GoPro, Inc.
Form 424B4
November 20, 2014
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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-200038

Prospectus

10,360,500 shares

Class A common stock

We are selling 1,287,533 shares of Class A common stock, and the selling stockholders are selling 9,072,967 shares of Class A common stock. We will not receive any proceeds from the sale of shares by the selling stockholders.

We have two classes of outstanding common stock, Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except voting and conversion rights. Each share of Class A common stock is entitled to one vote. Each share of Class B common stock is entitled to 10 votes and is convertible at any time into one share of Class A common stock. The holders of our outstanding Class B common stock will hold approximately 96.1% of the voting power of our outstanding capital stock following this offering, with our executive officers and directors and their affiliates holding approximately 65.0%, and Nicholas Woodman, our Chief Executive Officer, holding approximately 42.5% after his sale of 4,078,800 shares of Class A common stock in this offering.

Our Class A common stock is listed on the NASDAQ Global Select Market under the symbol GPRO. On November 19, 2014 the last reported sale price of our Class A common stock was $79.09 per share.

We are an emerging growth company as defined under the federal securities laws. Investing in our Class A common stock involves a high degree of risk. See **Risk factors beginning on page 15.**

	Per share	Total
Public offering price	$ 75.000	$ 777,037,500
Underwriting discounts and commissions(1)	$ 2.625	$ 27,196,313
Proceeds to GoPro, Inc., before expenses	$ 72.375	$ 93,185,201
Proceeds to selling stockholders	$ 72.375	$ 656,655,987

(1) See Underwriting for a description of the compensation payable to the underwriters.

Certain of the selling stockholders have granted the underwriters an option for a period of 30 days to purchase up to 1,554,075 additional shares of Class A common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Class A common stock to purchasers on November 25, 2014.

J.P. Morgan **Barclays** **Morgan Stanley** **Citigroup**

Allen & Company LLC **Stifel** **Baird**

JMP Securities **Piper Jaffray** **Raymond James**

November 19, 2014

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You should rely only on the information contained in this prospectus or contained in any free writing prospectus filed with the Securities and Exchange Commission, or SEC. Neither we, the selling stockholders nor the underwriters have authorized anyone to provide you with additional information or information different from that contained in this prospectus or in any free writing prospectus filed with the SEC. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the selling stockholders are offering to sell, and seeking offers to buy, our Class A common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our Class A common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside the United States: Neither we, the selling stockholders nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of Class A common stock and the distribution of this prospectus outside the United States.

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Prospectus summary

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all the information you should consider before investing in our Class A common stock. You should read the entire prospectus carefully, including Risk factors, Management s discussion and analysis of financial condition and results of operations and our consolidated financial statements and related notes included elsewhere in this prospectus, before making an investment decision.

Company overview

GoPro is transforming the way consumers capture, manage, share and enjoy meaningful life experiences. We do this by enabling people to capture compelling, immersive photo and video content of themselves participating in their favorite activities. Our customers include some of the world s most active and passionate people. The volume and quality of their shared GoPro content, coupled with their enthusiasm for our brand, are virally driving awareness and demand for our products. To date, we have generated substantially all of our revenue from the sale of our cameras and accessories and we believe that the growing adoption of our capture devices and the engaging content they enable, position GoPro to become an exciting new media company.

What began as an idea to help athletes document themselves engaged in their sport has become a widely adopted solution for people to document themselves engaged in their interests, whatever they may be. From extreme to mainstream, professional to consumer, GoPro has enabled the world to capture and share its passions, and the world, in turn, is enabling GoPro to become one of the most exciting and aspirational companies of our time.

In 2011, 2012, 2013 and the nine months ended September 30, 2014, we generated revenue of $234.2 million, $526.0 million, $985.7 million and $760.3 million and reported net income of $24.6 million, $32.3 million, $60.6 million and $5.8 million, respectively.

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Our business focus

Enabling engaging content is at the core of our business. We develop hardware and software solutions to alleviate consumer pain points associated with capturing, managing, sharing and enjoying engaging content.

Capture

Our mountable and wearable cameras and accessories, which we refer to as capture devices, enable professional-quality capture and exceptional versatility at affordable prices. Our products small, lightweight, yet durable designs make them easy to use even in highly challenging situations. In addition, our remote control solutions and our seamless integration with mobile devices via the GoPro App, our mobile application, enable engaging self-capture during virtually any activity.

Since launching our first high-definition, or HD, capture device in July 2009, we have sold more than 10.3 million HD cameras, including more than 3.8 million in 2013 and 2.8 million in the nine months ended September 30, 2014. We sell our products in over 100 countries and through more than 25,000 retail stores. According to The NPD Group s Retail Tracking Service, GoPro was the #1 selling camcorder (by dollars and units) and a top six selling camera accessory company (by dollars and units) in the United States in 2013. Also according to The NPD Group, our HERO cameras represented a 45% share of the U.S. camcorder market (by dollars) in 2013, up from an 11% share during December 2011 and our camera accessories represented a 4% share of the U.S. camera accessory market (by dollars) in 2013.

Manage

We seek to eliminate the pain point of managing content by making it easy for our customers to transfer footage from their cameras to a system that efficiently organizes their content and facilitates convenient editing and sharing. GoPro Studio, our desktop application, and the GoPro App, reflect the early stages of our content management platform strategy.

GoPro Studio enables our customers to quickly edit simple or complex videos and create videos from time-lapse photo sequences. Since January 1, 2014, there have been more than 3.1 million installations of GoPro Studio. During the third quarter of 2014, our customers in the aggregate exported, on average, more than 30,000 videos per day using GoPro Studio.

In addition to facilitating full camera control from a mobile device, the GoPro App enables a customer to easily and wirelessly copy footage from a GoPro camera to a mobile device for storage and sharing without a computer.

Share

By facilitating the capture, management and editing of engaging photos and videos, we are ultimately helping our customers share more compelling personal content. GoPro Studio and the GoPro App facilitate the posting of photos and videos directly to leading social networks and content platforms, including Facebook, Instagram, Twitter, Vimeo and YouTube. Thousands of GoPro customer photos and videos are shared daily, driving awareness and enthusiasm for our customers content, as well as for GoPro s own brand and products. In 2013, our customers uploaded to YouTube approximately 2.8 years worth of video featuring GoPro in the title. In the third quarter of 2014, there were approximately 79 million views of content published on the

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GoPro Channel on YouTube, representing a 96% increase compared to the third quarter of 2013. This viewed content represented over 2.6 million watched hours of videos on the YouTube GoPro Channel alone.

Enjoy

GoPro enables the production of entertaining and inspiring content, both in the form of our customers user-generated content, or UGC, as well as GoPro originally produced content, that we collectively refer to as GoPro programming. This often features professional athletes, celebrities and entertainers, as well as everyday people engaged in their favorite activities. Having recognized the role GoPro content plays in attracting and exciting consumers, we are expanding the distribution of GoPro programming to engage and build relationships with even those consumers who do not own a GoPro capture device.

We distribute GoPro programming through what we refer to as the GoPro Network, a collection of GoPro Channels hosted on a variety of platforms, including the following:

- Facebook: over 8.0 million likes;
- Instagram: over 3.3 million followers;
- Twitter: over 1.1 million followers; and
- YouTube: over 608 million video views and over 2.4 million subscribers.

