherwise, are critical to our operations and financial performance.

Components of our Results of Operations

Revenue. Our revenue is primarily comprised of product sales and subscription services, net of returns and sales incentives. Revenue is derived from the sale of our cameras and accessories directly to retailers, through our network of domestic and international distributors, and on GoPro.com. See Critical Accounting Policies and Estimates and Note 1 Summary of business and significant accounting policies, to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for information regarding revenue recognition.

Cost of revenue. Our cost of revenue primarily consists of product costs, including costs of contract manufacturing for production, third-party logistics and procurement costs, warranty repair costs, tooling and equipment depreciation, excess and obsolete inventory write-downs, amortization of acquired developed technology, license fees, tariffs and certain allocated costs related to our manufacturing team, facilities, including right-of-use asset impairment charges, and personnel-related expenses.

Operating expenses. We classify our operating expenses into three categories: research and development, sales and marketing, and general and administrative.

Research and development. Our research and development expense consists primarily of personnel-related costs, including salaries, stock-based compensation and employee benefits. Research and development expense also includes consulting and outside professional services costs, materials, and allocated facilities, restructuring, including right-of-use asset impairment charges, depreciation and other supporting overhead expenses associated with the development of our product and service offerings.

Sales and marketing. Our sales and marketing expense consists primarily of advertising and marketing promotions of our products and services, and personnel-related costs, including salaries, stock-based compensation and employee benefits. Sales and marketing expense also includes point of purchase (POP) display expenses and related amortization, sales commissions, trade show and event costs, sponsorship costs, consulting and contractor expenses, and allocated facilities, restructuring, including right-of-use asset impairment charges, depreciation and other supporting overhead expenses.

General and administrative. Our general and administrative expense consists primarily of personnel-related costs, including salaries, stock-based compensation and employee benefits for our finance, legal, human resources, information technology and administrative personnel. The expense also includes professional service costs related to accounting, tax, legal services, and allocated facilities, restructuring, including right-of-use asset impairment charges, depreciation and other supporting overhead expenses.

Results of Operations

The following table sets forth the components of our Consolidated Statements of Operations for each of the periods presented, and each component as a percentage of revenue:

	Year ended December 31,					
(dollars in thousands)	2020		2019		2018	
Revenue	$ 891,925	100 %	$ 1,194,651	100 %	$ 1,148,337	100 %
Cost of revenue	577,411	65	781,862	65	786,903	69
Gross profit	314,514	35	412,789	35	361,434	31
Operating expenses:						
Research and development	131,589	15	142,894	12	167,296	15
Sales and marketing	151,380	17	206,431	17	222,096	19
General and administrative	68,364	8	65,797	6	66,004	6
Total operating expenses	351,333	40	415,122	35	455,396	40
Operating loss	(36,819)	(5)	(2,333)	—	(93,962)	(9)
Other income (expense):						
Interest expense	(20,257)	(2)	(19,229)	(2)	(18,683)	(1)
Other income (expense), net	(4,881)	(1)	2,492	—	4,970	—
Total other expense, net	(25,138)	(3)	(16,737)	(2)	(13,713)	(1)
Loss before income taxes	(61,957)	(8)	(19,070)	(2)	(107,675)	(10)
Income tax expense (benefit)	4,826	1	(4,428)	(1)	1,359	—
Net loss	$ (66,783)	(7)%	$ (14,642)	(1)%	$ (109,034)	(10)%

Revenue

(camera units and dollars in thousands, except average selling price)	Year ended December 31, 2020	2019	2018	2020 vs 2019 % Change	2019 vs 2018 % Change
Camera units shipped	2,820	4,260	4,337	(34)%	(2)%
Average selling price	$ 316	$ 280	$ 265	13	6
GoPro.com	$ 282,557	$ 141,149	$ 100,641	100	40
Percentage of revenue	*31.7 %*	*11.8 %*	*8.8 %*		
Retail	$ 609,368	$ 1,053,502	$ 1,047,696	(42)	1
Percentage of revenue	*68.3 %*	*88.2 %*	*91.2 %*		
Total revenue	$ 891,925	$ 1,194,651	$ 1,148,337	(25)%	4 %
Americas	$ 483,331	$ 523,975	$ 494,797	(8)%	6 %
Percentage of revenue	*54.2 %*	*43.9 %*	*43.1 %*		
Europe, Middle East and Africa	$ 218,670	$ 359,187	$ 366,438	(39)	(2)
Percentage of revenue	*24.5 %*	*30.0 %*	*31.9 %*		
Asia and Pacific (APAC)	$ 189,924	$ 311,489	$ 287,102	(39)	8
Percentage of revenue	*21.3 %*	*26.1 %*	*25.0 %*		
Total revenue	$ 891,925	$ 1,194,651	$ 1,148,337	(25)%	4 %

2020 Compared to 2019. Revenue was $891.9 million in 2020 compared to $1.195 billion in 2019. The COVID-19 pandemic, which began surfacing in December 2019, unfavorably impacted our financial performance in the first half of 2020. As a result of the COVID-19 pandemic, we accelerated a shift in our sales channel strategy to focus on direct-to-consumer sales through GoPro.com. Revenue in the second half improved significantly with the launch of our HERO9 Black camera and strong holiday sales through GoPro.com. Revenue from GoPro.com was $282.6 million, or 32% of total revenue in 2020, compared to 12% of total revenue in 2019. We shipped 2.8 million camera units in 2020, compared to 4.3 million camera units in 2019; however our average selling price in 2020 was $316, which was a 13% increase from 2019. The increase in our average selling price was primarily due to cameras sold with a suggested retail price equal to or greater than $300, which represented 89% of our camera revenue mix in 2020, and growth in GoPro subscribers to 761,000 as of December 31, 2020 or a 145% increase year-over-year. Average selling price is defined as total revenue divided by the number of camera units shipped.

Cost of revenue and gross margin

(dollars in thousands)	Year ended December 31, 2020	2019	2018	2020 vs 2019 % Change	2019 vs 2018 % Change
Cost of revenue	$ 570,064	$ 772,088	$ 772,136	(26)%	— %
Stock-based compensation	1,548	1,902	1,954	(19)	(3)
Acquisition-related costs	4,598	7,818	11,434	(41)	(32)
Restructuring costs	1,201	54	1,379	2,124	(96)
Total cost of revenue	$ 577,411	$ 781,862	$ 786,903	(26)%	(1)%
Gross margin	*35.3 %*	*34.6 %*	*31.5 %*	*70 bps*	*310 bps*

2020 Compared to 2019. Gross margin of 35.3% in 2020 increased from 34.6% in 2019, or 70 bps, primarily due to a favorable camera revenue mix, 657 bps, and growth in our subscription services, 43 bps, partially offset by higher operational expenses, (326) bps, higher sales incentives, (249) bps, and higher average camera costs, (53) bps.

Research and development

(dollars in thousands)	Year ended December 31, 2020	2019	2018	2020 vs 2019 % Change	2019 vs 2018 % Change
Research and development	$ 110,112	$ 125,142	$ 134,866	(12)%	(7)%
Stock-based compensation	13,415	17,167	19,636	(22)	(13)
Restructuring costs	8,062	585	12,794	1,278	(95)
Total research and development	$ 131,589	$ 142,894	$ 167,296	(8)%	(15)%
Percentage of revenue	*14.8 %*	*12.0 %*	*14.6 %*		

2020 Compared to 2019. The year-over-year decrease of $11.3 million, or 8%, in total research and development expenses in 2020 compared to 2019 reflected a $9.6 million decrease in cash-based personnel-related costs due to a reduction in global research and development headcount, a $3.8 million decrease in stock-based compensation, a $3.2 million decrease in depreciation and other supporting overhead expenses, and a $2.0 million decrease in travel related expenses, partially offset by a $7.5 million increase in restructuring costs.

Sales and marketing

(dollars in thousands)	Year ended December 31, 2020	2019	2018	2020 vs 2019 % Change	2019 vs 2018 % Change
Sales and marketing	$ 134,917	$ 198,074	$ 207,346	(32)%	(4)%
Stock-based compensation	5,779	8,043	9,459	(28)	(15)
Restructuring costs	10,684	314	5,291	3,303	(94)
Total sales and marketing	$ 151,380	$ 206,431	$ 222,096	(27)%	(7)%
Percentage of revenue	*17.0 %*	*17.3 %*	*19.3 %*		

2020 Compared to 2019. The year-over-year decrease of $55.1 million, or 27%, in total sales and marketing expenses in 2020 compared to 2019 reflected a $45.9 million decrease in overall advertising and marketing expenses attributable to reduced online campaigns, sponsorships and marketing events, a $14.1 million decrease in cash-based personnel-related costs due to a reduction in global sales and marketing headcount, a $3.4 million decrease in travel related expenses, a $3.2 million decrease allocated facilities, depreciation and other supporting overhead expenses, and a $2.3 million decrease in stock-based compensation, partially offset by a $10.4 million increase in restructuring costs and a $3.6 million increase in payment processing fees related to sales through GoPro.com.

General and administrative

(dollars in thousands)	Year ended December 31, 2020	2019	2018	2020 vs 2019 % Change	2019 vs 2018 % Change
General and administrative	$ 53,694	$ 55,220	$ 52,865	(3)%	4 %
Stock-based compensation	9,221	10,076	9,838	(8)	2
Acquisition-related costs	—	—	22	—	(100)
Restructuring costs	5,449	501	3,279	988	(85)
Total general and administrative	$ 68,364	$ 65,797	$ 66,004	4 %	— %
Percentage of revenue	*7.7 %*	*5.5 %*	*5.7 %*		

2020 Compared to 2019. The year-over-year increase of $2.6 million, or 4%, in total general and administrative expenses in 2020 compared to 2019 reflected a $7.0 million increase in legal and professional services costs and a $4.9 million increase in restructuring charges, partially offset by a $4.7 million decrease in cash-based personnel-related costs due to a reduction in global general and administrative headcount, a $2.3 million decrease in allocated facilities and other supporting overhead expenses, a $1.0 million lease termination fee recorded in 2019, a $0.9 million decrease in stock-based compensation and a $0.8 million decrease in travel related expenses.

Restructuring costs

Second quarter 2020 restructuring plan. On April 14, 2020, we approved a restructuring plan that provided for a reduction of our global workforce by approximately 20% and the consolidation of certain leased office facilities. Under the second quarter 2020 restructuring plan, we recorded restructuring charges of $25.5 million, including a $12.5 million right-of-use asset impairment primarily related to our headquarter campus, $7.3 million related to severance, and $5.8 million related to accelerated depreciation and other charges. The right-of-use asset impairment charge was recorded as a restructuring expense, primarily in the operating expense financial statement line items in the Consolidated Statements of Operations.

We ceased using a portion of our headquarters campus in the third quarter of 2020 as part of the second quarter 2020 restructuring plan. The unused portion of our headquarters campus has its own identifiable expenses and is not dependent on other parts of our business, and thus was considered its own asset group. As a result, we impaired a part of the carrying value of the related right-of-use asset to its estimated fair value using the discounted future cash flows method. The discounted future cash flows were based on future sublease rental rates, future sublease market conditions and a discount rate based on the weighted-average cost of capital. Based on the results of our assessment, we recognized a $12.3 million impairment.

First quarter 2017 restructuring plan. On March 15, 2017, we approved a restructuring plan that provided for a reduction of our workforce by approximately 17% and the consolidation of certain leased office facilities. Under the first quarter 2017 restructuring plan, we recorded restructuring charges of $23.1 million, including $10.3 million related to severance and $12.8 million related to accelerated depreciation and other charges. The actions associated with the first quarter 2017 restructuring plan were substantially completed by the fourth quarter of 2017.

See Note 11 Restructuring charges, to the Notes to Consolidated Financial Statements.

Other income (expense)

	Year ended December 31,			2020 vs 2019	2019 vs 2018
(dollars in thousands)	**2020**	**2019**	**2018**	**% Change**	**% Change**
Interest expense	$ (20,257)	$ (19,229)	$ (18,683)	5 %	3 %
Other income (expense), net	(4,881)	2,492	4,970	(296)	(50)
Total other expense, net	$ (25,138)	$ (16,737)	$ (13,713)	50 %	22 %

2020 Compared to 2019. Total other expense, net, increased $8.4 million in 2020 compared to 2019, primarily due to a $5.4 million loss on the partial extinguishment of our 3.50% Convertible Senior Notes due 2022 (2022 Notes) in 2020, a $1.4 million increase in the amortization of our debt discount primarily due to the issuance in 2020 of our 1.25% Convertible Senior Notes due 2025 (2025 Notes), and a $1.1 million decrease in interest income due to less investment activity in 2020.

Income taxes

	Year ended December 31,			2020 vs 2019	2019 vs 2018
(dollars in thousands)	**2020**	**2019**	**2018**	**% Change**	**% Change**
Income tax expense (benefit)	$ 4,826	$ (4,428)	$ 1,359	(209)%	(426)%
Effective tax rate	(7.8)%	23.2 %	(1.3)%		

We recorded an income tax expense of $4.8 million in 2020 on a pre-tax net loss of $62.0 million, which resulted in a negative effective tax rate of 7.8%. Our income tax expense was primarily related to a significant benefit on pre-tax book losses, offset by the valuation allowance on United States federal and state deferred tax assets and by income taxes paid or accrued in profitable foreign jurisdictions (primarily wholly owned subsidiaries in Europe).

Our 2019 effective tax rate of 23.2% resulted primarily from a tax benefit related to an overall decrease in losses before income taxes, a benefit from the reversal of previously accrued tax provision on uncertain tax positions that were no longer necessary due to the expiration of the statute of limitations and settlements with certain taxing jurisdictions, partially offset by the valuation allowance on United States federal and state net deferred tax assets and a shortfall tax impact from stock-based compensation.

See Note 8 Income taxes, to the Notes to Consolidated Financial Statements for additional information.

Quarterly results of operations

The following table sets forth our unaudited quarterly consolidated results of operations for each of the eight quarterly periods in the two-year period ended December 31, 2020.

	Three months ended							
(dollars in thousands, except per share amounts)	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019
Revenue	$ 357,772	$ 280,507	$ 134,246	$ 119,400	$ 528,345	$ 131,169	$ 292,429	$ 242,708
Gross profit	136,083	99,312	40,692	38,427	201,825	28,432	102,185	80,347
Operating expenses (1)	80,728	90,458	85,606	94,541	105,725	99,630	109,132	100,635
Net income (loss)	$ 44,413	$ 3,307	$ (50,975)	$ (63,528)	$ 95,820	$ (74,810)	$ (11,287)	$ (24,365)
Net income (loss) per share:								
Basic	$ 0.29	$ 0.02	$ (0.34)	$ (0.43)	$ 0.65	$ (0.51)	$ (0.08)	$ (0.17)
Diluted	$ 0.28	$ 0.02	$ (0.34)	$ (0.43)	$ 0.65	$ (0.51)	$ (0.08)	$ (0.17)

(1) Included in operating expenses were restructuring charges of $13.7 million for the quarter ended September 30, 2020, $11.0 million for the quarter ended June 30, 2020 and $1.6 million for the quarter ended June 30, 2019.

Liquidity and Capital Resources

The following table presents selected financial information as of December 31, 2020 and 2019:

(dollars in thousands)	December 31, 2020	December 31, 2019
Cash and cash equivalents	$ 325,654	$ 150,301
Marketable securities	—	14,847
Total cash, cash equivalents and marketable securities	$ 325,654	$ 165,148
Percentage of total assets	*42 %*	*21 %*

Our primary source of cash is receipts from sales of our products and services. Other sources of cash are from proceeds from the issuance of convertible notes, employee participation in the employee stock purchase plan, the exercise of employee stock options, tax refunds and facility subleases. The primary uses of cash are for inventory procurement, payroll-related expenses, general operating expenses, including advertising, marketing and office rent, purchases of property and equipment, other costs of revenue and repurchases of convertible notes.

As of December 31, 2020, our cash, cash equivalents and marketable securities totaled $325.7 million. In addition, we had $2.0 million of restricted cash as of December 31, 2020. The overall cash provided by operations of $93.8 million for the year ended December 31, 2020 was primarily due to positive operating cash (net loss of $66.8 million, offset by non-cash expenses of $90.1 million) and changes in working capital of $70.5 million. Working capital changes for the year ended December 31, 2020 were the result of a decrease in accounts receivable of $93.1 million and a decrease in inventory of $46.3 million, partially offset by a decrease in accounts payable and other liabilities of $87.5 million. As of December 31, 2020, $15.8 million of cash was held by our foreign subsidiaries.

Convertible Notes

In April 2017, we issued $175.0 million aggregate principal amount of the 2022 Notes in a private placement to purchasers for resale to qualified institutional buyers. The 2022 Notes mature on April 15, 2022, unless earlier repurchased or converted into shares of Class A common stock subject to certain conditions. The 2022 Notes are convertible into cash, shares of the Class A common stock, or a combination thereof, at our election, at an initial conversion rate of 94.0071 shares of common stock per $1,000 principal amount of the 2022 Notes, which is equivalent to an initial conversion price of approximately $10.64 per share of common stock, subject to adjustment. We pay interest on the 2022 Notes semi-annually in arrears on April 15 and October 15 of each year. Proceeds received from the issuance of the 2022 Notes were allocated between a liability component (long-term debt) and an equity component (additional paid-in capital). The fair value of the liability component was measured using rates determined for similar debt instruments without a conversion feature.

In connection with the 2022 Notes offering, we entered into a prepaid forward stock repurchase transaction agreement (Prepaid Forward) with a financial institution. Pursuant to the Prepaid Forward, we used approximately $78.0 million of the proceeds from the offering of the 2022 Notes to pay the prepayment amount. The aggregate number of shares of our Class A common stock underlying the Prepaid Forward is approximately 9.2 million shares. The expiration date for the Prepaid Forward is April 15, 2022, although it may be settled earlier in whole or in part. Upon settlement of the Prepaid Forward, at expiration or upon any early settlement, the forward counterparty will deliver to us the number of shares of Class A common stock underlying the Prepaid Forward or the portion thereof being settled early. The shares purchased under the Prepaid Forward were treated as treasury stock on the Consolidated Balance Sheets (and not outstanding for purposes of the calculation of basic and diluted income (loss) per share), but remain outstanding for corporate law purposes, including for purposes of any future stockholders' votes, until the forward counterparty delivers the shares underlying the Prepaid Forward to us. The net proceeds from the 2022 Convertible Senior Notes offering of approximately $91 million were used for general corporate purposes.

In October 2020, 8.8 million shares out of the 9.2 million shares of Class A common stock underlying the Prepaid Forward entered into as part of our 2022 Notes were early settled and delivered to us. There was no financial statement impact due to the return of shares; however, shares outstanding for corporate law purposes were reduced by the early settlement.

In November 2020, we issued $143.8 million aggregate principal amount of 2025 Notes in a private placement to purchasers for resale to qualified institutional buyers. The 2025 Notes mature on November 15, 2025, unless earlier repurchased or converted into shares of Class A common stock subject to certain conditions. The 2025 Notes are convertible into cash, shares of the Class A common stock, or a combination thereof, at our election, at an initial conversion rate of 107.1984 shares of common stock per $1,000 principal amount of the 2025 Notes, which is equivalent to an initial conversion price of approximately $9.3285 per share of common stock, subject to adjustment. We pay interest on the 2025 Notes semi-annually in arrears on May 15 and November 15 of each year. Proceeds received from the issuance of the 2025 Notes were allocated between a liability component (long-term debt) and an equity component (additional paid-in capital). The fair value of the liability component was measured using rates determined for similar debt instruments without a conversion feature.

In connection with the offering of the 2025 Notes, the Company entered into privately negotiated capped call transactions with certain financial institutions (Capped Calls). We used $10.2 million of the net proceeds from the sale of the 2025 Notes to purchase the Capped Calls and $56.2 million of the net proceeds to repurchase $50.0 million of aggregate principal amount of the 2022 Notes. The remaining net proceeds were used for general corporate purposes.

Liquidity

The COVID-19 pandemic negatively impacted our financial results in 2020, and as a result, we took several actions to optimize liquidity, including the acceleration of a shift in our sales channel strategy to reduce the number of distributors and retailers that we work with to focus more on direct-to-consumer sales through GoPro.com, reducing our marketing expenses to reflect the appropriate levels of support for our shift to a direct-to-consumer model, and announced a restructuring plan in April 2020, which included a reduction in our global workforce by approximately 20% and reductions in leased facilities. These actions positively impacted our financial results beginning in the second quarter of 2020. With a more direct-to-consumer sales channel strategy, we expect to increase sales from GoPro.com relative to total revenue. We expect these actions to accelerate our ability to achieve profitability and continue to reduce operating expenses. Based on our most current projections which incorporate these actions, we believe that our cash, cash equivalents and marketable securities will be sufficient to address our working capital needs, capital expenditures, outstanding commitments and other liquidity requirements for at least one year from the issuance of these financial statements.

In the future, we may require additional financing to respond to business opportunities, challenges or unforeseen circumstances. If we are unable to obtain adequate debt or equity financing when we require it or on terms acceptable to us, especially in light of the market volatility and uncertainty as a result of the COVID-19 pandemic, our ability to grow or support our business, repay debt and respond to business challenges could be significantly limited. Although we believe we have adequate sources of liquidity over the long term, the success of our operations and the global economic outlook, in each case, in light of the market volatility and uncertainty as a result of the COVID-19 pandemic, among other factors, could impact our business and liquidity.

Summary of Cash Flow

The following table summarizes our cash flows for the periods indicated:

	Year ended December 31,			2020 vs 2019	2019 vs 2018
(in thousands)	**2020**	**2019**	**2018**	**% Change**	**% Change**
Net cash provided by (used in):					
Operating activities	$ 93,782	$ (24,444)	$ (42,434)	(484)%	(42)%
Investing activities	$ 9,511	$ 22,771	$ (6,235)	(58)	(465)%
Financing activities	$ 71,977	$ (1,044)	$ (1,481)	(6,994)%	(30)%

Cash flows from operating activities

Cash provided by operating activities of $93.8 million for the year ended December 31, 2020 was primarily attributable to non-cash expenses of $90.1 million and a net cash inflow of $70.5 million from changes in operating assets and liabilities, partially offset by a net loss of $66.8 million. Cash inflows related to operating assets and liabilities consisted primarily of a decrease in accounts receivable of $93.1 million and a decrease in inventory of $46.3 million, partially offset by a decrease in accounts payable and other liabilities of $87.5 million.

Cash flows from investing activities

Cash provided by investing activities of $9.5 million for the year ended December 31, 2020 was primarily attributable to $14.8 million from maturities of marketable securities, partially offset by net purchases of property and equipment of $4.9 million.

Cash flows from financing activities

Cash provided by financing activities of $72.0 million for the year ended December 31, 2020 was primarily attributable to $143.8 million proceeds from the issuance of our 2025 Notes, and $5.4 million received from stock purchases made through our employee stock purchase plan and employee stock option exercises, partially offset by $56.0 million used in the partial repurchase of our 2022 Notes, $10.2 million used in the purchase of Capped Calls and $6.2 million in tax payments for net RSU settlements.

Off-balance sheet arrangements

During the periods presented, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2020:

(in thousands)	Total	2021	2022	2023	2024	2025	Thereafter
Operating lease obligations	$ 73,114	$ 12,794	$ 12,945	$ 11,924	$ 11,519	$ 11,306	$ 12,626
Sponsorship commitments	1,509	1,059	450	—	—	—	—
Other contractual commitments	27,526	19,165	6,361	1,882	118	—	—
Long-term debt [(1)]	284,268	7,279	128,073	1,797	1,797	145,322	—
Total contractual cash obligations	$386,417	$ 40,297	$147,829	$ 15,603	$ 13,434	$156,628	$ 12,626

(1) The Company's convertible senior notes are due in April 2022 and November 2025. The balances include accrued and unpaid interest as of December 31, 2020. Refer to Note 4 Financing Arrangements.

See Note 4 Financing Arrangements, for a discussion regarding our 2022 Notes and 2025 Notes, and Note 9 Commitments, contingencies and guarantees, for a discussion regarding facility leases and other contractual commitments in the Notes to Consolidated Financial Statements.

Indemnifications

We have entered into indemnification agreements with our directors and executive officers which require us to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. In addition, in the normal course of business, we enter into agreements that contain a variety of representations and warranties, and provide for general indemnification. Our exposure under these agreements is unknown because it involves claims that may be made against us in the future, but have not yet been made. It is not possible to determine the maximum potential amount under these indemnification agreements due to our limited history with indemnification claims and the unique facts and circumstances involved in each particular agreement. As of December 31, 2020, we have not paid any claims, nor has it been required to defend any action related to its indemnification obligations. However, we may record charges in the future as a result of these indemnification obligations.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates, assumptions and judgments that can significantly impact the amounts we report as assets, liabilities, revenue, costs and expenses and the related disclosures. Note 1 Summary of business and significant accounting policies, to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. We base our estimates on historical experience and other assumptions that we believe are reasonable under the circumstances. Our actual results could differ significantly from these estimates. We believe that the accounting policies discussed below are critical to understanding our historical and future performance as these policies involve a greater degree of judgment and complexity. Our senior management has reviewed these critical accounting policies and related disclosures with the audit committee of our board of directors.

Revenue recognition

We derive substantially all of our revenue from the sale of cameras, mounts and accessories, the related implied post contract support to customers and subscription services. We recognize revenue when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. The transaction price we expect to be entitled to is primarily comprised of product revenue, net of returns and variable consideration, including sales incentives provided to customers.

For most of our revenue, revenue is recognized at the time the product is delivered and when collection is considered probable. For the Company's subscription services, revenue is recognized on a ratable basis over the subscription term, with payments received in advanced of services being rendered recorded in deferred revenue. For customers who purchase products directly from GoPro.com, we retain a portion of the risk of loss on these sales during transit, which are accounted for as fulfillment costs.

Our standard terms and conditions for non-web based sales do not allow for product returns other than under warranty. However, we grant limited rights to return product for certain large retailers. Estimates of expected future product returns are recognized at the time of sale based on analyses of historical return trends by customer class and other factors. An estimated return liability along with a right to recover assets are recorded for future product returns. Return trends are influenced by product life cycles, new product introductions, market acceptance of products, product sell-through, the type of customer, seasonality and other factors. Return rates may fluctuate over time, but are sufficiently predictable to allow us to estimate expected future product returns. Actual returns in any future period could differ from our estimates, which could impact the revenue that we report.

Our camera sales contain multiple performance obligations that can include the following four separate obligations: a) a hardware component (camera and/or accessories) and the embedded firmware essential to the functionality of the hardware component delivered at the time of sale, b) the implicit right to our downloadable free apps and software solutions, c) the implied right for the customer to receive post contract support after the initial sale (PCS), and d) a subscription service. PCS includes the right to receive, on a when and if available basis, future unspecified firmware upgrades and features as well as bug fixes, and email and telephone support. Judgment is required to properly identify the accounting units of multiple performance obligations and to determine the manner in which revenue should be allocated among the obligations. We allocate the transaction price to the PCS performance obligation based on a cost-plus method. The transaction price is allocated to the remaining performance obligations on a residual value methodology or based on standalone selling price. Our process to allocate the transaction price considers multiple factors that may vary over time depending upon the unique facts and circumstances related to each deliverable, including: the level of support provided to customers, estimated costs to provide our support, the amount of time and cost that is allocated to our efforts to develop the undelivered elements, market trends in the pricing for similar offerings, and the standalone selling price. While changes in the allocation of the transaction price among the performance obligations will not affect the amount of total revenue ultimately recognized for a particular sales arrangement, any material changes in these allocations could impact the timing of revenue recognition, which could have a material effect on our financial condition and results of operations.

We provide our customers with sales incentives through various programs, including cooperative advertising, marketing development funds and other incentives. Sales incentives are considered to be variable consideration, which we estimate and record as a reduction to revenue at the date of sale. Sales incentives are influenced by historical experience, product sell-through and other factors. Actual sales incentives and their impact on reported revenue could differ from our estimates.

Inventory valuation

Inventory consists of finished goods and component parts, and is stated at the lower of cost or net realizable value on a first-in, first-out basis. Our inventory balances were $97.9 million and $144.2 million as of December 31, 2020 and 2019, respectively. Our assessment of market value requires the use of estimates regarding the net realizable value of our inventory balances, including an assessment of excess or obsolete inventory. We determine excess or obsolete inventory based on multiple factors, including market conditions, an estimate of the future demand for our products within a specified time horizon, generally 12 months, product life cycle status, product development plans and current sales levels.

Warranty

We establish a liability for estimated product warranty costs at the time product revenue is recognized. We generally provide a 12-month warranty coverage on all of our products except in the European Union where we provide a 2-year warranty. The Company also offers extended warranty programs for a fee. Our estimate of costs to service our warranty obligations are based on historical experience of repair and replacement of the associated products and expectations of future conditions. The warranty obligation is affected by product failure rates and the related use of materials, labor costs and freight incurred in correcting any product failure. Should actual product failure rates, use of materials or other costs differ from our estimates, additional warranty liabilities could be required, which could materially affect our results of operations.

Income taxes

We are subject to income taxes in the United States and multiple foreign jurisdictions. Our effective tax rates differ from the United States federal statutory rate, primarily due to changes in our valuation allowance, the effect of non-United States operations, deductible and non-deductible stock-based compensation expense, state taxes, federal research and development tax credits and other adjustments. Our effective tax rate was negative 7.8%, 23.2% and negative 1.3% in 2020, 2019 and 2018, respectively. The calculation of our provision for income taxes involves the use of estimates, assumptions and judgments while taking into account current tax laws, our interpretation of current tax laws and possible outcomes of future tax audits. We review our tax positions quarterly and adjust the balances as new information becomes available. Our income tax rate is primarily affected by the tax rates that apply to our foreign earnings.

Due to our history of net losses in the United States and the difficulty in predicting future results, we believe that we cannot rely on projections of future taxable income to realize most of our deferred tax assets. Accordingly, we have established a full valuation allowance against our United States federal and states net deferred tax assets. Significant management judgement is required in assessing our ability to realize any future benefit from our net deferred tax assets. We intend to maintain this valuation allowance until sufficient positive evidence exists to support its reversal. Our income tax expense recorded in the future will be reduced to the extent that sufficient positive evidence materializes to support a reversal, or decrease in, our valuation allowance.

Uncertain tax positions. We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. We file annual income tax returns in multiple taxing jurisdictions around the world and a number of years may elapse before an uncertain tax position is audited by the relevant tax authorities and finally resolved.

We have established reserves to address potential exposures related to tax positions that could be challenged by tax authorities. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position and we can provide no assurance that the final tax outcome of these matters will not be materially different, we believe that we have adequately reserved for our uncertain tax positions.

Our future effective tax rates could be adversely affected if actual earnings are different than our estimates, by changes in the valuation of our deferred tax assets or liabilities, outcomes resulting from income tax examinations, or by changes or interpretations in tax laws, regulations or accounting principles.

Goodwill, acquired intangible assets and long-lived assets

When we acquire a business, we allocate the purchase price to the net tangible and identifiable intangible assets, with the residual of the purchase price recorded as goodwill. The determination of the fair value of the intangible assets acquired involves significant judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future, technology obsolescence, and the appropriate weighted-average cost of capital. Our estimate of the fair value of certain assets may differ materially from that determined by others who use different assumptions or utilize different business models.

Impairment of goodwill and long-lived assets. We perform an annual assessment of our goodwill during the fourth quarter of each calendar year or more frequently if indicators of potential impairment exist, such as an adverse change in business climate or a decline in the overall industry demand, that would indicate it is more likely than not that the fair value of our single reporting unit would be less than its carrying value. If we determine that it is more likely than not that the fair value of our single reporting unit is less than its carrying value, we measure the amount of impairment as the amount the carrying value of our single reporting entity exceeds the fair value. As of December 31, 2020, we determined that no impairment of the carrying value of goodwill was required.

Long-lived assets, such as property and equipment, intangible assets subject to amortization and right-of-use assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount to the estimated future undiscounted cash flows expected to be generated by the asset group. If it is determined that an asset group is not recoverable, an impairment charge is recognized for the amount by which the carrying amount of the asset group exceeds its fair value. We recorded a $12.5 million right-of-use asset impairment in 2020 primarily related to our headquarters campus. We used the following significant assumptions to determine the impairment charge: future sublease rental rates, future sublease market conditions and a discount rate based on the weighted-average cost of capital.

Convertible Senior Notes

We account for our convertible senior notes in accordance with ASC 470-20, *Debt with Conversion and Other Options*. As our 2022 Notes and 2025 Notes have a net settlement feature and may be settled wholly or partially in cash upon conversion, we are required to separately account for the liability (debt) and equity (conversion option) components of the instrument. The carrying amount of the liability component of the instrument is determined by estimating the fair value of a similar liability without the conversion option using income and market based approaches. For the income-based approach, we use a convertible bond pricing model that includes several assumptions such as volatility and the risk-free rate. For the market-based approach, we evaluate issuances of convertible debt securities by other companies at the time of issuance. The amount of the equity component is then calculated by deducting the fair value of the liability component from the principal amount of the instrument. The difference between the principal amount and the liability component represents a debt discount that is amortized to interest expense over the respective terms of the 2022 Notes and 2025 Notes using an effective interest rate method. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. In accounting for the issuance costs related to the 2022 Notes and 2025 Notes, the allocation of issuance costs incurred between the liability and equity components were based on their relative values. Similarly, in accordance with ASC 470-20, transactions involving contemporaneous exchanges of cash between the same debtor and creditor in connection with the issuance of a new debt obligation and satisfaction of an existing debt obligation by the debtor, such as the contemporaneous 2022 Notes partial repurchase and issuance of the 2025 Notes, should be evaluated as a modification or an exchange transaction depending on whether the exchange is determined to have substantially different terms. The 2022 Notes partial repurchase and issuance of the 2025 Notes were deemed to have substantially different terms due to the significant difference between the value of the conversion option immediately prior to and after the exchange, and consequently, we accounted for the 2022 Notes partial repurchase as a debt extinguishment. The total consideration for the 2022 Notes partial repurchase was separated into liability and equity components by estimating the fair value of a similar liability without a conversion option and assigning the residual value to the equity component. The effective interest rate used to estimate the fair value of the liability component of the 2022 Notes partial repurchase is based on the income approach used to determine the effective interest rate of the 2025 Notes, adjusted for the remaining term of the 2022 Notes. The gain or loss on extinguishment of the debt is subsequently determined by comparing repurchase consideration allocated to the liability component to the sum of the carrying value of the liability component, net of the proportionate amounts of unamortized debt discount and remaining unamortized debt issuance costs.

Recent Accounting Pronouncements

Refer to Recent Accounting Pronouncements in Note 1 Summary of business and significant accounting policies, to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Non-GAAP Financial Measures

We report net income (loss) and diluted net income (loss) per share in accordance with United States generally accepted accounting principles (GAAP) and on a non-GAAP basis. Additionally, we report non-GAAP adjusted EBITDA. We use 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, 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;
- adjusted EBITDA and non-GAAP net income (loss) exclude the loss on extinguishment of debt because it is not reflective of ongoing operating results in the period, and the frequency and amount of such losses are inconsistent;
- 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 and November 2020, 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.