As of December 31, 2013, we had not derived revenue from the distribution of, or social engagement with, our content on the GoPro Network. However, in the first quarter of 2014, we entered into an agreement with Microsoft to develop and launch the GoPro Channel on Xbox 360 and Xbox One, leading delivery systems for IP video streams on connected televisions, that will provide us with access to advertising revenue, fees from third-party sponsorship of the GoPro Channel and the ability to sell our capture devices directly to consumers as they watch GoPro programming. We began generating revenue from GoPro Channel advertising and sponsorship opportunities on Xbox Live and GoPro Channel advertising on YouTube and Virgin America in the second quarter of 2014. We do not expect the revenue earned from these GoPro Channels to be material to us in 2014. We will seek to increase revenue from these GoPro channels and pursue new revenue opportunities from the distribution of engaging GoPro content.

The virtuous cycle

We believe our business focus results in a virtuous cycle and a self-reinforcing consumer acquisition model that fuels our growth. Our products in the hands of our customers enable compelling, authentic content that organically increases awareness for GoPro and drives demand for our products.

The GoPro opportunity

We believe the following create an attractive market opportunity for GoPro.

Consumers want an easy way to self-capture engaging content

Before GoPro, if people wanted compelling, high-quality footage of themselves engaged in activities, they needed a skilled third-party camera operator and often required expensive, fragile and cumbersome camera equipment.

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GoPro has enabled a new era of convenient self-documentation. Our products high-performance features, ease of use and versatility, made available at affordable price points, provide a premium-quality self-capture solution that appeals to both consumers and professionals.

Consumers want a quick, easy way to manage, edit and share their content

Managing, editing and sharing engaging, high-quality content often requires substantial time, resources and skill. GoPro Studio and the GoPro App begin to address these pain points by offering intuitive, easy-to-use tools for managing, editing and sharing professional-grade footage. As social media and content sharing outlets like Facebook, Instagram, Twitter, Vimeo and YouTube proliferate, we see an opportunity to further develop our currently separate software solutions into an integrated and enhanced GoPro content management platform.

Consumers continue to replace traditional cameras with mobile devices

As mobile devices continue to displace traditional cameras and camcorders, we believe consumers will seek capture devices that offer differentiated capabilities like GoPro products. Moreover, we believe mobile devices complement our products. With the GoPro App, mobile devices can be used to remotely control GoPro cameras, thereby optimizing customers ability to self-capture high-quality content of themselves and their activities. The GoPro App also enables customers to manage and share their captured content without the need for a computer. Furthermore, smartphones and tablets expand consumers ability to access and enjoy GoPro content online.

Consumers want compelling content on demand

We believe consumer demand for compelling content combined with GoPro s self-capture technology and the explosive popularity of social media create a significant media opportunity for GoPro. GoPro programming has developed a dedicated and growing audience. We believe GoPro is well-positioned to become the first media company whose content is captured exclusively using its own hardware. We will continue to expand our distribution of GoPro programming and the reach of the GoPro Network to new platforms such as Xbox Live.

What makes GoPro unique

Category-defining self-capture devices

Our capture devices offer our customers, both consumers and professionals, exceptional capabilities that have earned us multiple awards, including a 2013 technical Emmy Award. Our cameras small, lightweight, yet durable designs make them easy to use even in highly challenging situations, and along with their affordable prices, encourage adoption and experimentation that often leads to interesting content. In addition, our broad portfolio of mountable and wearable accessories enables multiple use cases and facilitates a differentiated self-capture experience than that of traditional cameras and smartphones. Our products have been embraced by media professionals and are used in production by The Discovery Channel, ESPN and other networks.

Passionate consumer- and content-supported business model

Our business model is supported by some of the world s most active and influential consumers who use GoPro to capture and share their life experiences and interests. Their shared content excites and inspires others around the world to do the same, which we believe, leads to higher camera and accessory sales and, in turn, a massive volume of UGC.

Best-in-class marketing relationships

GoPro has established marketing relationships with more than 130 athletes, celebrities and entertainers, and sponsors more than 200 sporting events annually, including the X Games, Supercross and ASP world surfing championship events. We partner with athletes such as Olympic gold medal winning snowboarder Shaun White and 11-time world champion surfer Kelly Slater, as well as entertainers, such as Foo Fighters, Jane s Addiction, Guy Fieri and Alton Brown, and producers of popular television shows. We also have promotional agreements with recreational destination resorts, such as all Vail Company resorts and the Whistler Blackcomb resort. Validating the quality of our products and our growing role as a media brand, we are approached by professionals and organizations seeking to leverage GoPro as a media platform to distribute their own branded content captured with our products.

Differentiated sales strategy with specialty retailers

Since our first sale in 2004, our distribution strategy has focused on specialty retailers, including surf, ski and motorsports outlets, where we believe GoPro is often the only capture device sold in-store. Our early, first-mover relationships with these retailers and their customers helped us establish an authenticity that remains a cornerstone of our business. This focus on the specialty retail channel has also enabled us to develop a high-touch, differentiated sales network of more than 25,000 stores globally that we believe is difficult to replicate.

Strong, global brand

Over the past 10 years, we have built a powerful brand that is emblematic of the pursuit and celebration of human passion. Our trademarks, GoPro and Be a Hero, are relevant and aspirational to consumers, as reflected in the variety of our customers shared content, which spans from our roots in action sports to now include family, travel, music, science and other areas of human interest. The strength of our brand is further evidenced by our customers frequent tagging, titling and describing of their footage as GoPro content.

A company culture built around our vision

GoPro was founded by dedicated sports enthusiasts who wanted a better way to document and share their personal passions. As we have grown, we have remained focused on hiring employees who share this same ethos, whatever their personal interests may be. We have built a team focused on developing innovative solutions to the problems we encounter during our own self-capture pursuits, and we believe our employees shared passion, experience and vision represent an increasingly important competitive advantage.

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Our strategy

We intend to expand our existing capture business with content management, editing and sharing solutions to provide increased value to our customers, introduce new revenue streams and further differentiate us from competitors. Key components of our strategy include the following:

Continue to introduce innovative capture devices

We relentlessly pursue our goal of developing the world s most versatile capture devices and enabling self-capture during any activity. In furtherance of this goal, in September 2014 we introduced our line of HERO4 capture devices and our HERO entry-level capture device. To stay at the forefront of our industry, we are focused on continued product innovation and leadership. Areas of innovation include custom sensor and digital signal processing technologies as well as custom lens, audio, battery and accessory design.

Develop seamless content management, editing and sharing solutions

We are developing an integrated content management platform to simplify the organizing, editing and sharing of engaging content. Our October 2013 acquisition of General Things Inc., a web development firm, has provided us with additional software competencies to accelerate this process. In addition, we may seek to leverage our content management platform as a new revenue stream.

Scale as a media brand

We are investing to scale GoPro as a media entity and develop new revenue opportunities by increasing production of GoPro originally produced content while simultaneously increasing the aggregation and redistribution of our customers best of UGC. Additionally, we are investing to develop, distribute and promote GoPro programming on additional partner platforms such as Virgin America and Xbox Live.

Expand into new vertical markets

Leveraging the product development and sales and marketing strategies that have enabled us to be a leader in vertical markets such as skiing, surfing and motorsports, we are targeting new vertical markets where we believe GoPro can authentically deliver meaningful solutions to consumers.