The following tables present a reconciliation of net income (loss) to adjusted EBITDA:

	Three months ended December 31,	
(in thousands)	**2020**	**2019**
Net income	$ 44,413	$ 95,820
Income tax expense (benefit)	116	(3,928)
Interest expense, net	5,442	5,032
Depreciation and amortization	3,570	6,445
POP display amortization	708	1,666
Stock-based compensation	8,037	7,028
Loss on extinguishment of debt	5,389	—
Restructuring and other costs	69	29
Adjusted EBITDA	$ 67,744	$ 112,092

	Year ended December 31,				
(in thousands)	**2020**	**2019**	**2018**	**2017**	**2016**
Net loss	$ (66,783)	$ (14,642)	$ (109,034)	$ (182,873)	$ (419,003)
Income tax (benefit) expense	4,826	(4,428)	1,359	6,486	43,829
Interest expense	19,993	17,872	17,278	12,804	1,401
Depreciation and amortization	19,065	26,268	35,063	41,478	41,639
POP display amortization	4,176	7,504	13,482	19,190	19,623
Stock-based compensation	29,963	37,188	40,887	51,255	69,527
Impairment of intangible assets	—	—	—	—	7,088
Loss on extinguishment of debt	5,389	—	—	—	—
Restructuring and other costs	26,571	2,196	22,743	20,292	43,089
Adjusted EBITDA	$ 43,200	$ 71,958	$ 21,778	$ (31,368)	$ (192,807)

The following tables present a reconciliation of net income (loss) to non-GAAP net income (loss):

	Three months ended December 31,	
(in thousands, except per share data)	**2020**	**2019**
Net income	$ 44,413	$ 95,820
Stock-based compensation	8,037	7,028
Acquisition-related costs	723	1,864
Restructuring and other costs	69	29
Non-cash interest expense	3,018	2,354
Loss on extinguishment of debt	5,389	—
Income tax adjustments	(585)	(4,597)
Non-GAAP net income	$ 61,064	$ 102,498
GAAP diluted net income per share	$ 0.28	$ 0.65
Non-GAAP diluted net income per share	$ 0.39	$ 0.70
GAAP and non-GAAP shares for diluted net income per share	156,464	147,052

	Year ended December 31,				
(in thousands)	2020	2019	2018	2017	2016
Net loss	$ (66,783)	$ (14,642)	$ (109,034)	$ (182,873)	$ (419,003)
Stock-based compensation	29,963	37,188	40,887	51,255	69,527
Acquisition-related costs	4,598	7,818	11,456	8,991	17,346
Restructuring and other costs	26,571	2,196	22,743	20,292	43,089
Non-cash interest expense	10,366	8,987	8,112	5,345	—
Loss on extinguishment of debt	5,389	—	—	—	—
Gain on sale and license of intellectual property	—	—	(5,000)	—	—
Income tax adjustments (1)	2,675	(6,292)	(1,073)	1,123	87,794
Non-GAAP net income (loss)	$ 12,779	$ 35,255	$ (31,909)	$ (95,867)	$ (201,247)
GAAP diluted net loss per share	$ (0.45)	$ (0.10)	$ (0.78)	$ (1.32)	$ (3.01)
Non-GAAP diluted net income (loss) per share	$ 0.08	$ 0.24	$ (0.23)	$ (0.69)	$ (1.44)
GAAP shares for diluted net loss per share	149,037	144,891	139,495	138,056	139,425
Add: effect of dilutive shares	3,096	1,580	—	—	—
Non-GAAP shares for diluted net income (loss) per share	152,133	146,471	139,495	138,056	139,425

(1) Beginning in the first quarter of 2017, we implemented a cash-based non-GAAP 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 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.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

In addition to market risk that is created by the uncertainties and the global market disruptions resulting from the COVID-19 pandemic, we are exposed to market risks in the ordinary course of our business. These risks primarily include foreign currency and interest rate risks as follows:

Foreign currency risk. Revenue generated from GoPro.com, which has increased in 2020 as a result of our focus on our direct-to-consumer sales strategy, is denominated in U.S. dollars and various foreign currencies. However, to date, the majority of our product sales and inventory purchases have been denominated in U.S. dollars. We therefore have had limited foreign currency risk associated with these two activities. The functional currency of all of our entities is the U.S. dollar. Our operations outside of the United States hold foreign denominated cash balances and incur a majority of their operating expenses in foreign currencies, principally the Euro, Japanese Yen, British Pound, Canadian Dollar and Romanian Leu. Our results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. However, we believe that the exposure to foreign currency fluctuation from operating expenses is immaterial at this time as the related costs do not constitute a significant portion of our total expenses. As we continue to focus on the growth of our direct-to-consumer business and expand our operations, if foreign currency exchange rates become volatile, or if foreign currency held in our foreign entities increases, our exposure to foreign currency risk could become more significant. To date, we have not entered into any material foreign currency exchange contracts. For assets and liabilities denominated in other currencies, we do not believe that the effects of a 10% shift in exchange rates between those currencies and the U.S. dollar would have a material effect on our results of operations from such a shift.

Interest rate risk. Our exposure to market risk for changes in interest rates primarily relates to our cash and cash equivalents and marketable securities. Our cash equivalents and marketable securities are comprised primarily of money market funds, commercial paper, U.S. treasury securities and corporate debt securities. The primary objectives of our investment activities are to preserve principal and provide liquidity without significantly increasing risk. Our cash and cash equivalents are held for working capital purposes. We do not enter into investments for trading or speculative purposes. Due to the relatively short-term nature of our investment portfolio, we do not believe that an immediate 10% shift in interest rates would have a material effect on the fair value of our investment portfolio.

The fair value of our 2022 Convertible Senior Notes (2022 Notes) and 2025 Convertible Senior Notes (2025 Notes) are subject to interest rate risk, market risk and other factors due to the conversion feature. The capped call that was entered into concurrently with the issuance of our 2025 Notes were completed to reduce the potential dilution from the conversion of the 2025 Notes. The fair value of the 2022 Notes and 2025 Notes will generally increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of the 2022 Notes and 2025 Notes will generally increase as our Class A common stock price increases and will generally decrease as the common stock price declines. The interest and market value changes affect the fair value of the 2022 Notes and 2025 Notes but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligation.

Item 8. Financial Statements and Supplementary Data

GoPro, Inc.
Index to consolidated financial statements

The supplementary financial information required by this Item 8, is included in Part II, Item 7 under the caption Results of Operations, which is incorporated herein by reference.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of GoPro, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of GoPro, Inc. and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Changes in Accounting Principles

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019 and the manner in which it accounts for revenues from contracts with customers and the manner in which it accounts for the tax consequences of intra-entity asset transfers in 2018.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Operating Lease Right-of-Use Asset Impairment Assessment

As described in Notes 1 and 11 to the consolidated financial statements, the Company's consolidated operating lease right-of-use asset balance was $31.6 million as of December 31, 2020. Management performs periodic assessments of its operating lease right-of-use assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The recoverability of assets is measured by comparing the carrying amount to the estimated future undiscounted cash flows. If it is determined that an asset is not recoverable, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds its fair value. During 2020, the Company approved a restructuring plan to reduce future operating expenses, optimize its business and address the impact of the COVID-19 pandemic. The restructuring provided for the consolidation of certain leased office facilities which resulted in management recording a $12.5 million right-of-use asset impairment primarily related to its headquarters campus. Fair value was estimated by management using a discounted cash flow method. The discounted future cash flows were determined by management based on future sublease rental rates, future sublease market conditions and a discount rate based on the weighted-average cost of capital.

The principal considerations for our determination that performing procedures relating to the operating lease right-of-use asset impairment assessment is a critical audit matter are the significant judgment by management when determining the fair value estimate, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to the future sublease rental rates and future sublease market conditions.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's operating lease right-of-use impairment assessment, including controls over the development of assumptions related to the future sublease rental rates and future sublease market conditions used in the impairment assessment. These procedures also included, among others (i) testing management's process for determining the fair value estimate; (ii) evaluating the appropriateness of the discounted cash flow method; (iii) testing the completeness and accuracy of underlying data used in the discounted cash flow method; and (iv) evaluating the reasonableness of significant assumptions related to the future sublease rental rates and future sublease market conditions. Evaluating management's assumptions related to the future sublease rental rates and future sublease market conditions involved evaluating whether the assumptions used were reasonable considering the consistency with external market data and evidence obtained in other areas of audit.

/s/ PricewaterhouseCoopers LLP
San Jose, California
February 12, 2021

We have served as the Company's auditor since 2011.

GoPro, Inc.
Consolidated Balance Sheets

(in thousands, except par values)	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 325,654	$ 150,301
Restricted cash	2,000	—
Marketable securities	—	14,847
Accounts receivable, net	107,244	200,634
Inventory	97,914	144,236
Prepaid expenses and other current assets	23,872	25,958
Total current assets	556,684	535,976
Property and equipment, net	23,711	36,539
Operating lease right-of-use assets	31,560	53,121
Intangible assets, net	1,214	5,247
Goodwill	146,459	146,459
Other long-term assets	11,771	15,461
Total assets	$ 771,399	$ 792,803
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 111,399	$ 160,695
Accrued expenses and other current liabilities	113,776	141,790
Short-term operating lease liabilities	9,369	9,099
Deferred revenue	28,149	15,467
Total current liabilities	262,693	327,051
Long-term taxes payable	18,099	13,726
Long-term debt	218,172	148,810
Long-term operating lease liabilities	51,986	62,961
Other long-term liabilities	4,431	6,726
Total liabilities	555,381	559,274
Commitments, contingencies and guarantees (Note 9)		
Stockholders' equity:		
Preferred stock, $0.0001 par value, 5,000 shares authorized; none issued	—	—
Common stock and additional paid-in capital, $0.0001 par value, 500,000 Class A shares authorized, 122,233 and 117,922 shares issued and outstanding, respectively; 150,000 Class B shares authorized, 28,885 and 28,897 shares issued and outstanding, respectively	980,147	930,875
Treasury stock, at cost, 10,710 and 10,710 shares, respectively	(113,613)	(113,613)
Accumulated deficit	(650,516)	(583,733)
Total stockholders' equity	216,018	233,529
Total liabilities and stockholders' equity	$ 771,399	$ 792,803

The accompanying notes are an integral part of these consolidated financial statements.

GoPro, Inc.
Consolidated Statements of Operations

(in thousands, except per share data)	Year ended December 31, 2020	2019	2018
Revenue	$ 891,925	$ 1,194,651	$ 1,148,337
Cost of revenue	577,411	781,862	786,903
Gross profit	314,514	412,789	361,434
Operating expenses:			
Research and development	131,589	142,894	167,296
Sales and marketing	151,380	206,431	222,096
General and administrative	68,364	65,797	66,004
Total operating expenses	351,333	415,122	455,396
Operating loss	(36,819)	(2,333)	(93,962)
Other income (expense):			
Interest expense	(20,257)	(19,229)	(18,683)
Other income (expense), net	(4,881)	2,492	4,970
Total other expense, net	(25,138)	(16,737)	(13,713)
Loss before income taxes	(61,957)	(19,070)	(107,675)
Income tax expense (benefit)	4,826	(4,428)	1,359
Net loss	$ (66,783)	$ (14,642)	$ (109,034)
Basic and diluted net loss per share	$ (0.45)	$ (0.10)	$ (0.78)
Weighted-average number of shares outstanding, basic and diluted	149,037	144,891	139,495

The accompanying notes are an integral part of these consolidated financial statements.

GoPro, Inc.
Consolidated Statements of Stockholders' Equity

(in thousands)	Common stock and additional paid-in capital: Shares	Common stock and additional paid-in capital: Amount	Treasury stock: Amount	Accumulated deficit	Stockholders' equity
Balances at December 31, 2017	137,000	$ 854,452	$ (113,613)	$ (442,134)	$ 298,705
Common stock issued under employee benefit plans, net of shares withheld for tax	4,067	5,099	—	—	5,099
Taxes paid related to net share settlements	—	(6,650)	—	—	(6,650)
Stock-based compensation expense	—	41,854	—	—	41,854
Cumulative effect of adoption of new accounting standards	—	—	—	(17,862)	(17,862)
Net loss	—	—	—	(109,034)	(109,034)
Balances at December 31, 2018	141,067	894,755	(113,613)	(569,030)	212,112
Common stock issued under employee benefit plans, net of shares withheld for tax	5,751	5,553	—	—	5,553
Taxes paid related to net share settlements	—	(6,618)	—	—	(6,618)
Stock-based compensation expense	—	37,185	—	—	37,185
Cumulative effect of adoption of new accounting standards	—	—	—	(61)	(61)
Net loss	—	—	—	(14,642)	(14,642)
Balances at December 31, 2019	146,818	930,875	(113,613)	(583,733)	233,529
Common stock issued under employee benefit plans, net of shares withheld for tax	4,301	5,481	—	—	5,481
Taxes paid related to net share settlements	—	(6,207)	—	—	(6,207)
Stock-based compensation expense (Note 6)	—	29,963	—	—	29,963
Equity component of 2025 convertible senior notes	—	35,674	—	—	35,674
Purchase of Capped Calls related to 2025 convertible senior notes	—	(10,249)	—	—	(10,249)
Equity component of partial repurchase of 2022 convertible senior notes	—	(5,390)	—	—	(5,390)
Net loss	—		—	(66,783)	(66,783)
Balances at December 31, 2020	151,119	$ 980,147	$ (113,613)	$ (650,516)	$ 216,018

The accompanying notes are an integral part of these consolidated financial statements.

GoPro, Inc.
Consolidated Statements of Cash Flows

(in thousands)	Year ended December 31, 2020	2019	2018
Operating activities:			
Net loss	$ (66,783)	$ (14,642)	$ (109,034)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	19,065	26,268	35,063
Non-cash operating lease cost	6,565	6,990	—
Stock-based compensation	29,963	37,188	40,887
Deferred income taxes	(50)	(32)	(389)
Non-cash restructuring charges	5,242	(199)	6,282
Impairment of right-of-use assets	12,460	—	—
Non-cash interest expense	10,366	8,987	8,112
Loss on extinguishment of debt	5,389	—	—
Gain on sale and license of intellectual property	—	—	(5,000)
Other	1,072	(1,182)	1,696
Changes in operating assets and liabilities:			
Accounts receivable, net	93,084	(71,269)	(16,460)
Inventory	46,322	(27,778)	34,093
Prepaid expenses and other assets	6,392	7,486	35,390
Accounts payable and other liabilities	(87,501)	3,210	(70,400)
Deferred revenue	12,196	529	(2,674)
Net cash provided by (used in) operating activities	93,782	(24,444)	(42,434)
Investing activities:			
Purchases of property and equipment, net	(4,881)	(8,348)	(11,004)
Purchases of marketable securities	—	(43,636)	(57,731)
Maturities of marketable securities	14,830	56,888	57,500
Sale of marketable securities	—	17,867	—
Proceeds from the sale and license of intellectual property	—	—	5,000
Asset acquisition	(438)	—	—
Net cash provided by (used in) investing activities	9,511	22,771	(6,235)
Financing activities:			
Proceeds from issuance of common stock	5,435	5,574	5,169
Taxes paid related to net share settlement of equity awards	(6,207)	(6,618)	(6,650)
Proceeds from issuance of 2025 convertible senior notes	143,750	—	—
Payment of debt issuance costs	(4,752)	—	—
Purchase of Capped Calls related to 2025 convertible senior notes	(10,249)	—	—
Payments for 2022 convertible senior notes partial repurchase	(56,000)	—	—
Proceeds from borrowings	30,000	20,000	—
Repayment of borrowings	(30,000)	(20,000)	—
Net cash provided by (used in) financing activities	71,977	(1,044)	(1,481)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	2,083	923	(259)
Net change in cash, cash equivalents and restricted cash	177,353	(1,794)	(50,409)

Cash, cash equivalents and restricted cash at beginning of period	150,301	152,095	202,504
Cash, cash equivalents and restricted cash at end of period	$ 327,654	$ 150,301	$ 152,095
Supplementary cash flow disclosure:			
Cash paid for interest	$ 6,717	$ 6,179	$ 6,125
Cash paid (refunded) for income taxes, net	$ 2,237	$ 176	$ (32,090)
Non-cash investing and financing activities:			
Purchases of property and equipment included in accounts payable and accrued liabilities	$ 1,030	$ 316	$ 223

The accompanying notes are an integral part of these consolidated financial statements.

1. Summary of business and significant accounting policies

GoPro, Inc. and its subsidiaries (GoPro or the Company) helps the world capture and share itself in immersive and exciting ways. The Company is committed to developing solutions that create an easy, seamless experience for consumers to capture, create and share engaging personal content. To date, the Company’s cameras, mountable and wearable accessories, and subscription services have generated substantially all of its revenue. The Company sells its products globally on its website, and through retailers and wholesale distributors. The Company’s global corporate headquarters are located in San Mateo, California.

Basis of presentation. The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP). The Company’s fiscal year ends on December 31, and its fiscal quarters end on March 31, June 30 and September 30.

The Company’s operating results, financial position and cash flows were negatively impacted by the COVID-19 pandemic beginning in the first quarter of 2020 and as a result, the Company accelerated a shift in its sales channel strategy to focus more on direct-to-consumer sales through GoPro.com, and implemented a restructuring plan in April 2020, which primarily impacted the Company’s global workforce, sales and marketing expenses, and leased facilities. These actions were reflected in the Company’s financial results starting in the second quarter of 2020 by reducing on-going operating expenses and helped accelerate its ability to achieve profitability. In 2020, the Company also issued additional convertible senior notes and entered into a new credit facility thus providing sufficient resources to continue as a going concern for at least one year from the date of issuance of the consolidated financial statements contained in this Annual Report on Form 10-K.

The consolidated financial statements reflect all adjustments, which are normal and recurring in nature, that management believes are necessary for the fair statement of the Company's financial statements, but are not necessarily indicative of the results expected for any other future period.

Principles of consolidation. These consolidated financial statements include all the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of estimates. The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the Company’s consolidated financial statements and accompanying notes. Significant estimates and assumptions made by management include those related to revenue recognition and the allocation of the transaction price (including sales incentives, sales returns and implied post contract support), inventory valuation, product warranty liabilities, the valuation, impairment and useful lives of long-lived assets (property and equipment, operating lease right-of-use assets, intangible assets and goodwill), fair value of convertible senior notes, and income taxes. The Company bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances, including but not limited to the potential impacts arising from the COVID-19 pandemic, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The extent and continued impact of COVID-19 has been taken into account by management in making the significant assumptions and estimates related to the above; however, if the duration and spread of the outbreak, the impact on our customers, and the effect on our contract manufacturers, vendors and supply chains is different from the Company’s estimates and assumptions, then actual results could differ materially. Given the uncertainty with respect to COVID-19, the Company’s estimates and assumptions may evolve as conditions change. To the extent there are material differences between the estimates and the actual results, future results of operations could be affected.

Comprehensive income (loss). For all periods presented, comprehensive income (loss) approximated net income (loss). Therefore, the Consolidated Statements of Comprehensive Income (Loss) have been omitted.

Cash equivalents and marketable securities. Cash equivalents primarily consist of investments in money market funds with maturities of three months or less from the date of purchase. Marketable securities consist of commercial paper, U.S. treasury securities and corporate debt securities, and are classified as available-for-sale securities. The Company views these securities as available to support current operations and has classified all available-for-sale securities as current assets. Available-for-sale securities are carried at fair value with unrealized gains and losses, if any, included in stockholders' equity. Unrealized gains and losses are charged against other income (expense), net, for declines in fair value below the cost of an individual investment that is deemed to be other than temporary. The Company has not identified any marketable securities as other-than-temporarily impaired for the periods presented. The cost of securities sold is based upon a specific identification method.

Restricted cash. As of December 31, 2020 and 2019, the Company had an outstanding letter of credit collateralized by a money market account of $2.0 million and zero, respectively, for certain duty related requirements.

Accounts receivable. Accounts receivable are stated at invoice value less estimated allowances for doubtful accounts. Allowances are recorded based on the Company's assessment of various factors, such as: historical experience, credit quality of its customers, age of the accounts receivable balances, geographic related risks, economic conditions and other factors that may affect a customer's ability to pay. The allowance for doubtful accounts as of December 31, 2020 and 2019 was $0.5 million and $0.8 million, respectively.

Inventory. Inventory consists of finished goods and component parts, which are purchased directly from contract manufacturers or from suppliers. Inventory is stated at the lower of cost or net realizable value on a first-in, first-out basis. The Company writes down its inventory for estimated obsolescence or excess inventory equal to the difference between the cost of inventory and estimated market value plus the estimated cost to sell. The Company's assessment of market value is based upon assumptions around market conditions and estimated future demand for its products within a specified time horizon, generally 12 months, product life cycle status, product development plans and current sales levels. Adjustments to reduce inventory to net realizable value are recognized in cost of revenue.

Point of purchase (POP) displays. The Company provides retailers with POP displays, generally free of charge, in order to facilitate the marketing of the Company's products within retail stores. The POP displays contain a display that broadcasts video images taken by GoPro cameras along with product placement available for cameras and accessories. POP display costs are capitalized as long-term assets and charged to sales and marketing expense over the expected period of benefit, which generally ranges from 24 to 36 months. Cash outflows and amortization related to POP displays are classified as operating activities in the consolidated statement of cash flows.

Property and equipment, net. Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful life of the assets, ranging from one to nine years. Leasehold improvements are amortized over the shorter of the lease term or their expected useful life. Property and equipment pending installation, configuration or qualification are classified as construction in progress. Costs of maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. The Company estimates and categorizes the fair value of its financial assets by applying the following hierarchy:

Level 1	Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to directly access.
Level 2	Valuations based on quoted prices for similar assets or liabilities; valuations for interest-bearing securities based on non-daily quoted prices in active markets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
Level 3	Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Leases. The Company leases its office space and facilities under cancelable and non-cancelable operating leases. Operating leases are presented as operating lease right-of-use (ROU) assets, short-term operating lease liabilities and long-term operating lease liabilities on the Company's Consolidated Balance Sheets. ROU assets represent the Company's right to control the use of an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease.

Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of future lease payments. The Company determines its incremental borrowing rate based on the approximate rate at which the Company would borrow, on a secured basis, to calculate the present value of future lease payments. Lease expenses are recognized on a straight-line basis over the lease term. Certain leases include an option to renew with terms that can extend the lease term from one to five years. The exercise of a lease renewal option is at the Company's sole discretion and is included in the lease term when the Company is reasonably certain it will exercise the option.

Prior to January 1, 2019, the Company recognized leases under Accounting Standards Codification (ASC) 840, *Leases*, which had the following differences from the current lease standard, ASC 842, *Leases*:

- Operating leases were previously not recorded on the Company's consolidated balance sheets.
- The Company calculated a liability for future costs to be incurred under a lease for its remaining term without economic benefit to the Company upon determination of a cease-use date. The fair value of the liability was determined based on remaining lease payments, estimated sublease income and the effects of any prepaid or deferred items recognized under the lease.

Goodwill and acquired intangible assets. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination. Acquired intangible assets other than goodwill are amortized over their useful lives unless the lives are determined to be indefinite. For intangible assets acquired in a business combination, the determination of the estimated fair values of the assets received involves significant judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future, technology obsolescence, and the appropriated weighted-average cost of capital. Valuation approaches consistent with the market approach, income approach and/or cost approach are used to measure fair value.

Impairment of goodwill and long-lived assets. The Company performs an annual assessment of its goodwill during the fourth quarter of each calendar year or more frequently if indicators of potential impairment exist, such as an adverse change in business climate or a decline in the overall industry demand, that would indicate it is more likely than not that the fair value of its single reporting unit is less than its carrying value. There was no impairment of goodwill recorded for any periods presented. For the Company's annual impairment testing in 2020, the Company did not identify any indicators of potential impairment of its single reporting unit. Other indefinite-lived intangible assets are assessed for impairment at least annually. If their carrying value exceeds the estimated fair value, the difference is recorded as an impairment.

Long-lived assets, such as property and equipment, intangible assets subject to amortization and right-of-use assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount to the estimated future undiscounted cash flows expected to be generated by the asset group. If it is determined that an asset group is not recoverable, an impairment charge is recognized for the amount by which the carrying amount of the asset group exceeds its fair value. The Company recorded a $12.5 million right-of-use asset impairment in 2020 primarily related to its headquarter campus as described further in Note 11 Restructuring charges. The Company used the following significant assumptions to determine the impairment charge: future sublease rental rates, future sublease market conditions and a discount rate based on the weighted-average cost of capital. The Company did not record any impairment charges in 2019 or 2018.

Warranty. The Company records a liability for estimated product warranty costs at the time product revenue is recognized. The Company's standard warranty obligation to its end-users generally provides a 12-month warranty coverage on all of its products except in the European Union where the Company provides a 2-year warranty. The Company also offers extended warranty programs for a fee. The Company's estimate of costs to service its warranty obligations is based on its historical experience of repair and replacement of the associated products and expectations of future conditions. The warranty obligation is affected by product failure rates and the related use of materials, labor costs and freight incurred in correcting any product failure.

Convertible Senior Notes. In April 2017, the Company issued $175.0 million aggregate principal amount of 3.50% Convertible Senior Notes due April 15, 2022 (2022 Notes). In November 2020, the Company issued $143.8 million aggregate principal amount of 1.25% Convertible Senior Notes due November 15, 2025 (2025 Notes). Concurrently with the issuance of the 2025 Notes, the Company used a portion of the net proceeds to repurchase part of the 2022 Notes. See Note 4 Financing Arrangements for additional details.

The Company accounts for its 2022 Notes and 2025 Notes in accordance with ASC 470-20, *Debt with Conversion and Other Options*. As the Company's 2022 Notes and 2025 Notes have a net settlement feature and may be settled wholly or partially in cash upon conversion, the Company is required to separately account for the liability (debt) and equity (conversion option) components of the instrument. The carrying amount of the liability component of the instrument is determined by estimating the fair value of a similar liability without the conversion option using income and market based approaches. The amount of the equity component is then calculated by deducting the fair value of the liability component from the principal amount of the instrument. The difference between the principal amount and the liability component represents a debt discount that is amortized to interest expense over the remaining term of the convertible senior notes using an effective interest rate method. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. In accounting for the issuance costs related to the 2022 Notes and 2025 Notes, the allocation of issuance costs incurred between the liability and equity components were based on their relative values.

The total consideration for the 2022 Notes partial repurchase was separated into liability and equity components by estimating the fair value of a similar liability without a conversion option and assigning the residual value to the equity component. The effective interest rate used to estimate the fair value of the liability component of the 2022 Notes partial repurchase is based on the income approach used to determine the effective interest rate of the 2025 Notes, adjusted for the remaining term of the 2022 Notes. The gain or loss on extinguishment of the debt was subsequently determined by comparing repurchase consideration allocated to the liability component to the sum of the carrying value of the liability component, net of the proportionate amounts of unamortized debt discount and remaining unamortized debt issuance costs.

Revenue recognition. The Company derives substantially all of its revenue from the sale of cameras, mounts and accessories, the related implied post contract support to customers and subscription services. The Company recognizes revenue when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The transaction price the Company expects to be entitled to is primarily comprised of product revenue, net of returns and variable consideration, including sales incentives provided to customers.

For most of the Company's revenue, revenue is recognized at the time products are delivered and when collection is considered probable. For the Company's subscription services, revenue is recognized on a ratable basis over the subscription term, with payments received in advance of services being rendered recorded in deferred revenue. For customers who purchase products directly from GoPro.com, the Company retains a portion of the risk of loss on these sales during transit, which are accounted for as fulfillment costs. The Company provides sales commissions to internal and external sales representatives which are earned in the period in which revenue is recognized. As a result, the Company expenses such costs as incurred under Accounting Standards Update (ASU) 2014-19 *Revenue from Contracts with Customers*, which was adopted on January 1, 2018. Upon adoption, the Company's accumulated deficit increased by $2.9 million, of which, $4.9 million related to certain estimated sales incentives which would have been recognized at the time product was shipped in the prior period, partially offset by $2.0 million related to sales from gopro.com that had been shipped but not delivered as of December 31, 2017.

The Company's standard terms and conditions of sale for non-web-based sales do not allow for product returns other than under warranty. However, the Company grants limited rights of return, primarily to certain large retailers. The Company reduces revenue and cost of sales for the estimated returns based on analyses of historical return trends by customer class and other factors. An estimated return liability along with a right to recover assets are recorded for future product returns. Return trends are influenced by product life cycles, new product introductions, market acceptance of products, product sell-through, the type of customer, seasonality and other factors. Return rates may fluctuate over time but are sufficiently predictable to allow the Company to estimate expected future product returns.

The Company's camera sales contain multiple performance obligations that can include four separate obligations: a) a hardware component (camera and/or accessories) and the embedded firmware essential to the functionality of the hardware component delivered at the time of sale, b) the implicit right to our downloadable free apps and software solutions, c) the implied right for the customer to receive post contract support after the initial sale (PCS), and d) a subscription service. The Company's PCS includes the right to receive, on a when and if available basis, future unspecified firmware upgrades and features as well as bug fixes, and email and telephone support. The Company allocates a portion of the transaction price to the PCS performance obligation based on a cost-plus methodology. The transaction price is allocated to the remaining performance obligations on a residual value methodology or based on standalone selling price. The Company's process to allocate the transaction price considers multiple factors that may vary over time depending upon the unique facts and circumstances related to each deliverable, including: the level of support provided to customers, estimated costs to provide the Company's support, the amount of time and cost that is allocated to the Company's efforts to develop the undelivered elements, market trends in the pricing for similar offerings and the standalone selling price.

The transaction prices allocated to the delivered hardware, related embedded firmware and free software solutions are recognized as revenue at the time of sale, provided the conditions for recognition of revenue have been met. The transaction price allocated to PCS is deferred and recognized as revenue on a straight-line basis over the estimated term of the support period, which is estimated to be 15 months based on historical experience. Deferred revenue as of December 31, 2020 and December 31, 2019 also included amounts related to the Company's subscription services. The Company's short-term and long-term deferred revenue balances totaled $29.3 million and $16.6 million as of December 31, 2020 and 2019, respectively. Of the deferred revenue balance as of December 31, 2019 and 2018, the Company recognized $15.4 million and $15.0 million of revenue during the year ended December 31, 2020 and 2019, respectively.

Prior to January 1, 2018, the Company recognized revenue under ASC 605, *Revenue Recognition*. ASC 605 is materially similar to ASC 606, *Revenue from Contracts with Customers*, with the following differences:

- The Company recognized revenue when persuasive evidence of an arrangement existed, delivery had occurred, the sales price was fixed and determinable and collectability was reasonably assured.
- The Company allocated the transaction price based on its best estimate of the selling price (BESP). The Company's process for determining BESP was materially the same as its' current allocation of the transaction price to each performance obligations.
- Sales incentives were recorded as a reduction to revenue in the period the incentives were offered to customers ore the related revenue was recognized, whichever was later.

Additionally, the Company allocated the transaction price based on its best estimate of the selling price (BESP). The Company's process for determining BESP was materially the same as its' current allocation of the transaction price to each performance obligation. Lastly, sales incentives were recorded as a reduction to revenue in the period the incentives were offered to customers or the related revenue was recognized, whichever was later.

Sales incentives. The Company offers sales incentives through various programs, including cooperative advertising, marketing development funds and other incentives. Sales incentives are considered to be variable consideration, which the Company estimates and records as a reduction to revenue at the date of sale. The Company estimates sales incentives based on historical experience, product sell-through and other factors.

Shipping costs. Amounts billed to customers for shipping and handling are classified as revenue, and the Company's related shipping and handling costs incurred are classified as cost of revenue.

Sales taxes. Sales taxes collected from customers and remitted to respective governmental authorities are recorded as liabilities and are not included in revenue.

Advertising costs. Advertising costs consist of costs associated with print, television and e-commerce media advertisements and are expensed as incurred. The Company incurs promotional expenses resulting from payments under event, resort and athlete sponsorship contracts. These sponsorship arrangements are considered to be executory contracts and, as such, the costs are expensed as performance under the contract is received. The costs associated with the preparation of sponsorship activities, including the supply of GoPro products, media team support, and activation fees are expensed as incurred. Prepayments made under sponsorship agreements are included in prepaid expenses or other long-term assets depending on the period to which the prepayment applies. Advertising costs were $34.1 million, $67.3 million and $73.0 million in 2020, 2019 and 2018, respectively.

Stock-based compensation. Stock-based awards granted to qualified employees, non-employee directors and consultants are measured at fair value and recognized as an expense. The Company primarily issues restricted stock units and accounts for forfeitures as they occur. For service-based awards, stock-based compensation is recognized on a straight-line basis over the requisite service period. For performance and market-based awards which also require a service period, the Company uses graded vesting over the longer of the derived service period or when the performance or market condition is satisfied.

Foreign currency. The U.S. dollar is the functional currency of the Company's foreign subsidiaries. The Company remeasures monetary assets or liabilities denominated in currencies other than the U.S. dollar using exchange rates prevailing on the balance sheet date, and non-monetary assets and liabilities at historical rates. Foreign currency remeasurement and transaction gains and losses are included in other income (expense), net and have not been material for any periods presented.

Income taxes. The Company utilizes the asset and liability method for computing its income tax provision, under which deferred tax assets and liabilities are recognized for the expected future consequences of temporary differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates. Management makes estimates, assumptions and judgments to determine the Company's provision for income taxes, deferred tax assets and liabilities, and any valuation allowance recorded against deferred tax assets. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income in each tax jurisdiction and, to the extent the Company believes recovery is not likely, establishes a valuation allowance. On January 1, 2018, the Company adopted ASU 2016-16 *Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory* which required the Company to recognize the income tax consequence of intra-entity asset transfers when transfers occur. Upon adoption, the net impact to equity was an increase in the accumulated deficit of $15.0 million. Prior to January 1, 2018, the Company recognized the income tax consequence of intra-entity asset transfers when the asset was sold to an outside party or otherwise recovered through use.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. Interest and penalties related to unrecognized tax benefits are recognized within income tax expense.

Segment information. The Company operates as one operating segment as it only reports financial information on an aggregate and consolidated basis to its Chief Executive Officer, who is the Company's chief operating decision maker.

Recent accounting standards

Standard	Description	Company's date of adoption	Effect on the consolidated financial statements or other significant matters
Standards that were adopted			
Intangible - Goodwill and Other ASU No. 2017-04 (Topic 350)	This standard simplifies the accounting for goodwill and removes Step 2 of the annual goodwill impairment test. Upon adoption, goodwill impairment is determined based on the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The standard is applied on a prospective transition method.	January 1, 2020	The adoption of this standard did not impact the Company's consolidated financial statements and related disclosures.
Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments ASU No. 2016-13	The standard changes the impairment model for most financial assets and replaces the existing incurred loss model with a current expected credit loss (CECL) model. The standard is applied on a modified retrospective approach.	January 1, 2020	The Company's allowance for doubtful accounts and valuation of available-for-sale securities are subject to this standard. The Company concluded the adoption of this standard did not have a material impact on its consolidated financial statements and related disclosures.