Grow internationally

We believe that international markets represent a significant growth opportunity for us. We plan to capitalize on the strength of our brand to increase our presence worldwide through additional retailers and strategic distribution partnerships.

Expand in-store brand and sales footprint

We invest heavily to produce GoPro-branded, video-enabled point of purchase, or POP, merchandising displays that we make available to nearly all of the retail outlets through which our products are sold. Having recognized our sales success in these stores, coupled with our expanding product portfolio, we are working with our retailers to further expand the footprint of our POP displays. For example, in October 2014, we began to increase the size of our POP displays in many Best Buy stores.

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Extend strategic marketing relationships

We form relationships with marketing partners that use our products and services to promote their own brands and properties. As a result, GoPro benefits not only from the expanded brand awareness that traditionally comes with such marketing partnerships, but also from being recognized as our partners technology enabler. We will continue developing and leveraging strategic marketing relationships to increase GoPro brand awareness.

Expand brand awareness through increased advertising

Notwithstanding the visibility we have gained in the consumer markets where we have historically focused, we believe consumers in many other markets are not familiar with our brand and products. We believe this underscores a significant opportunity for GoPro to expand awareness through increased advertising on television, in print, online, and on billboards and other out of home advertising, while continuing to scale our promotional marketing efforts and trade show presence.

Risk factors

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks highlighted in the section titled Risk factors following this prospectus summary before making an investment decision. These risks include:

- 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, which could result in a loss of our market share and a decrease in our revenue and profitability.
- We depend on sales of our capture devices for substantially all of our revenue, and any decrease in the sales of these products would harm our business.
- We rely on third-party suppliers, some of which are sole-source suppliers, to provide components for our products.
- We do not expect to continue to grow in the future at the same rate as we have in the past and profitability in recent periods might not be indicative of future performance.
- If our sales during the holiday season fall below our forecasts, our overall financial condition and results of operations could be adversely affected.
- We may have difficulty in accurately predicting our future customer demand, which could adversely affect our operating results.
- Our success depends on our ability to maintain the value and reputation of our brand.
- To remain competitive and stimulate customer demand, we must successfully manage frequent product introductions and transitions.
- We are subject to international business uncertainties.

We are highly dependent on our Chief Executive Officer, or CEO.

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If we do not effectively maintain and further develop our sales channels, including developing and supporting our retail sales channel and distributors, our business could be harmed.

Any material disruption of our information systems could adversely affect our operating results.

Corporate information

We were 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 3000 Clearview Way, San Mateo, California 94402, and our telephone number is (650) 332-7600. Our website address is www.gopro.com. The information contained on, or that can be accessed through, our website is not a part of this prospectus. Investors should not rely on any such information in deciding whether to purchase our Class A common stock. We have included our website address in this prospectus solely as an inactive textual reference.

Unless the context indicates otherwise, as used in this prospectus, the terms GoPro, we, us, our and the Company refer to GoPro, Inc., a Delaware corporation, and its subsidiaries taken as a whole, unless otherwise noted.

We have registered a number of trademarks including GOPRO, HERO, BACPAC and CINEFORM and have filed with the U.S. Patent and Trademark Office to register the GoPro logo and GoPro Be a Hero logo. This prospectus also includes references to trademarks and service marks of other entities, and those trademarks and service marks are the property of their respective owners.

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The offering

Class A common stock offered by us	1,287,533 shares
Class A common stock offered by the selling stockholders	9,072,967 shares
Option to purchase additional shares of Class A common stock	1,554,075 shares of Class A common stock being offered by certain of the selling stockholders
Class A common stock to be outstanding after this offering	36,652,904 shares (38,206,979 shares if the option to purchase additional shares is exercised in full)
Class B common stock to be outstanding after this offering	91,118,638 shares (89,564,563 shares if the option to purchase additional shares is exercised in full)
Total common stock to be outstanding after this offering	127,771,542 shares
Use of proceeds	The principal purposes of this offering are to raise additional capital, facilitate an orderly distribution of shares for the selling stockholders in this offering and increase our public float. We expect to use the net proceeds from this offering for general corporate purposes, including working capital. We may also use a portion of the net proceeds to acquire or invest in complementary businesses, technologies or assets. We will not receive any of the proceeds from the sale of shares by the selling stockholders.
Voting rights	We have two classes of authorized common stock: Class A common stock and Class B common stock. The rights of the holders of our Class A and Class B common stock are identical, except with respect to voting and conversion. The holders of our Class B common stock are entitled to 10 votes per share, and the holders of our Class A common stock are entitled to one vote per share. The holders of our Class A common stock and Class B common stock vote together as a single class on all matters submitted to a vote of our stockholders, unless otherwise required by law. Each share of our Class B common stock is convertible into one share of our Class A common stock at any time and will convert automatically upon certain transfers or the date that the total number of shares of Class B common stock

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outstanding represents less than 10% of the total number of shares of Class A and Class B common stock outstanding. The holders of our outstanding Class B common stock will hold approximately 96.1% of the voting power of our outstanding capital stock following this offering, with our executive officers and directors and their affiliates holding approximately 65.0%, and Mr. Woodman, our CEO, holding approximately 42.5% after his sale of 4,078,800 shares of Class A common stock in this offering. These holders will have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of our directors and the approval of any change in control transaction. See Principal and selling stockholders and Description of capital stock.

NASDAQ symbol	GPRO

The number of shares of our Class A and Class B common stock to be outstanding after this offering is based on (i) 26,292,404 shares of Class A common stock and 99,484,734 shares of Class B common stock outstanding as of September 30, 2014, (ii) the exercise of options for the purchase of 1,283,671 shares of Class B common stock by certain selling stockholders and the conversion of such shares into the same number of shares of Class A common stock for sale in this offering and (iii) the contribution of 576,800 shares of Class B common stock by Mr. Woodman to us in respect of stock options exercised by a certain selling stockholder and excludes:

27,095,134 shares of Class B common stock issuable upon the exercise of stock options outstanding as of September 30, 2014 with a weighted average exercise price of $5.17 per share and 3,804,426 shares of Class B common stock issuable upon settlement of restricted stock units, or RSUs, outstanding as of September 30, 2014 under our 2010 Equity Incentive Plan, or 2010 Plan;

422,828 shares of Class A common stock issuable upon the exercise of stock options outstanding as of September 30, 2014 with a weighted average exercise price of $45.52 per share and 95,877 shares of Class A common stock issuable upon settlement of RSUs outstanding as of September 30, 2014 under our 2014 Equity Incentive Plan, or 2014 Plan;

The effect of the contribution back to us of a number of shares of Class B common stock equal to the number of shares we issue upon exercise of an outstanding option for the purchase of 5,918,984 shares of Class B common stock (other than those shares of Class B common stock contributed back to us in respect of stock options exercised by a certain selling stockholder); see Certain relationships and related person transactions Equity grants and contribution agreements;

150,000 shares of Class A common stock issuable upon the exercise of stock options granted after September 30, 2014 under our 2014 Plan with an exercise price of $81.50 per share;

367,620 shares of Class A common stock issuable upon settlement of RSUs granted after September 30, 2014 under our 2014 Plan;

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- 272,117 shares of Class B common stock subject to a right of repurchase by us outstanding as of September 30, 2014;
- 13,404,260 shares of Class A common stock reserved for future issuance under our 2014 Plan; and
- 3,367,557 shares of Class A common stock reserved for future issuance under our 2014 Employee Stock Purchase Plan, or ESPP.

Our 2014 Plan and ESPP also provide for automatic annual increases in the number of shares reserved under the plans, as more fully described in Executive compensation Employee benefit plans.

Unless otherwise noted, all information in this prospectus assumes:

- no exercise of the underwriters option to purchase up to 1,554,075 additional shares of Class A common stock from certain of the selling stockholders in this offering;
- the conversion by the selling stockholders of 7,789,296 shares of our Class B common stock into the same number of shares of our Class A common stock in connection with the completion of this offering; and
- no exercise of options, warrants or similar rights outstanding as of the date of this prospectus.

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Summary consolidated financial data

The following tables summarize our consolidated financial data and should be read together with Selected consolidated financial data, Management s discussion and analysis of financial condition and results of operations and our consolidated financial statements, related notes and other financial information included elsewhere in this prospectus.

We derived the consolidated statements of operations data for the years ended December 31, 2011, 2012 and 2013 and the balance sheet data as of December 31, 2013 from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated statements of operations data for the nine months ended September 30, 2013 and 2014 and the consolidated balance sheet data as of September 30, 2014 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited consolidated financial statements on the same basis as the audited consolidated financial statements and have included all adjustments, consisting only of normal recurring adjustments that, in our opinion, are necessary to state fairly the financial information set forth in those statements. Our historical results are not necessarily indicative of the results we expect in the future, and our interim results should not necessarily be considered indicative of results we expect for the full year or any other period.

Consolidated statements of operations data:				**Nine months ended**	
		Year ended December 31,		**September 30,**	
(in thousands, except per share amounts)	**2011**	**2012**	**2013**	**2013**	**2014**
Revenue	$ 234,238	$ 526,016	$ 985,737	$ 624,285	$ 760,292
Cost of revenue(1)	111,683	298,530	623,953	414,005	436,870
Gross profit	122,555	227,486	361,874	210,280	323,422
Operating expenses:					
Research and development(1)	8,644	36,115	73,737	48,286	105,778
Sales and marketing(1)	64,375	116,855	157,771	112,151	133,151
General and administrative(1)	10,757	20,899	31,573	21,715	71,146
Total operating expenses	83,776	173,869	263,081	182,152	310,075
Operating income	38,779	53,617	98,703	28,128	13,347
Other income (expense), net	12	(407)	(7,374)	(5,150)	(4,945)
Income before income taxes	38,791	53,210	91,329	22,978	8,402
Income tax expense	14,179	20,948	30,751	6,129	2,574
Net income	$ 24,612	$ 32,262	$ 60,578	$ 16,849	$ 5,828
Weighted-average shares used to compute net income per share attributable to common stockholders(2):					
Basic	73,481	74,226	81,018	80,914	96,905
Diluted	78,551	74,226	98,941	98,671	115,578
Net income per share attributable to common stockholders(2):					
Basic	$ 0.26	$ 0.07	$ 0.54	$ 0.15	$ 0.05
Diluted	$ 0.24	$ 0.07	$ 0.47	$ 0.13	$ 0.04
Other financial information:					
Adjusted EBITDA	$ 52,873	$ 75,288	$ 133,726	$ 51,870	$ 90,526

(footnotes appear on the following page)

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(1) Includes stock-based compensation expense as follows:

(in thousands)	Year ended December 31, 2011	2012	2013	Nine months ended September 30, 2013	2014
Cost of revenue	$ 122	$ 333	$ 690	$ 530	$ 555
Research and development	261	1,452	3,003	1,737	5,486
Sales and marketing	7,690	6,335	5,670	4,077	6,293
General and administrative	902	1,036	1,524	1,003	39,809
Total stock-based compensation expense	$ 8,975	$ 9,156	$ 10,887	$ 7,347	$ 52,143

(2) See Note 8 of our consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our historical basic and diluted net income per share attributable to common stockholders.

Adjusted EBITDA

We use adjusted EBITDA as a key measure to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, the exclusion of certain expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our business. Accordingly, we believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Adjusted EBITDA is not prepared in accordance with U.S. generally accepted accounting principles, or GAAP, and should not be considered in isolation from, or as an alternative to, measures prepared in accordance with GAAP. In addition, adjusted EBITDA is not based on any comprehensive set of accounting rules or principles. As a non-GAAP measure, adjusted EBITDA has limitations in that it does 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 interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- adjusted EBITDA does not reflect the amounts we paid in taxes or other components of our tax expense;
- adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect the non-cash component of employee compensation;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, including POP displays, and adjusted EBITDA does not reflect any cash requirements for such replacements; and
- other companies may calculate adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

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Because of these limitations, you should consider adjusted EBITDA alongside other financial performance measures, including our financial results presented in accordance with GAAP.

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

	Year ended December 31,			Nine months ended September 30,	
(in thousands)	**2011**	**2012**	**2013**	**2013**	**2014**
Net income	$ 24,612	$ 32,262	$ 60,578	$ 16,849	$ 5,828
Income tax expense	14,179	20,948	30,751	6,129	2,574
Interest (income) and expense, net	(12)	346	6,018	4,129	4,009
Depreciation and amortization	1,517	3,975	12,034	8,508	12,769
POP display amortization	3,602	8,601	13,458	8,908	13,203
Stock-based compensation	8,975	9,156	10,887	7,347	52,143
Adjusted EBITDA	$ 52,873	$ 75,288	$ 133,726	$ 51,870	$ 90,526

The following table presents our summary unaudited consolidated balance sheet data on an actual basis and on an as adjusted basis as of September 30, 2014:

	As of September 30, 2014	
(in thousands)	**Actual**	**As adjusted(1)**
Consolidated balance sheet data:		
Cash and cash equivalents	$ 237,749	$ 332,049
Working capital	273,394	367,694
Total assets	589,058	683,358
Total stockholders equity	350,661	444,961

(1) The as adjusted column gives effect to the (i) the issuance of 1,283,671 shares of our Class B common stock upon the exercise of outstanding stock options with an aggregate exercise price of $2.3 million by certain selling stockholders in connection with this offering and the contribution back to us by a certain stockholder of 576,800 shares of our Class B common stock in respect of stock options exercised by a selling stockholder, and (ii) the sale by us of 1,287,533 shares of Class A common stock in this offering, at the public offering price of $75.00 per share and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

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Risk factors

You should carefully consider the risks described below and all other information contained in this prospectus before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected if any of the following risks, or other risks and uncertainties that are not yet identified or that we currently think are immaterial, actually occur. 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 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, which could result in a loss of our market share and a decrease in our revenue and profitability.

The market for capture devices, including cameras and camcorders, is highly competitive. Further, we expect competition to intensify in the future as existing competitors introduce new and more competitive offerings alongside their existing products, and as new market entrants introduce new products into our markets. We compete against established, well-known camera manufacturers such as Canon Inc., Nikon Corporation, Olympus Corporation, Polaroid Holding Corporation and Vivitar Corporation, large, diversified electronics companies such as JVC Kenwood Corporation, Panasonic Corporation, Samsung Electronics Co., Sony Corporation and Toshiba Corporation, and specialty companies such as Garmin Ltd. Many of our current 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. In addition, 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;
- 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.