Standard	Description	Expected date of adoption	Effect on the consolidated financial statements or other significant matters
Standards not yet adopted			
Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40) ASU No. 2020-06	This standard simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible debt instruments and contracts on an entity's own equity. Specifically, the standard removes certain accounting models which separate the embedded conversion features from the host contract for convertible instruments, requiring bifurcation only if the convertible debt feature qualifies as a derivative under ASC 815 or if the convertible debt was issued at a substantial premium. This standard also removes certain settlement conditions required for equity contracts to qualify for the derivative scope exception. Lastly, entities are required to use the if-converted method for convertible instruments in the diluted earnings per share calculation. Early adoption is permitted, but no earlier than the fiscal year beginning after December 15, 2020. The standard can be applied using a full or modified retrospective approach.	January 1, 2022	Upon adoption, the Company expects a decrease to additional paid in capital, an increase in the carrying value of its convertible notes and an increase to retained earnings. After adoption, the Company expects a reduction in its reported interest expense. Additionally, the Company expects the use of the if-converted method for calculating diluted earnings per share will result in an increase in weighted-average shares outstanding. The Company will continue to evaluate the effect that the adoption of this standard will have on its financial statements.

Although there are several other new accounting standards issued or proposed by the FASB, which the Company has adopted or will adopt, as applicable, the Company does not believe any of these accounting pronouncements has had or will have a material impact on its consolidated financial statements.

2. Fair value measurements

The Company's assets that are measured at fair value on a recurring basis within the fair value hierarchy are summarized as follows:

	December 31, 2020			December 31, 2019		
(in thousands)	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash equivalents [(1)]:						
Money market funds	$ 19,445	$ —	$ 19,445	$ 4,413	$ —	$ 4,413
Total cash equivalents	$ 19,445	$ —	$ 19,445	$ 4,413	$ —	$ 4,413
Marketable securities:						
Corporate debt securities	$ —	$ —	$ —	$ —	$ 14,847	$ 14,847
Total marketable securities	$ —	$ —	$ —	$ —	$ 14,847	$ 14,847

(1) Included in cash and cash equivalents in the accompanying Consolidated Balance Sheets. Cash balances were $308.2 million, including $2.0 million of restricted cash, and $145.9 million as of December 31, 2020 and 2019, respectively.

Cash equivalents and marketable securities are classified as Level 1 or Level 2 because the Company uses quoted market prices or alternative pricing sources and models utilizing market observable inputs to determine their fair value. The contractual maturities of available-for-sale marketable securities as of December 31, 2019 were all less than one year in duration. At December 31, 2020 and 2019, the Company had no financial assets or liabilities measured at fair value on a recurring basis that were classified as Level 3, which are valued based on inputs supported by little or no market activity.

At December 31, 2020 and 2019, the amortized cost of the Company's cash equivalents and marketable securities approximated their fair value and there were no material realized or unrealized gains or losses, either individually or in the aggregate.

In April 2017, the Company issued $175.0 million principal amount of Convertible Senior Notes due 2022 (2022 Notes). In November 2020, the Company issued $143.8 million principal amount of Convertible Senior Notes due 2025 (2025 Notes) (see Note 4 Financing Arrangements). The estimated fair value of the 2022 Notes and 2025 Notes is based on quoted market prices of the Company's instruments in markets that are not active and are classified as Level 2 within the fair value hierarchy. The Company estimated the fair value of the 2022 Notes and 2025 Notes by evaluating quoted market prices and calculating the upfront cash payment a market participant would require to assume these obligations. The calculated fair value of the 2022 Notes was $146.0 million and $170.0 million as of December 31, 2020 and 2019, respectively, while the calculated fair value of the 2025 Notes was $166.8 million as of December 31, 2020. The calculated fair value is highly correlated to the Company's stock price and as a result, significant changes to the Company's stock price will have a significant impact on the calculated fair value of the 2022 Notes and 2025 Notes.

For certain other financial assets and liabilities, including restricted cash, accounts receivable, accounts payable and other current assets and liabilities, the carrying amounts approximate their fair value primarily due to the relatively short maturity of these balances.

The Company also measures certain non-financial assets at fair value on a nonrecurring basis, primarily goodwill, intangible assets and operating lease right-of-use assets, in connection with periodic evaluations for potential impairment. In 2020, the fair value of Company's operating lease right-of-use asset related to its headquarters campus was determined based on unobservable (Level 3) inputs, as discussed in Note 11 Restructuring charges.

3. Consolidated financial statement details

The following sections and tables provide details of selected balance sheet items.

Inventory

(in thousands)	December 31, 2020	December 31, 2019
Components	$ 13,229	$ 20,370
Finished goods	84,685	123,866
Total inventory	$ 97,914	$ 144,236

Property and equipment, net

(in thousands)	Useful life (in years)	December 31, 2020	December 31, 2019
Leasehold improvements [(1)]	1–9	$ 35,180	$ 50,736
Production, engineering and other equipment	4	48,908	45,649
Tooling	1–2	17,635	19,216
Computers and software	2	22,385	21,719
Furniture and office equipment	3	6,315	10,846
Tradeshow equipment and other	2–5	5,860	7,009
Construction in progress		22	45
Gross property and equipment		136,305	155,220
Less: Accumulated depreciation and amortization		(112,594)	(118,681)
Property and equipment, net		$ 23,711	$ 36,539

(1) Refer to Note 11 Restructuring charges, for details of operating lease right-of-use asset impairment charges recorded in 2020.

Depreciation expense was $14.5 million, $18.5 million and $23.6 million in 2020, 2019 and 2018, respectively. In 2020, the Company recorded accelerated depreciation charges in connection with its plans to vacate certain leased office facilities as disclosed in Note 11 Restructuring charges.

Intangible assets

(in thousands)	Useful life (in months)	December 31, 2020		
		Gross carrying value	Accumulated amortization	Net carrying value
Purchased technology	20-72	$ 51,066	$ (49,867)	$ 1,199
Domain name		15	—	15
Total intangible assets		$ 51,081	$ (49,867)	$ 1,214

(in thousands)	Useful life (in months)	December 31, 2019		
		Gross carrying value	Accumulated amortization	Net carrying value
Purchased technology	20-72	$ 50,501	$ (45,269)	$ 5,232
Domain name		15	—	15
Total intangible assets		$ 50,516	$ (45,269)	$ 5,247

Amortization expense was $4.6 million, $7.8 million and $11.4 million in 2020, 2019 and 2018, respectively. At December 31, 2020, expected amortization expense of intangible assets with definite lives for future periods was as follows:

(in thousands)	Total
Year ending December 31,	
2021	$ 1,152
2022	47
	$ 1,199

Other long-term assets

(in thousands)	December 31, 2020	December 31, 2019
Point of purchase (POP) displays	$ 3,612	$ 7,595
Long-term deferred tax assets	966	864
Deposits and other	7,193	7,002
Other long-term assets	$ 11,771	$ 15,461

Amortization expense for POP displays was $4.2 million, $7.5 million and $13.5 million in 2020, 2019 and 2018, respectively.

Accrued expenses and other current liabilities

(in thousands)	December 31, 2020	December 31, 2019
Accrued liabilities (1)	$ 39,444	$ 42,153
Accrued sales incentives	30,609	39,120
Employee related liabilities (1)	7,067	20,494
Return liability	10,817	14,854
Warranty liability	7,997	9,899
Inventory received	1,709	5,737
Customer deposits	2,347	2,063
Purchase order commitments	1,921	1,710
Income taxes payable	221	1,166
Other	11,644	4,594
Accrued expenses and other current liabilities	$ 113,776	$ 141,790

(1) See Note 11 Restructuring charges for amounts associated with restructuring liabilities.

Product warranty

	Year ended December 31,		
(in thousands)	2020	2019	2018
Beginning balance	$ 11,398	$ 10,971	$ 10,373
Charged to cost of revenue	12,690	16,933	24,725
Settlement of warranty claims	(15,565)	(16,506)	(24,127)
Warranty liability	$ 8,523	$ 11,398	$ 10,971

At December 31, 2020 and 2019, $8.0 million and $9.9 million, respectively, of the warranty liability was recorded as a component of accrued expenses and other current liabilities, and $0.5 million and $1.5 million, respectively, was recorded as a component of other long-term liabilities.

4. Financing Arrangements

2016 Credit Facility

In March 2016, the Company entered into a Credit Agreement (2016 Credit Agreement) with certain banks which provides for a secured revolving credit facility (2016 Credit Facility) under which the Company may borrow up to an aggregate amount of $250.0 million. The Company and its lenders may increase the total commitments under the 2016 Credit Facility to up to an aggregate amount of $300.0 million, subject to certain conditions. The 2016 Credit Facility will terminate and any outstanding borrowings become due and payable in March 2021.

The amount that may be borrowed under the 2016 Credit Facility is determined at periodic intervals and is based upon the Company's inventory and accounts receivable balances. Borrowed funds accrue interest based on an annual rate of (a) London Interbank Offered Rate (LIBOR) or (b) the administrative agent's base rate, plus an applicable margin of between 1.50% and 2.00% for LIBOR rate loans, and between 0.50% and 1.00% for base rate loans. The Company is required to pay a commitment fee on the unused portion of the 2016 Credit Facility of 0.25% or 0.375% per annum, based on the level of utilization of the 2016 Credit Facility. Amounts owed under the 2016 Credit Agreement and related credit documents are guaranteed by GoPro, Inc. and its material subsidiaries. GoPro, Inc. has also granted security interests in substantially all of its assets to collateralize this obligation.

The 2016 Credit Agreement contains customary covenants, such as financial statement reporting requirements and limiting the ability of the Company and its subsidiaries to pay dividends or incur debt, create liens and encumbrances, make investments, and redeem or repurchase stock. The Company is required to maintain a minimum fixed charge coverage ratio if and when the unborrowed availability under the 2016 Credit Facility is less than the greater of $25.0 million or 10.0% of the borrowing base at such time. The 2016 Credit Agreement also contains customary events of default, such as the failure to pay obligations when due, initiation of bankruptcy or insolvency proceedings, or defaults on certain other indebtedness. Upon an event of default, the lenders may, subject to customary cure rights, require the immediate payment of all amounts outstanding and foreclose on collateral.

At December 31, 2020 and 2019, the Company was in compliance with all financial covenants contained in the 2016 Credit Agreement. As of December 31, 2020 and 2019, the Company had zero borrowings outstanding on the 2016 Credit Facility. Concurrently with the execution of the 2021 Credit Agreement in January 2021, the Company terminated the 2016 Credit Agreement, which would otherwise have matured on March 25, 2021.

2021 Credit Facility

In January 2021, the Company entered into a Credit Agreement (2021 Credit Agreement) with a certain bank which provides for a revolving credit facility (2021 Credit Facility) under which the Company may borrow up to an aggregate amount of $50.0 million. The 2021 Credit Facility will terminate and any outstanding borrowings become due and payable until the earlier of (i) in January 2024 and (ii) unless the Company has cash in a specified deposit account in an amount equal to or greater than the amount required to repay the Company's convertible notes due April 2022, 91 days prior to the maturity date of such convertible notes.

The amount that may be borrowed under the 2021 Credit Agreement may be based on a customary borrowing base calculation if the Company's Asset Coverage Ratio is at any time less than 1.50. The Asset Coverage Ratio is defined as the ratio of (i) the sum of (a) the Company's cash and cash equivalents in the United States plus specified percentages of other qualified debt investments (Qualified Cash) plus (b) specified percentages of the net book values of the Company's accounts receivable and certain inventory to (ii) $50.0 million.

At the Company's option, borrowed funds accrue interest at either (i) a floating rate per annum equal to the base rate plus a margin of from 0.50% to 1.00% depending on the Company's Asset Coverage Ratio or (ii) a per annum rate equal to the rate at which dollar deposits are offered in the London interbank market plus a margin of from 1.50% to 2.00% depending on the Company's Asset Coverage Ratio. The Company is required to pay a commitment fee on the unused portion of the 2021 Credit Facility of 0.375% to 0.50% per annum, based on the level of utilization of the 2021 Credit Facility. Amounts owed under the 2021 Credit Agreement are guaranteed by certain of the Company's United States subsidiaries and secured by a first priority security interest in substantially all of the asset of the Company and of these subsidiaries (other than intellectual property, which is subject to a negative pledge restricting grants of security interests to third parties).

The 2021 Credit Agreement contains customary representations, warranties, and affirmative and negative covenants. The negative covenants include restrictions on the incurrence of liens and indebtedness, certain investments, dividends, stock repurchases and other matters, all subject to certain exceptions. In addition, the Company is required to maintain Liquidity (the sum of unused availability under the credit facility and the Company's Qualified Cash) of at least $55.0 million (of which at least $40.0 million shall be attributable to Qualified Cash), or, if the borrowing base is then in effect, minimum unused availability under the credit facility of at least $10.0 million. The 2021 Credit Agreement also includes customary events of default that include, among other things, non-payment of principal, interest or fees, inaccuracy of representations and warranties, violation of certain covenants, cross default to certain other indebtedness, bankruptcy and insolvency events, material judgments and change of control. Upon an event of default, the lender may, subject to customary cure rights, require the immediate payment of all amounts outstanding.

2022 Convertible Notes

In April 2017, the Company issued $175.0 million aggregate principal amount of 3.50% Convertible Senior Notes due 2022 (2022 Notes). The 2022 Notes are senior, unsecured obligations of GoPro and mature on April 15, 2022 (Maturity Date), unless earlier repurchased or converted into shares of Class A common stock under certain circumstances. The 2022 Notes are convertible into cash, shares of the Company's Class A common stock, or a combination thereof, at the Company's election, at an initial conversion rate of 94.0071 shares of Class A common stock per $1,000 principal amount of the 2022 Notes, which is equivalent to an initial conversion price of approximately $10.64 per share of common stock, subject to adjustment. Based on current and projected liquidity, the Company has the intent and ability to deliver cash up to the principal amount of the 2022 Notes then outstanding upon conversion. The Company pays interest on the 2022 Notes semi-annually in arrears on April 15 and October 15 of each year.

The $175.0 million of proceeds received from the issuance of the 2022 Notes were allocated between long-term debt (liability component) of $128.3 million and additional paid-in-capital (equity component) of $46.7 million on the Consolidated Balance Sheets. The fair value of the liability component was measured using rates determined for similar debt instruments without a conversion feature. The carrying amount of the equity component, representing the conversion option, was determined by deducting the fair value of the liability component from the aggregate face value of the 2022 Notes. The liability component will be accreted up to the face value of the 2022 Notes of $175.0 million, which will result in additional non-cash interest expense being recognized in the Consolidated Statements of Operations through the 2022 Notes' Maturity Date. The accretion of the 2022 Notes to par and debt issuance cost recorded to long-term debt is amortized into interest expense over the term of the 2022 Note using an effective interest rate of approximately 10.5%. The equity component will not be remeasured as long as it continues to meet the conditions for equity classification.

The Company incurred approximately $5.7 million of issuance costs related to the issuance of the 2022 Notes, of which $4.2 million and $1.5 million were recorded to long-term debt and additional paid-in capital, respectively. The $4.2 million of issuance costs recorded as long-term debt on the Consolidated Balance Sheets are being amortized over the five-year contractual term of the 2022 Notes using the effective interest method.

The Company may not redeem the 2022 Notes prior to the Maturity Date and no sinking fund is provided for the 2022 Notes. The indenture includes customary terms and covenants, including certain events of default after which the 2022 Notes may be due and payable immediately.

Holders have the option to convert the 2022 Notes in multiples of $1,000 principal amount at any time prior to January 15, 2022, but only in the following circumstances:

- during any calendar quarter beginning after the calendar quarter ending on September 30, 2017, if the last reported sale price of Class A common stock for at least 20 trading days (whether or not consecutive) during the last 30 consecutive trading days of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price of the 2022 Notes on each applicable trading day;
- during the five-business day period following any five consecutive trading day period in which the trading price for the 2022 Notes is less than 98% of the product of the last reported sale price of Class A common stock and the conversion rate for the 2022 Notes on each such trading day; or
- upon the occurrence of specified corporate events.

At any time on or after January 15, 2022 until the second scheduled trading day immediately preceding the Maturity Date of the 2022 Notes on April 15, 2022, a holder may convert its 2022 Notes, in multiples of $1,000 principal amount. Holders of the 2022 Notes who convert their 2022 Notes in connection with a make-whole fundamental change (as defined in the indenture) are, under certain circumstances, entitled to an increase in the conversion rate. In addition, in the event of a fundamental change prior to the Maturity Date, holders will, subject to certain conditions, have the right, at their option, to require the Company to repurchase for cash all or part of the 2022 Notes at a repurchase price equal to 100% of the principal amount of the 2022 Notes to be repurchased, plus accrued and unpaid interest up to, but excluding, the repurchase date.

Concurrently with the November 2020 issuance of the 1.25% Convertible Senior Notes due 2025 (2025 Notes), the Company used $56.2 million of the net cash proceeds from the 2025 Notes to repurchase $50.0 million principal amount of the 2022 Notes through an individual, privately negotiated transaction. The $56.2 million net cash proceeds were allocated between long-term debt (liability component) of $50.6 million and additional paid-in capital (equity component) of $5.4 million on the Consolidated Balance Sheets, and the remaining $0.2 million was related to the payment of interest. The fair value of the liability component was measured using rates determined for similar debt instrument without a conversion feature. The Company's effective interest rate of 2.4% was based on the trading details of its 2022 Notes immediately prior to the repurchase date to determine the volatility of its 2022 Notes, and its remaining term. The cash consideration allocated to the equity component was calculated by deducting the fair value of the liability component and interest payment from the total aggregate cash consideration. The difference between the fair value of the 2022 Notes repurchased and the carrying value of $45.2 million resulted in a $5.4 million loss on extinguishment of debt for the year ended December 31, 2020.

As of December 31, 2020 and 2019, the outstanding principal on the 2022 Notes was $125.0 million and $175.0 million, respectively, the unamortized debt discount was $10.2 million and $24.3 million, respectively, the unamortized debt issuance cost was $0.8 million and $1.9 million, respectively, and the net carrying amount of the liability component was $114.0 million and $148.8 million, respectively, which was recorded as long-term debt within the Consolidated Balance Sheets. For the year ended December 31, 2020, 2019 and 2018, the Company recorded interest expense of $5.9 million, $6.1 million and $6.1 million for contractual coupon interest, respectively, and $9.6 million, $9.0 million and $8.1 million, respectively, for amortization of the debt discount. For the year ended December 31, 2020, 2019 and 2018, the Company recorded $0.8 million for amortization of debt issuance costs.

In connection with the 2022 Notes offering, the Company entered into a prepaid forward stock repurchase transaction (Prepaid Forward) with a financial institution (Forward Counterparty). Pursuant to the Prepaid Forward, the Company used approximately $78.0 million of the net proceeds from the offering of the 2022 Notes to fund the Prepaid Forward. The aggregate number of shares of the Company's Class A common stock underlying the Prepaid Forward was approximately 9.2 million. The expiration date for the Prepaid Forward is April 15, 2022, although it may be settled earlier in whole or in part. Upon settlement of the Prepaid Forward, at expiration or upon any early settlement, the Forward Counterparty will deliver to the Company the number of shares of Class A common stock underlying the Prepaid Forward or the portion thereof being settled early. The shares purchased under the Prepaid Forward are treated as treasury stock on the Consolidated Balance Sheets (and not outstanding for purposes of the calculation of basic and diluted income (loss) per share), but will remain outstanding for corporate law purposes, including for purposes of any future stockholders' votes, until the Forward Counterparty delivers the shares underlying the Prepaid Forward to the Company. The Company's Prepaid Forward hedge transaction exposes the Company to credit risk to the extent that its counterparty may be unable to meet the terms of the transaction. The Company mitigates this risk by limiting its counterparty to a major financial institution.

In October 2020, 8.8 million shares out of the 9.2 million shares of Class A common stock underlying the Prepaid Forward entered into as part of the Company's 2022 Notes were early settled and delivered to the Company. There was no financial statement impact due to the return of shares; however, shares outstanding for corporate law purposes were reduced by the early settlement.

2025 Convertible Notes

In November 2020, the Company issued $125.0 million aggregate principal amount of 1.25% Convertible Senior Notes due 2025 and granted an option to the initial purchasers to purchase up to an additional $18.8 million aggregate principal amount of the 2025 Notes to cover over-allotments, of which, $18.8 million was subsequently exercised during November 2020, resulting in a total issuance of $143.8 million aggregate principal amount of the 2025 Notes. The 2025 Notes are senior, unsecured obligations of GoPro and mature on November 15, 2025 (Maturity Date), unless earlier repurchased or converted into shares of Class A common stock under certain circumstances. The 2025 Notes are convertible into cash, shares of the Company's Class A common stock, or a combination thereof, at the Company's election, at an initial conversion rate of 107.1984 shares of Class A common stock per $1,000 principal amount of the 2025 Notes, which is equivalent to an initial conversion price of approximately $9.3285 per share of common stock, subject to adjustment. Based on current and projected liquidity, the Company has the intent and ability to deliver cash up to the principal amount of the 2025 Notes then outstanding upon conversion. The Company pays interest on the 2025 Notes semi-annually in arrears on May 15 and November 15 of each year.

The $143.8 million of proceeds received from the issuance of the 2025 Notes were allocated between long-term debt (liability component) of $106.9 million and additional paid-in-capital (equity component) of $36.9 million on the Consolidated Balance Sheets. The fair value of the liability component was measured using rates determined for similar debt instruments without a conversion feature. The carrying amount of the equity component, representing the conversion option, was determined by deducting the fair value of the liability component from the aggregate face value of the 2025 Notes. The liability component will be accreted up to the face value of the 2025 Notes of $143.8 million, which will result in additional non-cash interest expense being recognized in the Consolidated Statements of Operations through the 2025 Notes' Maturity Date. The accretion of the 2025 Notes to par and debt issuance cost recorded to long-term debt is amortized into interest expense over the term of the

2025 Note using an effective interest rate of approximately 7.5%. The equity component will not be remeasured as long as it continues to meet the conditions for equity classification.

The Company incurred approximately $4.7 million of issuance costs related to the issuance of the 2025 Notes, of which $3.5 million and $1.2 million were recorded to long-term debt and additional paid-in capital, respectively. The $3.5 million of issuance costs recorded as long-term debt on the Consolidated Balance Sheets are being amortized over the five-year contractual term of the 2025 Notes using the effective interest method.

The Company may redeem the 2025 Notes on or after November 20, 2023 for cash all or any portion of the 2025 Notes if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides the redemption notice, at a redemption price equal to 100% of the principal amount of the 2025 Notes to be redeemed, plus accrued interest and unpaid interest to, but excluding the redemption date. No sinking fund is provided for the 2025 Notes. The indenture includes customary terms and covenants, including certain events of default after which the 2025 Notes may be due and payable immediately.

Holders have the option to convert the 2025 Notes in multiples of $1,000 principal amount at any time prior to August 15, 2025, but only in the following circumstances:

- during any calendar quarter beginning after the calendar quarter ending on March 31, 2021, if the last reported sale price of Class A common stock for at least 20 trading days (whether or not consecutive) during the last 30 consecutive trading days of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price of the 2025 Notes on each applicable trading day;
- during the five-business day period following any five consecutive trading day period in which the trading price for the 2025 Notes is less than 98% of the product of the last reported sale price of Class A common stock and the conversion rate for the 2025 Notes on each such trading day;
- if the Company call any or all of the 2025 Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately before the redemption date; or
- upon the occurrence of specified corporate events.

At any time on or after August 15, 2025 until the second scheduled trading day immediately preceding the Maturity Date of the 2025 Notes on November 15, 2025, a holder may convert its 2025 Notes, in multiples of $1,000 principal amount. Holders of the 2025 Notes who convert their 2025 Notes in connection with a make-whole fundamental change (as defined in the indenture) are, under certain circumstances, entitled to an increase in the conversion rate. In addition, in the event of a fundamental change prior to the Maturity Date, holders will, subject to certain conditions, have the right, at their option, to require the Company to repurchase for cash all or part of the 2025 Notes at a repurchase price equal to 100% of the principal amount of the 2025 Notes to be repurchased, plus accrued and unpaid interest up to, but excluding, the repurchase date.

As of December 31, 2020, the outstanding principal on the 2025 Notes was $143.8 million, the unamortized debt discount was $36.1 million, the unamortized debt issuance cost was $3.4 million and the net carrying amount of the liability component was $104.2 million, which was recorded as long-term debt within the Consolidated Balance Sheets. For the year ended December 31, 2020, the Company recorded interest expense of $0.2 million for contractual coupon interest, $0.1 million for amortization of debt issuance costs, and $0.8 million for amortization of the debt discount.

In connection with the offering of the 2025 Notes, the Company paid $10.2 million to enter into privately negotiated capped call transactions with certain financial institutions (Capped Calls). The Capped Calls have an initial strike price of $9.3285 per share, which corresponds to the initial conversion price of the 2025 Notes. The Capped Calls cover, subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the 2025 Notes, the number of Class A common stock initially underlying the 2025 Notes. The Capped Calls are generally expected to reduce potential dilution to the Company's Class A common stock upon any conversion of the 2025 Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted 2025 Notes, as the case may be, with such reduction and/or offset subject to a cap, initially equal to $12.0925, and is subject to certain adjustments under the terms of the Capped Call transactions. The Capped Call will expire in November 2025, if not exercised earlier.

The Capped Calls are subject to adjustment upon the occurrence of specified extraordinary events affecting the Company, including merger events, tender offers and announcement events. In addition, the Capped Calls are subject to certain specified additional disruption events that may give rise to a termination of the Capped Calls, including nationalization, insolvency or delisting, changes in law, failures to deliver, insolvency filings and hedging disruptions. For accounting purposes, the Capped Calls are separate transactions, and not part of the terms of the 2025 Notes. As these transactions meet certain accounting criteria, the Capped Calls are recorded in stockholders' equity as a reduction to additional paid-in capital and will not be remeasured as long as they continue to meet certain accounting criteria.

5. Stockholders' equity

Common stock. The Company has two classes of authorized common stock: Class A common stock with 500 million shares authorized and Class B common stock with 150 million shares authorized. As of December 31, 2020, 122.2 million shares of Class A stock were issued and outstanding and 28.9 million shares of Class B stock were issued and outstanding. The rights of the holders of Class A and Class B common stock are identical, except with respect to voting power and conversion rights. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to ten votes per share. Each share of Class B common stock is convertible at any time at the option of the stockholder into one share of Class A common stock and has no expiration date. The Class B common stock is also convertible into Class A common stock on the same basis upon any transfer, whether or not for value, except for "permitted transfers" as defined in the Company's restated certificate of incorporation. Each share of Class B common stock will convert automatically into one share of Class A common stock upon the date when the outstanding shares of Class B common stock represent less than 10% of the aggregate number of shares of common stock then outstanding. As of December 31, 2020, the Class B stock continued to represent greater than 10% of the overall outstanding shares.

The Company had the following shares of common stock reserved for issuance upon the exercise of equity instruments as of December 31, 2020:

(in thousands)	December 31, 2020
Stock options outstanding	3,431
Restricted stock units outstanding	10,639
Performance stock units outstanding	1,319
Common stock available for future grants	32,795
Total common stock shares reserved for issuance	48,184

6. Employee benefit plans

Equity incentive plans. The Company has outstanding equity grants from its three stock-based employee compensation plans: the 2014 Equity Incentive Plan (2014 Plan), the 2010 Equity Incentive Plan (2010 Plan) and the 2014 Employee Stock Purchase Plan (ESPP). No new options or awards have been granted under the 2010 Plan since June 2014. Outstanding options and awards under the 2010 Plan continue to be subject to the terms and conditions of the 2010 Plan.

The 2014 Plan serves as a successor to the 2010 Plan and provides for the granting of incentive and nonqualified stock options, restricted stock awards (RSAs), restricted stock units (RSUs), stock appreciation rights, stock bonus awards and performance awards to qualified employees, non-employee directors and consultants. Options granted under the 2014 Plan generally expire within ten years from the date of grant and generally vest over one to four years. Restricted stock units (RSUs) granted under the 2014 Plan generally vest over two to four years based upon continued service and are settled at vesting in shares of the Company's Class A common stock. Performance stock units (PSUs) granted under the 2014 Plan generally vest over three years based upon continued service and the Company achieving certain targets, and are settled at vesting in shares of the Company's Class A common stock. The Company accounts for forfeitures of stock-based payment awards in the period they occur.

The ESPP allows eligible employees to purchase shares of the Company's Class A common stock through payroll deductions at a price equal to 85% of the lesser of the fair market value of the stock as of the first date or the ending date of each six-month offering period. The 2014 Plan and the ESPP also provide for automatic annual increases in the number of shares reserved for future issuance.

Employee retirement plan. The Company has a defined contribution retirement plan covering the United States and other international full-time employees that provides for voluntary employee contributions from 1% to 100% of annual compensation, subject to a maximum limit allowed by Internal Revenue Service guidelines. The Company matched 100% of each employee's contributions up to a maximum of 4% of the employee's eligible compensation until May 2020, at which point the Company suspended matching contributions. The Company's matching contributions to the plan were $1.4 million, $4.0 million and $4.3 million in 2020, 2019 and 2018, respectively.

Stock options

A summary of the Company's stock option activity is as follows:

	Shares (in thousands)	Weighted-average exercise price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at December 31, 2019	3,963	$ 10.16	6.35	$ 374
Granted	1,025	4.01		
Exercised	(357)	5.50		
Forfeited/Cancelled	(1,200)	10.20		
Outstanding at December 31, 2020	3,431	$ 8.79	6.50	$ 6,259
Vested and expected to vest at December 31, 2020	3,431	$ 8.79	6.50	$ 6,259
Exercisable at December 31, 2020	2,195	$ 11.06	5.18	$ 1,893

The weighted-average grant date fair value of all options granted and assumed was $2.03, $3.70 and $2.95 per share in 2020, 2019 and 2018, respectively. The total fair value of all options vested was $1.7 million, $3.5 million and $6.1 million in 2020, 2019 and 2018, respectively. The aggregate intrinsic value of the stock options outstanding as of December 31, 2020 represents the value of the Company's closing stock price on the last trading day of the year in excess of the exercise price multiplied by the number of options outstanding.

Restricted stock units

A summary of the Company's RSU activity is as follows:

	Shares (in thousands)	Weighted-average grant date fair value
Non-vested shares at December 31, 2019	8,225	$ 6.11
Granted	8,759	4.59
Vested	(3,962)	6.04
Forfeited	(2,383)	5.40
Non-vested shares at December 31, 2020	10,639	$ 5.04

The weighted-average grant date fair value of all RSUs granted was $4.59, $5.70 and $5.83 per share in 2020, 2019 and 2018, respectively. The total fair value of all RSUs vested was $23.9 million, $34.9 million and $41.6 million in 2020, 2019 and 2018, respectively.

Performance stock units

A summary of the Company's PSU activity is as follows:

	Shares (in thousands)	Weighted-average grant date fair value
Non-vested shares at December 31, 2019	788	$ 7.51
Granted	1,231	4.05
Vested	(247)	7.50
Forfeited	(453)	6.92
Non-vested shares at December 31, 2020	1,319	$ 4.48

The weighted-average grant date fair value of all PSUs granted was $4.05, $7.51 and $5.76 in 2020, 2019 and 2018, respectively. The total fair value of all PSUs vested was $1.9 million in 2020. No PSUs vested in 2019 or 2018.

Employee stock purchase plan. In 2020, 2019 and 2018, the Company issued 1 million, 958 thousand and 981 thousand shares under its ESPP, respectively, at weighted-average prices of $3.42, $4.13 and $4.78, respectively.

Fair value disclosures. The Company measures compensation expense for all stock-based payment awards based on the estimated fair values on the date of the grant. The fair value of RSUs and PSUs are determined using the Company's closing stock price on the date of grant. The Company recognizes compensation expense for PSUs when it is probable that the vesting conditions will be met. The fair value of stock options granted and purchases under the Company's ESPP is estimated using the Black-Scholes option pricing model. Expected term of stock options granted was estimated based on the simplified method. Expected stock price volatility was estimated by taking the Company's average historic volatility and if applicable, the historical volatility for industry peers based on daily price observations over a period equivalent to the expected term. Risk-free interest rate was based on the yields of U.S. Treasury securities with maturities similar to the expected term. Dividend yield was zero as the Company does not have any history of, nor plans to make, dividend payments.

The fair value of stock options granted was estimated as of the grant date using the following assumptions:

	Year ended December 31,		
	2020	2019	2018
Volatility	51%-64%	50%-52%	51%
Expected term (years)	6.1	6.1	5.4-6.1
Risk-free interest rate	0.4%-1.5%	1.5%-2.2%	2.7%-3.0%
Dividend yield	—%	—%	—%

The fair value of stock purchase rights granted under the ESPP was estimated using the following assumptions:

	Year ended December 31,		
	2020	2019	2018
Volatility	60%-98%	41%-54%	48%-53%
Expected term (years)	0.5	0.5	0.5
Risk-free interest rate	0.1%-1.6%	1.9%-2.5%	1.8%-2.2%
Dividend yield	—%	—%	—%

Stock-based compensation expense. The following table summarizes stock-based compensation expense included in the Consolidated Statements of Operations:

	Year ended December 31,		
(in thousands)	**2020**	**2019**	**2018**
Cost of revenue	$ 1,548	$ 1,902	$ 1,954
Research and development	13,415	17,167	19,636
Sales and marketing	5,779	8,043	9,459
General and administrative	9,221	10,076	9,838
Total stock-based compensation expense	$ 29,963	$ 37,188	$ 40,887

The income tax benefit related to stock-based compensation expense was zero for 2020, 2019 and 2018 due to a full valuation allowance on the Company's United States net deferred tax assets (see Note 8 Income taxes).

At December 31, 2020, total unearned stock-based compensation of $47.7 million related to stock options, RSUs, PSUs and ESPP shares is expected to be recognized over a weighted-average period of 2.2 years.

7. Net loss per share

The following table presents the calculations of basic and diluted net loss per share:

(in thousands, except per share data)	Year ended December 31, 2020	2019	2018
Numerator:			
Net loss	$ (66,783)	$ (14,642)	$ (109,034)
Denominator:			
Weighted-average common shares - basic and diluted for Class A and Class B common stock	149,037	144,891	139,495
Basic and diluted net loss per share	$ (0.45)	$ (0.10)	$ (0.78)

The following potentially dilutive shares were not included in the calculation of diluted shares outstanding as the effect would have been anti-dilutive:

(in thousands)	Year ended December 31, 2020	2019	2018
Anti-dilutive stock-based awards	15,856	13,527	15,834

The Company has the intent and ability to deliver cash up to the principal amount of the 2022 Notes and 2025 Notes subject to conversion, based on the Company's current and projected liquidity. As such, no shares associated with the 2022 Note and 2025 Note conversion were included in the Company's weighted-average number of common shares outstanding for any periods presented. The Company's 2022 Notes mature on April 15, 2022 and the 2025 Notes mature on November 15, 2025, unless earlier repurchased or converted into shares of Class A common stock under certain circumstances as described further in Note 4 Financing Arrangements. The 2022 Notes and 2025 Notes are convertible into cash, shares of the Company's Class A common stock, or a combination thereof, at the Company's election. While the Company has the intent and ability to deliver cash up to the principal amount, the maximum number of shares issuable upon conversion of the 2022 Notes is 20.6 million shares of Class A common stock and 20.8 million shares of Class A common stock upon conversion of the 2025 Notes. Additionally, the calculation of weighted-average shares outstanding for the year ended December 31, 2020, 2019 and 2018 excludes approximately 9.2 million shares effectively repurchased and held in treasury stock on the Consolidated Balance Sheets as a result of the Prepaid Forward transaction entered into in connection with the 2022 Note offering.