Moreover, smartphones and tablets with photo and video functionality have significantly displaced traditional camera sales. It is possible that, in the future, the manufacturers of these devices, such as Apple Inc. and Samsung, may design them for use in a range of conditions, including challenging physical environments, or develop products similar to ours. In addition to competition or potential competition from large, established companies, new companies may emerge and offer competitive products. Further, we are aware that certain companies have developed cameras designed and labeled to appear similar to our products, which may confuse consumers or distract consumers from purchasing GoPro products.

Increased competition may result in pricing pressures and 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 depend on sales of our capture devices for substantially all of our revenue, and any decrease in the sales of these products would harm our business.

To date, substantially all of our revenue has been derived from sales of our capture devices, and we expect to continue to derive the substantial majority of our revenue from sales of cameras and accessories for the foreseeable future. A decline in the price of these products, whether due to macroeconomic conditions, competition or otherwise, or our inability to increase sales of these 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. Any decrease in the sales of our capture devices would harm our business. While we are evaluating other products and services to add to our offerings, we may not be successful in identifying or executing on such opportunities, and we expect sales of capture devices to represent a substantial portion of our revenue for the foreseeable future. As a result, our future growth and financial performance will depend heavily on our ability to develop and sell enhanced versions of our capture devices. If we fail to deliver product enhancements, new releases or new products that our customers want, our business and results of operations would be harmed.

We rely on third-party suppliers, some of which are sole-source suppliers, to provide components for our products.

All of the components that go into the manufacture of our cameras and accessories are sourced from third-party suppliers, and some of these components are provided by a single supplier or by a supplier that could potentially become a competitor. 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 to meet our needs as they allocate components to other customers. Identifying a suitable supplier is an involved process that requires us to become satisfied with the supplier s quality control, responsiveness and service, financial stability and labor and other ethical practices, and if we seek to source materials from new suppliers there can be no assurance that we could do so in a manner that does not disrupt the manufacture and sale of our products. Our reliance on single source, or a limited 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 or other catastrophic events.

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In particular, we incorporate video compression and image processing semiconductors from one provider, Ambarella, Inc., into all of our cameras, and we do not have an alternative supplier for these key components. If Ambarella stopped supplying components on acceptable terms, or at all, or we experienced delays in receipt of components from Ambarella, we would experience a significant disruption in our ability to produce our products, and our business would be materially and adversely affected.

We do not expect to continue to grow in the future at the same rate as we have in the past and profitability in recent periods might not be indicative of future performance.

Although our revenue and profitability have grown rapidly from 2009 through the nine months ended September 30, 2014, you should not consider our recent revenue growth as indicative of our future performance. In future periods, our revenue could decline or grow more slowly than we expect. We also may incur significant losses in the future for a number of reasons, including other risks described in this prospectus, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors.

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

Seasonal consumer shopping patterns significantly affect our business. Specifically, our revenue is traditionally strongest in the fourth quarter of each year due to increased consumer purchases during holiday periods, and fourth quarter revenue comprised 44% and 37% of our 2012 and 2013 revenue, respectively. Given the strong seasonal nature of our sales, appropriate forecasting is critical to our operations. We anticipate that this seasonal impact on our net sales is likely to continue and any shortfall in expected fourth quarter net sales, due to macroeconomic conditions, a decline in the effectiveness of our promotional activities or supply chain disruptions, or for any other reason, would cause our annual results of operations to suffer significantly.

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. Accordingly, in the event of revenue shortfalls, we are generally unable to mitigate the negative impact on margins in the short term. If this were to occur, our operating results would be harmed.

We may have difficulty in accurately predicting our future customer demand which could 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. We have relatively recently begun producing our products in substantial volumes, and we have experienced rapid growth. We may be unable to meet customer, retailer or distributor demand for our products or may be required to incur higher costs to secure the necessary production capacity and components. We could also overestimate future sales of our products and risk carrying excess product and component inventory. Further, our ability to accurately forecast demand for our products could be affected by other factors, including product introductions by competitors, unanticipated changes in general market demand, macroeconomic conditions or consumer confidence. If we fail to continue to develop the infrastructure that enables us to accurately forecast customer demand for our products, our business and operating results could be adversely affected.

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 and Be a Hero. The GoPro name and premium brand image are integral to the growth of our business and expansion into new vertical markets. Maintaining, promoting and positioning our brand will largely depend on the success of our marketing and merchandising efforts and our ability to provide consistent, high quality products. If we fail to achieve these objectives or if our public image or reputation were to be tarnished by negative publicity, our brand, business and operating results could be adversely affected. Negative publicity regarding the athletes we sponsor and celebrities we are associated with, our products, our customers UGC and the labor policies of any of our suppliers or manufacturers could create corresponding negative publicity for us, harm our brand image and, as a result, adversely impact our sales and results of operations. Maintaining and enhancing our brand may require us to make substantial investments and these investments may not achieve the desired goals. If we fail to successfully promote and maintain our brand or if we incur excessive expenses in this effort, our business and operating results could be adversely affected.

To remain competitive and stimulate customer demand, we must successfully manage frequent product introductions and transitions.

We believe that we must continually develop and introduce new products, enhance our existing products and effectively stimulate customer demand for new and upgraded products. Our research and development efforts are complex and require us to incur substantial research and development expense. Our research and development expense was $8.6 million, $36.1 million, $73.7 million and $105.8 million for 2011, 2012, 2013 and the nine months ended September 30, 2014, respectively, and we anticipate that research and development expense will continue to increase in the future. We may not be able to achieve an acceptable return, if any, on our research and development efforts. Further, any failure to complete product transitions effectively could harm our brand.

The success of new product introductions depends on a number of factors including, but not limited to, timely and successful research and development, market and customer acceptance, the effective forecasting and management of product demand, purchase commitments and inventory levels, the management of manufacturing and supply costs, and the risk that new products may have quality or other defects in the early stages of introduction. For example, in order to launch our HERO3 line of capture devices in time for the 2012 holiday shopping season, we implemented a compressed design and manufacturing cycle. As a result, our initial production run of HERO3 Black edition capture devices suffered from a number of design issues, part shortages and manufacturing problems, which reduced the number of units we were able to ship for the 2012 holiday season. Moreover, because of the compressed development schedule, our HERO3 capture devices required a subsequent firmware update to address certain issues, which resulted in negative publicity for us. In the future, if we do not successfully manage product transitions, especially during the holiday shopping season, such as our recently announced introduction of our HERO4 and HERO lines of capture devices, our revenue and business may be harmed.

The introduction of new products or product enhancements may shorten the life cycle of our existing products, or replace sales of some of our current products, thereby offsetting the benefit of even a successful product introduction, and may cause customers to defer purchasing our existing products in anticipation of the new products and potentially lead to challenges in managing inventory of existing products. We also provide price protection to some of our retailers as a result of our new product introductions. If we fail to effectively manage new product introductions, our revenue and profitability may be harmed.

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Any material disruption of our information systems could adversely affect our operating results.

We are increasingly dependent on information systems to operate our ecommerce website, process transactions, respond to customer inquiries, manage our supply chain and inventory, ship goods on a timely basis and maintain cost-efficient operations. Any material disruption or slowdown of our systems, including a disruption or slowdown caused by our failure to successfully upgrade our systems, system failures, viruses, computer hackers or other causes, 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 the holiday season. Any of these events could reduce demand for our products, impair our ability to complete sales through our ecommerce 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.

In particular, we are heavily reliant on our software-as-a-service, or SaaS, enterprise resource planning systems to conduct our order and inventory management and financial processes. As we expand our operations, we expect to utilize additional systems and service providers that may also be essential to managing our business. Although the systems and services that we require are typically available from a number of providers, it is time consuming and costly to qualify and implement these relationships. Therefore, 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. We may not be able to control the quality of the systems and services we receive from third-party service providers, which could impair our ability to implement appropriate internal controls over financial reporting and may impact our business, operating results and financial condition.

We are highly dependent on our Chief Executive Officer.

Our future success depends in significant part on the continued service of our CEO, Nicholas Woodman. Mr. Woodman is critical to the strategic direction and overall management of our company as well as our research and development process. Mr. Woodman is an at-will employee and there are no vesting restrictions on any of the Class B common stock that he owns, although he holds RSUs subject to vesting restrictions. The loss of Mr. Woodman could adversely affect our business, financial condition and operating results.

We depend on key personnel to operate our business, and many members of our current management team are new. If we are unable to retain, attract and integrate qualified personnel, our ability to develop and successfully grow our business could be harmed.

In addition to the continued services of Mr. Woodman, we believe that our future success is highly dependent on the contributions of our executive officers, as well as our ability to attract and retain highly skilled and experienced sales, research and development and other personnel in the United States and abroad. Some of our executive management team, including our President and Chief Financial Officer, joined us recently and these changes in our management team may be disruptive to our business.

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

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difficult to replace. If one or more of our executive officers or key employees leaves, we may not be able to fully integrate new personnel or replicate the prior working relationships, and our operations could suffer. Qualified individuals are in high demand, and we may incur significant costs to attract them. 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. 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.

If we do not effectively maintain and further develop our sales channels, including developing and supporting our retail sales channel and distributors, our business could be harmed.

As a consumer-facing company, we depend upon effective sales channels to reach the consumers who are the ultimate purchasers of our capture devices. In the United States, we primarily sell our products directly through a mix of retail channels, including big box, mid-market and specialty retailers, and we reach certain U.S. markets through distributors. In international markets, we primarily sell through distributors who in turn sell to local retailers. We depend on retailers to provide adequate and attractive space for our products and POP displays in their stores. We further depend on our retailers to employ, educate and motivate their sales personnel to effectively sell our products. If our retailers do not adequately display our products, choose to promote competitors products over ours or do not effectively explain to customers the advantages of our products, our sales could decrease and our business could be harmed. Similarly, our business could be adversely affected if any of our large retail customers were to experience financial difficulties, or change the focus of their businesses in a way that deemphasized the sale of our products. We are also investing heavily in providing new retailers with POP displays and expanding the footprint of our POP displays in existing stores, and there can be no assurance that this investment will lead to increased sales.

We depend on our distributors to reach certain market segments in the United States and to reach our international retailers. Our distributors generally offer products from several different manufacturers. Accordingly, we are at risk that these distributors may give higher priority to selling other companies products. If we were to lose the services of a distributor, we might need to find another distributor in that area, and there can be no assurance of our ability to do so in a timely manner or on favorable terms. Further, our distributors build inventories in anticipation of future sales, and if such sales do not occur as rapidly as they anticipate, our distributors will decrease the size of their future product orders. We are also subject to the risks of our distributors 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. Any reduction in sales by our current distributors, loss of key distributors or decrease in revenue from our distributors could adversely affect our revenue, 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 customers, measured by the revenue we derive from them, accounted for 44%, 42%, 51% and 50% of our revenue for 2011, 2012, 2013 and the nine months ended September 30, 2014, respectively. One retailer accounted for 15%, 15%, 17% and 19% of our revenue for 2011, 2012, 2013 and the nine months ended September 30, 2014, respectively. The loss of a small number of our large customers, or the reduction in business with one or more of these customers, could have a significant adverse impact on our operating results. While we have agreements with these large customers, these agreements do not require them to purchase any meaningful amount of our products.

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 a select number of third-party distribution facilities for substantially all of our product distribution. 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, our operations could be interrupted by labor difficulties, extreme or severe weather conditions, or floods, fires or other natural disasters near our distribution centers. If we encounter problems with our distribution system, our ability to meet customer expectations, manage inventory, complete sales and achieve our objectives for operating efficiencies could be harmed.

We are subject to international business uncertainties.

Revenue from outside the United States comprised 35%, 47%, 49% and 44% of our revenue in 2011, 2012, 2013 and the nine months ended September 30, 2014, respectively, and we expect this portion to continue to be significant in the future. Further, our supply chain partners have operations in countries including China, Singapore and the Netherlands. We intend to expand our relationships in these countries and may establish additional relationships in other countries to grow our operations. Operating in foreign countries requires significant resources and management attention, and we have limited experience entering new geographic markets. We cannot be assured that our international 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;
- adverse tax effects and foreign exchange controls making it difficult to repatriate earnings and cash;
- political and economic instability;
- terrorist activities and natural disasters;
- 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.

We may be subject to product liability or 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 products, except in the European Union, or EU, where we provide a two-year warranty on all of our products. 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 customer 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.

Our intellectual property rights and proprietary rights may not adequately protect our products.

Our commercial success will depend substantially on our ability to obtain patents and other intellectual property rights and maintain adequate legal protection for our products in the United States and other countries. We will be able to protect our intellectual property from unauthorized use by third parties only to the extent that these assets are covered by valid and enforceable patents, trademarks, copyrights or other intellectual property rights, or are effectively maintained as trade secrets. As of the date of this filing, we have 50 issued patents and 99 patent applications pending in the United States and 17 corresponding issued patents and 21 patent applications pending in foreign jurisdictions. Our issued U.S. patents will expire between 2024 and 2038 and our issued foreign patents will expire between 2022 and 2038. We apply for patents covering our products, services, technologies and designs, 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 do not know whether any of our patent applications will result in the issuance of any patents. Even if patents are issued, they may not be sufficient to protect our products, services, technologies, or designs. Our existing and future patents may not be sufficiently broad to prevent others from developing competing products, services technologies, or designs. No consistent policy regarding the breadth of patent claims has emerged to date in the United States and we expect the landscape for patent protection for our products, services technologies, and designs to continue to be uncertain. Intellectual property protection and patent rights outside of the United States are even less predictable. As a result, the validity and enforceability of patents cannot be predicted with certainty. Moreover, we cannot be certain whether:

- we were the first to conceive of or invent the inventions covered by each of our issued patents and pending patent applications;
- we were the first to reduce to practice inventions covered by each of our issued patents and pending patent applications;
- we were the first to file patent applications for these inventions;
- others will independently develop similar or alternative products, technologies, services or designs or duplicate any of our products, technologies, services or designs;

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- any patents issued to us will provide us with any competitive advantages, or will be challenged by third parties;

- we will develop additional proprietary products, services, technologies or designs that are patentable; or

- the patents of others will have an adverse effect on our business.

The patents we own or license and those that may be issued to us in the future may be challenged, invalidated, rendered unenforceable or circumvented, and the rights granted under any issued patents may not provide us with proprietary protection or competitive advantages. Moreover, third parties could practice our inventions in territories where we do not have patent protection or in territories where they could obtain a compulsory license to our technology where patented. Such third parties may then try to import products made using our inventions into the United States or other territories. Additional uncertainty may result from potential passage of patent legislation by the U.S. Congress, legal precedent by the U.S. Federal Circuit Courts and Supreme Court as they determine legal issues concerning the scope and construction of patent claims and inconsistent interpretation of patent laws by the lower courts. Accordingly, we cannot ensure that any of our pending patent applications will result in issued patents, or even if issued, predict the breadth, validity and enforceability of the claims upheld in our and other companies patents.