The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to ten votes per share. Each share of Class B common stock is convertible at any time at the option of the stockholder into one share of Class A common stock and has no expiration date. Each share of Class B common stock will convert automatically into one share of Class A common stock upon the date when the outstanding shares of Class B common stock represent less than 10% of the aggregate number of shares of common stock then outstanding. Class A common stock is not convertible into Class B common stock. The computation of the diluted net loss per share of Class A common stock assumes the conversion of Class B common stock.

8. Income taxes

Loss before income taxes consisted of the following:

(in thousands)	Year ended December 31, 2020	2019	2018
United States	$ (70,572)	$ (28,233)	$ (110,318)
Foreign	8,615	9,163	2,643
Loss before income taxes	$ (61,957)	$ (19,070)	$ (107,675)

Income tax (benefit) expense consisted of the following:

(in thousands)	Year ended December 31, 2020	2019	2018
Current			
Federal	$ (164)	$ (52)	$ (2,821)
State	84	48	175
Foreign	4,956	(4,391)	4,394
Total current	4,876	(4,395)	1,748
Deferred			
Federal	—	—	248
Foreign	(50)	(33)	(637)
Total deferred	(50)	(33)	(389)
Income tax (benefit) expense	$ 4,826	$ (4,428)	$ 1,359

	Year ended December 31,					
	2020		2019		2018	
(dollars in thousands)	$	%	$	%	$	%
Reconciliation to statutory rate						
Tax at federal statutory rate	$ (13,011)	21.0 %	$ (4,005)	21.0 %	$ (22,612)	21.0 %
Change in valuation allowance	16,767	(27.1)	4,717	(24.7)	42,772	(39.7)
Impact of foreign operations	5,010	(8.1)	(3,949)	20.7	3,285	(3.1)
Stock-based compensation	696	(1.1)	1,731	(9.1)	10,974	(10.2)
State income taxes, net of federal benefit	(682)	1.1	1,872	(9.8)	(2,997)	2.8
Impact of IRS audit	—	—	—	—	(9,687)	9.0
Restructuring adjustment	—	—	—	—	(18,694)	17.4
Tax credits	(3,538)	5.7	(5,123)	26.8	(5,996)	5.6
Permanent tax adjustments	123	(0.2)	305	(1.6)	3,786	(3.5)
Other	(539)	0.9	24	(0.1)	528	(0.6)
Income tax provision at effective tax rate	$ 4,826	(7.8)%	$ (4,428)	23.2 %	$ 1,359	(1.3)%

The negative effective tax rate of 7.8% for 2020 primarily resulted from a significant benefit on pre-tax book losses, offset by the valuation allowance on United States federal and state deferred tax assets and by income taxes paid or accrued in profitable foreign jurisdictions (primarily wholly owned subsidiaries in Europe). The effective tax rate of 23.2% for 2019 resulted from a benefit primarily related to an overall decrease in losses before income taxes, a benefit from the reversal of a previously accrued tax provision on uncertain tax positions that were no longer necessary due to the expiration of the statute of limitations and settlements with certain taxing jurisdictions, partially offset by the valuation allowance on United States federal and state net deferred tax assets and a shortfall tax impact from stock-based compensation.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and deferred tax liabilities were as follows:

	Year ended December 31,	
(in thousands)	**2020**	**2019**
Deferred tax assets:		
Net operating loss carryforwards	$ 177,987	$ 163,832
Tax credit carryforwards	79,694	75,624
Stock-based compensation	5,192	5,710
Allowance for returns	2,492	4,150
Intangible assets	5,453	5,384
Operating lease liabilities	14,104	16,602
Accruals and reserves	11,687	19,493
Total deferred tax assets	296,609	290,795
Valuation allowance	(287,276)	(277,693)
Total deferred tax assets, net of valuation allowance	$ 9,333	$ 13,102
Deferred tax liabilities:		
Depreciation and amortization	(1,112)	—
Operating lease right-of-use assets	(7,255)	(12,238)
Total deferred tax liabilities	(8,367)	(12,238)
Net deferred tax assets	$ 966	$ 864

Recognition of deferred tax assets is appropriate when the realization of such assets is more likely than not. Based upon the weight of available evidence, the Company believes it is not more likely than not that the United States deferred tax assets will be realized. Accordingly, a valuation allowance has been established and maintained against United States deferred tax assets. The remaining deferred tax asset balances at December 31, 2020 reflect foreign deferred tax assets in each jurisdiction and are supported by taxable income or in the case of acquired companies, by the future reversal of deferred tax liabilities. It is more likely than not that the Company's foreign deferred tax assets will be realized and thus, a valuation allowance is not required on its foreign deferred tax assets. The Company will continue to assess the realizability of the deferred tax assets in each of the applicable jurisdictions going forward. The deferred tax assets and liabilities disclosure at December 31, 2019 has been adjusted to reflect the gross deferred tax right-of-use asset and the related gross deferred tax lease liability recognized in accordance with ASC 842 *Leases*. The Company's valuation allowance increased by $9.6 million to $287.3 million as of December 31, 2020, primarily due to a $16.8 million change in United States deferred tax assets, offset by a $7.2 million reversal of valuation allowance due to the partial extinguishment of debt recorded in 2020.

As of December 31, 2020, the Company's federal, California and other state net operating loss carryforwards for income tax purposes were $680.2 million, $239.7 million and $234.7 million, net of reserves, respectively. Also, the Company's federal and California state tax credit carryforwards were $45.8 million and $42.9 million, net of reserves, respectively. If not utilized, federal net operating losses that arose before 2018, federal credit and California loss carryforwards will begin to expire from 2030 to 2038, while other state loss carryforwards will begin to expire from 2021 to 2040. Federal net operating losses that arise after 2017 and all California tax credits will be carried forward indefinitely.

Under the provisions of §382 of the Internal Revenue Code, a change of control may impose an annual limitation on the amount of the Company's net operating loss and tax credit carryforwards that can be used to reduce future tax liabilities. Of the Company's total $680.2 million federal net operating loss carryforwards, approximately $8.1 million was from one of the Company's acquisitions in 2016. These acquired tax attributes are subject to an annual limitation of $1.7 million per year for federal purposes and will begin to expire in the year 2034, if not utilized.

Uncertain income tax positions. The Company had gross unrecognized tax benefits of $27.5 million, $27.2 million and $32.6 million, as of December 31, 2020, 2019 and 2018, respectively. For fiscal year 2020, 2019 and 2018, total unrecognized income tax benefits were $15.3 million, $12.5 million and $17.3 million, respectively, and if recognized, would reduce income tax expense after considering the impact of the change in the valuation allowance in the United States. A material portion of the Company's gross unrecognized tax benefits, if recognized, would increase the Company's net operating loss carryforward, which would be offset by a full valuation allowance based on present circumstances.

These unrecognized tax benefits relate primarily to unresolved matters with taxing authorities regarding the Company's transfer pricing positions and tax positions based on the Company's interpretation of certain United States trial and appellate court decisions, which remain subject to appeal and therefore could be overturned in future periods. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, the Company believes that its reserves reflect the more likely outcome. The Company believes, due to statute of limitations expiration, that within the next 12 months it is possible that up to $13.0 million of uncertain tax positions could be released. It is also reasonably possible that additional uncertain tax positions will be added. It is not reasonably possible at this time to quantify the net effect.

A reconciliation of the beginning and ending amount of gross unrecognized income tax benefits are as follows:

	Year ended December 31,		
(in thousands)	**2020**	**2019**	**2018**
Balance at January 1	$ 27,178	$ 32,556	$ 58,584
Increase related to current year tax positions	2,541	250	483
Increase related to prior year tax positions	1,681	—	445
Decrease related to prior year tax positions	(3,929)	(5,628)	(26,956)
Balance at December 31	$ 27,471	$ 27,178	$ 32,556

The Company's policy is to account for interest and penalties related to income tax liabilities within the provision for income taxes. The balances of accrued interest and penalties recorded in the balance sheets and provision were not material for any period presented.

The Company files income tax returns in the United States and in non-United States jurisdictions. As of December 31, 2020, the Company continues to assert indefinite reinvestment to the extent of any foreign withholding taxes on the undistributed earnings related to these foreign branches. Any foreign withholding tax on these earnings is deemed not to be material.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the Consolidated Appropriations Act (CAA), were enacted into law on March 27, 2020 and December 27, 2020, respectively, to respond to the economic challenges due to COVID-19. The Company reviewed the tax impact of the CARES Act and the CAA, and determined that the effective tax rate is not materially impacted.

9. Commitments, contingencies and guarantees

Facility Leases. The Company leases its facilities under long-term operating leases, which expire at various dates through 2027.

The components of net lease cost, which were recorded in operating expenses, were as follows:

	Year ended December 31,		
(in thousands)	2020 [1]	2019 [1]	2018 [2]
Operating lease cost [1]	$ 14,815	$ 17,811	$ 13,649
Sublease income	(526)	(656)	(765)
Right-of-use asset impairment cost	12,460	—	—
Net lease cost	$ 26,749	$ 17,155	$ 12,884

(1) Operating lease cost includes variable lease costs, which are immaterial.
(2) Represents rent expense and sublease income under ASC 840, *Leases*.

Supplemental cash flow information related to leases was as follows:

	Year ended December 31,	
(in thousands)	2020	2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 14,310	$ 14,015
Right-of-use assets obtained in exchange for operating lease liabilities	1,343	13,287
Operating lease modifications to decrease right-of-use assets	(2,251)	—

Supplemental balance sheet information related to leases was as follows:

	December 31, 2020	December 31, 2019
Weighted-average remaining lease term (in years) - operating leases	5.53	6.44
Weighted-average discount rate - operating leases	6.2%	6.2%

As of December 31, 2020, maturities of operating lease liabilities were as follows:

(in thousands)	December 31, 2020
2021	$ 12,794
2022	12,945
2023	11,924
2024	11,519
2025	11,306
Thereafter	12,626
Total lease payments	73,114
Less: Imputed interest	(12,112)
Present value of lease liabilities	$ 61,002

Other Commitments. In the ordinary course of business, the Company enters into multi-year agreements to purchase sponsorships with event organizers, resorts and athletes as part of its marketing efforts; software licenses related to its financial and IT systems; debt agreements; and various other contractual commitments. As of December 31, 2020, future commitments were as follows:

(in thousands)	Total	2021	2022	2023	2024	2025	Thereafter
Sponsorship commitments	$ 1,509	$ 1,059	$ 450	$ —	$ —	$ —	$ —
Other contractual commitments	27,526	19,165	6,361	1,882	118	—	—
Long-term debt [1]	284,268	7,279	128,073	1,797	1,797	145,322	—
Total contractual cash obligations	$313,303	$ 27,503	$134,884	$ 3,679	$ 1,915	$145,322	$ —

(1) The Company's convertible senior notes are due in April 2022 and November 2025. The balances include accrued and unpaid interest as of December 31, 2020. Refer to Note 4 Financing Arrangements.

Legal proceedings and investigations. On February 13, 2018 and February 27, 2018, two purported shareholder derivative lawsuits (the Consolidated Federal Derivative Actions) were filed in the United States District Court for the Northern District of California against certain of GoPro's current and former directors and executive officers and naming the Company as a nominal defendant. The Consolidated Federal Derivative Actions are based on allegations similar to those in two now-resolved shareholder class actions - one filed in 2016 which was settled and received final approval of the Court on September 20, 2019, and the other filed in 2018 which had final judgment entered in favor of defendants on June 24, 2019, following the Court's granting of defendants' motion to dismiss. The Consolidated Federal Derivative Actions assert causes of action against the individual defendants for breach of fiduciary duty, and for making false and misleading statements about the Company's business, operations and prospects in violation of Sections 10(b) and 14(a) of the Securities Exchange Act of 1934. The plaintiffs seek corporate reforms, disgorgement of profits from stock sales, and fees and costs. On June 15, 2020, defendants moved to dismiss the complaint.

Different shareholders filed two similar purported shareholder derivative actions on October 30, 2018 and November 7, 2018 in the Delaware Court of Chancery (the Consolidated Delaware Derivative Actions). On April 28, 2020, the Court granted defendants' motion to dismiss the Consolidated Delaware Derivative Actions with prejudice. On May 8, 2020, plaintiffs filed a notice of appeal. On February 3, 2021, the Delaware Supreme Court stayed the appeal pending final approval of the below described Settlement.

Other shareholders filed similar purported shareholder derivative actions on December 26, 2018, February 15, 2019, and January 27, 2020 in the Delaware Court of Chancery. Those actions are either stayed or defendants' time to respond to the complaint has not yet passed.

Following settlement negotiations, an agreement in principle to settle all derivative claims on behalf of the Company (the Settlement) was reached by plaintiffs in the Consolidated Federal Derivative Actions, the Consolidated Delaware Derivative Actions, certain other plaintiffs (the Settling Plaintiffs), and the current and former executive officers and members of the Company's Board. On February 9, 2021, the Settling Plaintiffs filed a motion for preliminary approval of the Settlement in the Consolidated Federal Derivative Actions. The Settlement is subject to court approval and is not expected to have a material impact on the Company's consolidated financial statements.

On January 5, 2015, Contour LLC filed a complaint against the Company in federal court in Utah alleging, among other things, patent infringement in relation to certain GoPro cameras. On November 30, 2015, Contour dismissed the Utah action. On November 30, 2015, Contour IP Holdings LLC (CIPH), a non-practicing entity re-filed a similar complaint in Delaware seeking unspecified damages. GoPro filed an inter partes review (IPR) at the United States Patent and Trademark Office. The case was transferred to the Northern District of California in July

2017 and was stayed pending the IPR proceedings. Upon conclusion of the IPRs, the District Court lifted the stay on October 1, 2019. Due to COVID-19 delays, the trial is now scheduled to commence on May 10, 2021. The Company believes that this matter lacks merit, and intends to vigorously defend against CIPH.

The Company regularly evaluates the associated developments of the legal proceedings described above, as well as other legal proceedings that arise in the ordinary course of business. While litigation is inherently uncertain, based on the currently available information, the Company is unable to determine a loss or a range of loss, and does not believe the ultimate cost to resolve these matters will have a material adverse effect on its business, financial condition, cash flows or results of operations.

Indemnifications. The Company has entered into indemnification agreements with its directors and executive officers which requires the Company to indemnify its directors and executive officers against liabilities that may arise by reason of their status or service. In addition, in the normal course of business, the Company enters into agreements that contain a variety of representations and warranties, and provide for general indemnification. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future, but have not yet been made. It is not possible to determine the maximum potential amount under these indemnification agreements due to the Company's limited history with indemnification claims and the unique facts and circumstances involved in each particular agreement. As of December 31, 2020, the Company has not paid any claims nor has it been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations.

10. Concentrations of risk and geographic information

Concentration of risk. Financial instruments which potentially subject the Company to concentration of credit risk includes cash and cash equivalents, restricted cash, marketable securities, accounts receivable, and derivative instruments, including the Capped Calls associated with the 2025 Notes. The Company places cash and cash-equivalents with high-credit-quality financial institutions, however the Company maintains cash balances in excess of the FDIC insurance limits. The Company believes that credit risk for accounts receivable is mitigated by the Company's credit evaluation process, relatively short collection terms and dispersion of its customer base. The Company generally does not require collateral and losses on trade receivables have historically been within management's expectations. The Company believes its' counterparty credit risk related to its' derivative instruments is mitigated by transacting with major financial institutions with high credit ratings.

Customers who represented 10% or more of the Company's net accounts receivable balance were as follows:

	December 31, 2020	December 31, 2019
Customer A	23%	11%
Customer B	15%	15%
Customer C	12%	*

* Less than 10% of net accounts receivable for the period indicated.

The following table summarizes the Company's accounts receivables sold, without recourse, and factoring fees paid:

	Year ended December 31,		
(in thousands)	2020	2019	2018
Accounts receivable sold	$ 99,410	$ 120,728	$ 126,220
Factoring fees	678	1,509	1,639

Third-party customers who represented 10% or more of the Company's total revenue were as follows:

	Year ended December 31,		
	2020	2019	2018
Customer A	10%	11%	13%

Supplier concentration. The Company relies on third parties for the supply and manufacture of its products, some of which are sole-source suppliers. The Company believes that outsourcing manufacturing enables greater scale and flexibility. As demand and product lines change, the Company periodically evaluates the need and advisability of adding manufacturers to support its operations. In instances where a supply and manufacture agreement does not exist or suppliers fail to perform their obligations, the Company may be unable to find alternative suppliers or satisfactorily deliver its products to its customers on time, if at all. The Company also relies on third parties with whom it outsources supply chain activities related to inventory warehousing, order fulfillment, distribution and other direct sales logistics. In instances where an outsourcing agreement does not exist or these third parties fail to perform their obligations, the Company may be unable to find alternative partners or satisfactorily deliver its products to its customers on time.

Geographic information

Revenue by geographic region was as follows:

	Year ended December 31,			2020 vs 2019	2019 vs 2018
(in thousands)	2020	2019	2018	% Change	% Change
Americas	$ 483,331	$ 523,975	$ 494,797	(8)%	6 %
Europe, Middle East and Africa (EMEA)	218,670	359,187	366,438	(39)	(2)
Asia and Pacific (APAC)	189,924	311,489	287,102	(39)	8
Total revenue	$ 891,925	$ 1,194,651	$ 1,148,337	(25)%	4 %

Revenue from the United States, which is included in the Americas geographic region, was $428.3 million, $429.9 million and $401.1 million for 2020, 2019 and 2018, respectively. No other individual country exceeded 10% of total revenue for any period presented. The Company does not disclose revenue by product category as it does not track sales incentives and other revenue adjustments by product category to report such data.