We have registered and applied to register certain of our trademarks in several jurisdictions worldwide. In some jurisdictions where we have applied to register our trademarks, other applications or registrations exist for the same, similar or otherwise related products or services. If we are not successful in arguing that there is no likelihood of confusion between our marks and the marks that are the subject of the other applications or registrations owned by third parties, our applications may be denied, preventing us from obtaining trademark registrations and adequate protection for our marks in the relevant jurisdictions, which could impact our ability to build our brand identity and market our products and services in those jurisdictions. Whether or not our application is denied, third parties may claim that our trademarks infringe their rights. As a result, we could be forced to pay significant settlement costs or cease the use of these trademarks and associated elements of our brand in the United States or other jurisdictions.

Even in those jurisdictions where we are able to register our trademarks, competitors may adopt or apply to register similar trademarks to ours, may register domain names that mimic ours or incorporate our trademarks, or may purchase keywords that are identical or confusingly similar to our brand names as terms in Internet search engine advertising programs, which could impede our ability to build our brand identity and lead to confusion among potential customers of our products and services. We believe that other companies have copied some of our trademarks for use in the marketplace. We have sent demand letters in a number of these instances, but there can be no assurance that we are aware of all such instances or that we will prevail should such letters be ineffective. If we are not successful in proving that we have prior rights in our marks and arguing that there is a likelihood of confusion between our marks and the marks of these third parties, our inability to prevent these third parties from continuing to use our marks or confusingly similar marks may negatively impact the strength, value and effectiveness of our brand names and our ability to market our products and prevent consumer confusion.

The laws of certain countries do not protect intellectual property and proprietary rights to the same extent as the laws of the United States and, therefore, in certain jurisdictions, we may be unable to protect our products, services, technologies and designs adequately against unauthorized third-party copying, infringement or use, which could adversely affect our competitive position. For instance, we are aware of cameras that have been designed and labeled to appear similar to our products, and are available for sale in countries within Asia, Europe and, to a lesser extent, the United States. To protect or enforce our intellectual property rights, we may initiate proceedings or litigation against third parties. Such proceedings or litigation may be necessary to protect our trade secrets or know-how, products, technologies, designs, brands, reputation, likeness, authorship works or other intellectual property rights. Such proceedings or litigation also may be necessary to determine the enforceability, scope and validity of the proprietary rights of others. Any proceedings or lawsuits that we initiate could be expensive, take significant time and divert management s attention from other business concerns. Additionally, we may provoke third parties to assert claims against us. These claims could invalidate or narrow the scope of our own intellectual property rights. We may not prevail in any proceedings or lawsuits that we initiate and the damages or other remedies awarded, if any, may be commercially valuable. The occurrence of any of these events may adversely affect our business, financial condition and operating results.

Our business may suffer if it is alleged or determined that our technology or another aspect of our business infringes the intellectual property rights of others.

The markets in which we compete are characterized by the existence of a large number of patents and trade secrets and also by litigation based on allegations of infringement or other violations of intellectual property rights. Moreover, in recent years, individuals and groups have purchased patents and other intellectual property assets for the purpose of making claims of infringement to extract settlements from companies like ours. From time to time, third parties have claimed that we are infringing upon their intellectual property rights or have offered licenses to us in respect of technology they own that may be infringed upon by our products, and we expect to continue to receive such claims or offers in the future. We are currently in receipt of letters of this nature in respect of which we have reached no resolution with the third-party sender. Also, third parties may make infringement claims against us that relate to technology developed and owned by one of our suppliers for which our suppliers may or may not indemnify us. Even if we are indemnified against such costs, the indemnifying party may be unable to uphold its contractual obligations and determining the scope of these obligations could require additional litigation. Claims of intellectual property infringement against us or our suppliers might require us to redesign our products, rebrand our services, enter into costly settlement or license agreements, pay costly damage awards or face a temporary or permanent injunction prohibiting us from marketing or selling our products or services. If we cannot or do not license the infringed intellectual property on reasonable terms or at all, or substitute similar intellectual property from another source, our revenue and operating results could be adversely impacted. Additionally, our customers, distributors and retailers may not purchase our offerings if they are concerned that they may infringe third-party intellectual property rights. Responding to such claims, regardless of their merit, can be time consuming, costly to defend in litigation, divert management s attention and resources, damage our reputation and brand and cause us to incur significant expenses. The occurrence of any of these events may have an adverse effect on our business, financial condition and operating results.

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If we are unable to anticipate consumer preferences and successfully develop attractive products, we might not be able to maintain or increase our revenue and profitability.

Our success depends on our ability to identify and originate product trends as well as to anticipate and react to changing consumer demands in a timely manner. If we are unable to introduce new products or novel technologies in a timely manner or our new products or technologies are not accepted by consumers, our competitors may introduce more attractive products, which could hurt our competitive position. Our new products might not receive consumer acceptance if consumer preferences shift to other products, and our future success depends in part on our ability to anticipate and respond to these changes. Failure to anticipate and respond in a timely manner to changing consumer preferences could lead to, among other things, lower revenue and excess inventory levels.

As we continually seek to enhance our products, we may 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 these additional costs. For example, our gross profit declined as a percentage of revenue in 2012 and 2013 compared to the prior year periods due, in part, to the additional costs of incorporating new functionality into our newest generation of products.

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

We do not have internal manufacturing capabilities and rely primarily on two contract manufacturers, Chicony Electronics Co. Ltd. and Sky Light Digital Limited/Sky Light Industrial Limited, 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. Additionally, our manufacturers may experience disruptions in their manufacturing operations due to equipment breakdowns, labor strikes or shortages, component or material shortages, 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 impacting our ability to meet our demand forecast. Therefore, if we fail to manage our relationship with our manufacturers 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 customers purchase our products, our customers 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, or require them to comply with a formal code of conduct, and actions that they might take could harm our reputation and sales.

We do not control our contract manufacturers or suppliers, including their labor, environmental or other practices, or require them to comply with a formal code of conduct. Though we conduct periodic audits of our contract manufacturers and suppliers compliance with applicable laws and good industry practices, these audits may not be frequent or thorough enough to detect non-compliance. A violation 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. In addition, we may choose to seek alternative manufacturers or suppliers if these violations or failures were to occur. Identifying and qualifying new manufacturers or suppliers can be time consuming and we might not be able to substitute suitable alternatives in a timely manner or at an acceptable cost. Other consumer products companies have faced significant criticism for the actions of their manufacturers and suppliers, and we could face such criticism ourselves. Any of these events could adversely affect our brand, harm our reputation, reduce demand for our products and harm our ability to meet demand if we need to identify alternative manufacturers or suppliers.

Our growth depends in part on our penetrating additional consumer markets, and we may not be successful in doing so.

Our initial 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. We believe that our future growth depends not only on continuing to reach this core demographic, but also broaden our customer base to include a more diverse group of consumers seeking to capture themselves, family members and things around them in their daily lives. While we are investing in sales and marketing activities to reach this expanded market, we cannot be assured that we will be successful in doing so. If we are not successful in penetrating additional consumer markets, we might not be able to grow our market share and revenue.