As of December 31, 2020 and 2019, long-lived assets, which represent net property and equipment, located outside the United States, primarily in Hong Kong and mainland China, were $6.9 million and $11.0 million, respectively.

11. Restructuring charges

Restructuring charges for each period were as follows:

(in thousands)	Year ended December 31, 2020	2019	2018
Cost of revenue	$ 1,201	$ 54	$ 1,379
Research and development	8,062	585	12,794
Sales and marketing	10,684	314	5,291
General and administrative	5,449	501	3,279
Total restructuring charges	$ 25,396	$ 1,454	$ 22,743

Second quarter 2020 restructuring plan

On April 14, 2020, the Company approved a restructuring plan to reduce future operating expenses, optimize its business model and address the impact of the COVID-19 pandemic. The restructuring provided for a reduction of the Company's global workforce by approximately 20% and the consolidation of certain leased office facilities. Under the second quarter 2020 restructuring plan, the Company recorded restructuring charges of $25.5 million, including a $12.5 million right-of-use asset impairment primarily related to its headquarters campus, $7.3 million related to severance, and $5.8 million related to accelerated depreciation and other charges.

The Company ceased using a portion of its headquarters campus in the third quarter of 2020 as part of the second quarter 2020 restructuring plan. The unused portion of the Company's headquarters campus has its own identifiable expenses and is not dependent on other parts of the Company, and thus was considered its own asset group. As a result, the Company impaired a part of the carrying value of the related right-of-use asset to its estimated fair value using the discounted future cash flows method. The discounted future cash flows were determined based on future sublease rental rates, future sublease market conditions and a discount rate based on the weighted-average cost of capital. Based on the results of the Company's assessment, the Company recognized a $12.3 million impairment, which was reflected as a restructuring expense, primarily in the operating expense financial statement line items in the Consolidated Statements of Operations.

The following table provides a summary of the Company's restructuring activities and the movement in the related liabilities recorded in accrued expenses and other current liabilities on the Consolidated Balance Sheets under the second quarter 2020 restructuring plan.

(in thousands)	Severance	Other	ROU Asset Impairment	Total
Restructuring liability as of December 31, 2019	$ —	$ —	$ —	$ —
Restructuring charges	7,287	5,800	12,460	25,547
Cash paid	(7,238)	(1,592)	—	(8,830)
Non-cash reductions	—	(4,169)	(12,460)	(16,629)
Restructuring liability as of December 31, 2020	$ 49	$ 39	$ —	$ 88

First quarter 2017 restructuring plan

On March 15, 2017, the Company approved a restructuring plan to reduce future operating expenses and further align resources around its long-term business strategy. The restructuring provided for a reduction of the Company's global workforce by approximately 17% and the consolidation of certain leased office facilities. Under the first quarter 2017 restructuring plan, the Company recorded restructuring charges of $23.1 million, including $10.3 million related to severance, and $12.8 million related to accelerated depreciation and other charges. The actions associated with the first quarter 2017 restructuring plan were substantially completed by the fourth quarter of 2017.

The following table provides a summary of the Company's restructuring activities and the movement in the related liabilities recorded in accrued expenses and other current liabilities, and other long-term liabilities on the Consolidated Balance Sheets under the first quarter 2017 restructuring plan.

(in thousands)	Severance	Other	Total
Restructuring liability as of December 31, 2017	—	3,550	3,550
Restructuring charges [(1)]	—	4,783	4,783
Cash paid	—	(3,293)	(3,293)
Non-cash charges	—	627	627
Restructuring liability as of December 31, 2018	—	5,667	5,667
Restructuring charges [(1)]	—	1,395	1,395
Cash paid	—	(2,257)	(2,257)
Non-cash reductions	—	(335)	(335)
Restructuring liability as of December 31, 2019	$ —	$ 4,470	$ 4,470
Restructuring charges [(1)]	—	(57)	(57)
Cash paid	—	(3,559)	(3,559)
Restructuring liability as of December 31, 2020	$ —	$ 854	$ 854

(1) Includes lease termination charges, which is included in accrued expenses and other current liabilities in the accompanying consolidated balance sheets, and totaled $0.9 million as of December 31, 2020.

Schedule II

GoPro, Inc.

VALUATION AND QUALIFYING ACCOUNTS

For the year ended December 31, 2020, 2019 and 2018

(in thousands)	Balance at Beginning of Year	Charges to Revenue	Charges (Benefits) to Expense	Charges to Other Accounts - Equity	Deductions/Write-offs	Balance at End of Year
Allowance for doubtful accounts receivable:						
Year ended December 31, 2020	$ 830	$ —	$ (24)	$ —	$ (314)	$ 492
Year ended December 31, 2019	500	—	616	—	(286)	830
Year ended December 31, 2018	750	—	199	—	(449)	500
Valuation allowance for deferred tax assets:						
Year ended December 31, 2020	$ 277,693	$ —	$ 16,762	$ (7,179)	$ —	$ 287,276
Year ended December 31, 2019	271,374	—	4,717	1,602	—	277,693
Year ended December 31, 2018	226,458	—	42,772	2,144	—	271,374

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2020. Based on the evaluation of our disclosure controls and procedures as of December 31, 2020, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria established in "Internal Control - Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment, our management has concluded that our internal control over financial reporting was effective as of December 31, 2020. The effectiveness of the Company's internal control over financial reporting as of December 31, 2020 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We are continually monitoring and assessing the COVID-19 related considerations and any impact on the design and operating effectiveness of our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including the CEO and CFO, recognizes that our disclosure controls and procedures or our internal control over financial reporting cannot prevent or detect all possible instances of errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required for this Item is incorporated by reference from our Proxy Statement to be filed for our 2021 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2020.

Item 11. Executive Compensation

The information required for this Item is incorporated by reference from our Proxy Statement to be filed for our 2021 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2020.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities authorized for issuance under equity compensation plans. The information required by this item will be included in an amendment to this Annual Report on Form 10-K or incorporated by reference from our Proxy Statement to be filed with the SEC for our 2021 Annual Meeting of Stockholders within 120 days after the end of our fiscal year ended December 31, 2020.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required for this Item is incorporated by reference from our Proxy Statement to be filed for our 2021 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2020.

Item 14. Principal Accounting Fees and Services

The information required for this Item is incorporated by reference from our Proxy Statement to be filed for our 2021 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2020.

PART IV

Item 15. Exhibits, Financial Statement Schedules

1. Financial Statements

   The financial statements filed as part of this report are listed in the "Index to Financial Statements" under Part II, Item 8 of this Form 10-K.

2. Financial Statement Schedules

   The financial statement schedule filed in response to Part II, Item 8 and Part IV, Item 15(c) of this Form 10-K is listed under Part II, Item 8 on the Index to Consolidated Financial Statements.

3. Exhibit Listing

Exhibit Number	Exhibit Title	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.01	Restated Certificate of Incorporation of the Registrant, with Certificate of Change of Registered Agent and/or Registered Office	10-K	001-36514	3.01	February 15, 2019	
3.02	Amended and Restated Bylaws of the Registrant.	S-1	333-200038	3.02	November 10, 2014	
4.01	Form of Registrant's Class A common stock certificate.	S-1	333-196083	4.01	May 19, 2014	
4.08	Description of Registrant's Securities Registered Under Section 12 of the Exchange Act	10-K	001-36514	4.08	February 14, 2020	
10.01*	Form of Indemnity Agreement by and between the Registrant and each of its directors and executive officers.	S-1	333-196083	10.01	May 19, 2014	
10.02*	Form of Change in Control Severance Agreement.	S-1	333-196083	10.09	May 19, 2014	
10.03*	2010 Equity Incentive Plan, as amended, and form of stock option agreement and restricted stock unit agreement.	S-1	333-196083	10.02	May 19, 2014	
10.04*	2014 Equity Incentive Plan, as amended, and forms thereunder.	10-Q	001-36514	10.03	July 29, 2016	
10.05*	2014 Employee Stock Purchase Plan and forms thereunder.	S-1/A	333-196083	10.04	June 11, 2014	
10.06*	Executive Severance Policy.	10-K	001-36514	10.06	February 15, 2019	
10.07*	Employment Letter to Nicholas Woodman from the Registrant, dated June 2, 2014.	S-1/A	333-196083	10.16	June 11, 2014	
10.08*	Waiver Agreement dated January 1, 2018 by and between Nicholas Woodman and the Registrant.	10-K	001-36514	10.17	February 16, 2018	
10.09*	Offer Letter to Eve Saltman from the Registrant, dated March 7, 2018.	10-Q	001-36514	10.02	May 4, 2018	
10.10*	Offer Letter to Brian McGee from the Registrant, dated September 3, 2015.	10-K	001-36514	10.12	February 16, 2017	
10.11*	Offer Letter to Aimee Lapic from the Registrant, dated March 26, 2020.					X
10.13	Office Lease Agreement, dated as of November 1, 2011, by and between Locon San Mateo, LLC and the Registrant, as amended, and other leases for the Registrant's headquarters.	S-1	333-196083	10.12	May 19, 2014	
10.14	Eighth amendment to Office Lease Agreement, by and between RAR2 - Clearview Business Park Owner QRS, LLC and the Registrant, dated February 24, 2016.	10-K	001-36514	10.15	February 16, 2017	
10.15	Ninth amendment to Office Lease Agreement, by and between RAR2 - Clearview Business Park Owner QRS, LLC and the Registrant, dated August 3, 2016.	10-K	001-36514	10.16	February 16, 2017	
10.16	Credit Agreement by and among Registrant, the Lenders party thereto and JPMorgan Chase Bank, N.A. dated March 25, 2016.	10-Q	001-36514	10.17	May 6, 2016	
10.17	Forward Stock Purchase Transaction, dated April 6, 2017, between the Company and JPMorgan Chase Bank, National Association.	8-K	001-36514	10.1	April 7, 2017	
10.18	First Amendment, dated August 12, 2016, to Office Lease Agreement dated November 1, 2011, between the Company and RAR2-Clearview Business Park Owner, LLC.	10-Q	001-36514	10.02	August 4, 2017	
10.19	Tenth amendment to Office Lease Agreement by and between HG Clearview Owner LLC and the Registrant, dated April 30, 2019	10-Q	001-36514	10.01	May 10, 2019	
10.20	Amendment No. 1, dated June 28, 2019, to Credit Agreement by and among Registrant, the Lenders party thereto and JPMorgan Chase Bank, N.A. dated March 25, 2016	10-K	001-36514	10.20	February 14, 2020	

10.21	Amendment No. 2, dated September 27, 2019, to Credit Agreement by and among Registrant, the Lenders party thereto and JPMorgan Chase Bank, N.A. dated March 25, 2016	10-K	001-36514	10.21	February 14, 2020	
10.22	Credit Agreement by and among Registrant, the Lenders party thereto and Wells Fargo Bank, National Association, N.A. dated January 22, 2021. Credit Agreement by and among Registrant, the Lenders party thereto and Wells Fargo Bank, National Association, N.A. dated January 22, 2021.					X
10.23	Indenture, dated as of April 12, 2017, between the Company and Wells Fargo Bank, National Association (including the form of 3.50% Convertible Senior Notes due 2022)	8-K	001-36514	4.1	April 12, 2017	
10.24	Indenture, dated as of November 24, 2020, between the Company and Wells Fargo Bank, National Association (including the form of 1.25% convertible senior notes due 2025)	8-K	001-36514	4.1	November 24, 2020	
21.01	List of Subsidiaries.					X
23.01	Consent of Independent Registered Public Accounting Firm.					X
24.01	Power of Attorney (included on the signature page to this Annual Report on Form 10-K).					X
31.01	Certification of Principal Executive Officer Required Under Rule 13(a)-14(a) and 15(d)-14(a) of the Securities Exchange Act of 1934, as amended.					X
31.02	Certification of Principal Financial Officer Required Under Rule 13(a)-14(a) and 15(d)-14(a) of the Securities Exchange Act of 1934, as amended.					X
32.01‡	Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.					X
101.INS	Inline XBRL Instance Document					X
101.SCH	Inline XBRL Taxonomy Extension Schema					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase					X
104	Inline XBRL For the cover page of this Annual Report on Form 10-K, included in the Exhibit 101 Inline XBRL Document Set					X

* Indicates a management contract or compensatory plan.

‡ As contemplated by SEC Release No. 33-8212, these exhibits are furnished with this Annual Report on Form 10-K and are not deemed filed with the SEC and are not incorporated by reference in any filing of GoPro, Inc. under the Securities Act of 1933 or the Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in such filings.

Item 16. Form 10-K Summary

None.

SIGNATURES

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: February 12, 2021

By: /s/ Nicholas Woodman
Nicholas Woodman
Chief Executive Officer
(Principal Executive Officer)

Dated: February 12, 2021

By: /s/ Brian McGee
Brian McGee
Chief Financial Officer and Chief Operating Officer
(Principal Financial Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Nicholas Woodman and Brian McGee, and each of them, as his true and lawful attorneys-in-fact, proxies and agents, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, proxies and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, proxies and agents, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
By: /s/ Nicholas Woodman Nicholas Woodman	Chief Executive Officer and Chairman *(Principal Executive Officer)*	February 12, 2021
By: /s/ Brian McGee Brian McGee	Chief Financial Officer and Chief Operating Officer *(Principal Financial and Accounting Officer)*	February 12, 2021
By: /s/ Tyrone Ahmad-Taylor Tyrone Ahmad-Taylor	Director	February 12, 2021
By: /s/ Kenneth Goldman Kenneth Goldman	Director	February 12, 2021
By: /s/ Peter Gotcher Peter Gotcher	Director	February 12, 2021
By: /s/ James Lanzone James Lanzone	Director	February 12, 2021
By: /s/ Alexander Lurie Alexander Lurie	Director	February 12, 2021
By: /s/ Susan Lyne Susan Lyne	Director	February 12, 2021
By: /s/ Frederic Welts Frederic Welts	Director	February 12, 2021
By: /s/ Lauren Zalaznick Lauren Zalaznick	Director	February 12, 2021

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Investor Relations
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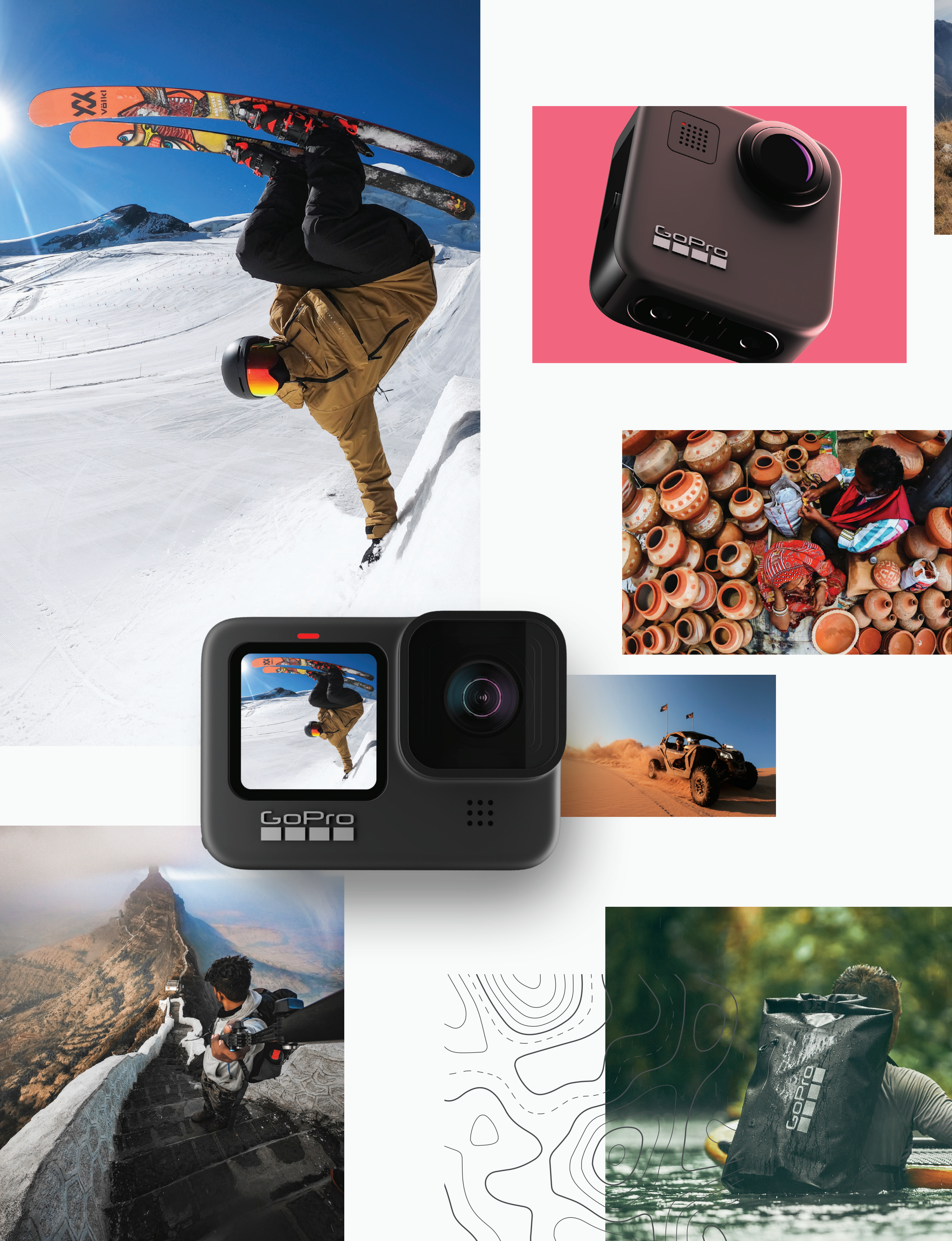
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