We plan to continue to invest in the further development of a content management platform and the acquisition and distribution of content, and we might not be successful in doing so.

We believe that enabling consumers to easily manage, share and enjoy their GoPro content will increase consumer interest in our products, and we intend to continue to invest in improving our software offerings and the further development of our content management platform to assist consumers with these tasks. The development of these software offerings and other tools needed for these purposes requires different skills from our historical core focus of developing capture devices.

We are investing to scale GoPro as a media entity and develop new revenue opportunities by increasing production of GoPro originally produced content while simultaneously increasing the aggregation and redistribution of our customers best of UGC. Additionally, we are investing to develop and distribute the GoPro Channel on more partner platforms such as Xbox Live and Virgin America. The execution of this business strategy requires different skills from our historical core focus of developing capture devices.

To achieve our goals, we have recently hired personnel, including our Senior Vice President of Media, with what we believe are requisite skills and experience to execute on these plans, and we continue to seek additional personnel with these skills. We cannot be assured of our ability to organize, manage and execute these relatively new functions within our business. If we are not successful, we may not achieve our goals of facilitating greater consumer use of their content and scaling GoPro as a media entity, and we might not recover the investments we make in these efforts, which could adversely affect our business and operating results.

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We may acquire other businesses or receive offers to be acquired, which could require significant management attention, disrupt our business, dilute stockholder value and adversely affect our operating results.

As part of our business strategy, we may selectively make investments in or acquire other companies, products or technologies. We may not be able to find suitable acquisition candidates and we may not be able to complete acquisitions on favorable terms, if at all. 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 fail to integrate successfully such acquisitions, or the technologies associated with such acquisitions, into our company, 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 impact our business, financial condition, operating results and cash flows. We may not successfully evaluate or utilize the acquired technology and accurately forecast the financial impact of an acquisition transaction, including accounting charges. We may have to pay cash, incur debt or issue equity securities to pay for any such acquisition, each of which could affect our financial condition or the value of our capital stock. The sale of equity or issuance of debt to finance any such acquisitions could result in dilution to our stockholders. If we incur more debt it would result in increased fixed obligations and could also subject us to covenants or other restrictions that would impede our ability to manage our operations. In addition, our future operating results may be impacted by performance earnouts or contingent bonuses. 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 impact our future results of operations. We may also record goodwill in connection with an acquisition and incur goodwill impairment charges in the future. In the future, if our acquisitions do not yield expected revenue, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

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

Establishing relationships with high profile sporting events, 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 the camera and video recorder markets has increased, the costs of obtaining and retaining event, athlete and celebrity sponsorships and licensing agreements have increased. If we are unable to maintain our current associations with our event, 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, 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.

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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 UGC or acquire rights to use and distribute music, athlete and celebrity names and likenesses or other content for our original productions or for our GoPro Studio Edit Templates, 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 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 distributor of content, we face potential liability for negligence, copyright, or trademark infringement or other claims based on the nature and content of materials that we distribute. If we are found to be liable for infringement, then our business may suffer.

If our customers are not satisfied with our technical support or software updates, they may choose not to purchase our products, either of which would adversely impact our business and operating results.

Our business relies, in part, on our customers satisfaction with the technical support and software updates we provide to support our products. If we fail to provide technical support services that are responsive, satisfy our customers expectations and resolve issues that they encounter with our products, customers may choose not to purchase additional products and we may face brand and reputational harm, which could adversely affect our operating results.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act, the U.K. 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 U.S. Foreign Corrupt Practices Act, or the FCPA, the U.K. Bribery Act 2010, or the U.K. Bribery Act, and similar anti-bribery and anticorruption laws in other jurisdictions generally prohibit U.S.-based companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business, directing business to another, or securing an advantage. In addition, U.S. 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, U.S. 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 anticorruption 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

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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. If we are found to be in violation of the FCPA, the U.K. Bribery Act or other anti-bribery or anticorruption 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.

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 U.S. 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 U.S. export controls, including the Commerce Department s Export Administration Regulations and various economic and trade sanctions regulations established by the Treasury Department s Office of Foreign Assets Controls, and exports of our products must be made in compliance with these laws. Furthermore, U.S. export control laws and economic sanctions prohibit the provision of products and services to countries, governments, and persons targeted by U.S. sanctions. Even though we take precautions to prevent our products from being provided to targets of U.S. sanctions, our products, including our firmware updates, could be provided to those targets or provided by our customers despite such precautions. 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.

In 2014, we determined that we may have shipped some products to international customers that, prior to shipment, may have required either a one-time product review or application for an encryption registration number in lieu of such product review. We have since acquired the appropriate encryption registration number. We also recently determined that we provided controlled technology to our offshore manufacturing partners without the required export licenses but have since obtained an export license for the export of controlled technology to our offshore manufacturing partners. We have made an initial voluntary submission to the Commerce Department s Bureau of Industry and Security to report these potential violations and have also submitted a related supplemental disclosure. We also discovered in 2014 potential sanctions violations involving transactions with sanctioned parties, the provision of support services to persons in an embargoed country, and firmware updates to persons in several embargoed countries. We have made an initial voluntary submission to the U.S. Department of Treasury s Office of Foreign Assets Control to report these potential violations and have also submitted a related supplemental disclosure.

Upon learning of these potential violations, we promptly initiated internal investigations and are taking remedial measures to prevent similar export control violations from occurring in the future. While we do not expect the subject matters of our voluntary submissions to have a material effect on our business or operating results, they could result in penalties, costs and restrictions on export privileges.

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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.

The application of the tax laws of various jurisdictions, including the United States, to our international business activities is subject to interpretation and depends on operating our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methods for valuing technology, intercompany arrangements, including our transfer pricing, or our current or historical tax positions, including with respect to research and development tax credits and our prior status as an S corporation. Any such challenge could be costly and time consuming to defend and may increase our worldwide effective tax rate, and consequently adversely affect our financial position and results of operations. In order to effectively structure and execute our international operations we will need to continue to hire, train and manage qualified personnel. If our new hires underperform, or if we are unsuccessful in hiring, training, managing and integrating these new employees, our business may be adversely affected.

Our corporate structure includes legal entities located in jurisdictions with income tax rates lower than the U.S. statutory tax rate. Our intercompany arrangements result in income earned by such entities in accordance with arm s-length principles and commensurate with functions performed, risks assumed and ownership of valuable corporate assets. We believe that income taxed in certain foreign jurisdictions at a lower rate relative to the U.S. statutory rate will have a beneficial impact on our worldwide effective tax rate.

Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. 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, by changes in foreign currency exchange rates or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations. As we operate in numerous taxing jurisdictions, the application of tax laws can be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views, for instance, with respect to, among other things, the manner in which the arm s-length standard is applied for transfer pricing purposes, or with respect to the valuation of intellectual property. In addition, tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. In particular, there is uncertainty in relation to the U.S. tax legislation in terms of the future corporate tax rate but also in terms of the U.S. tax consequences of income derived from intellectual property held in foreign jurisdictions.

Our existing corporate structure and intercompany arrangements have been implemented in a manner that we believe complies with current tax laws. However, our tax liabilities may be adversely affected if such structure and arrangements are challenged by a taxing authority or we are unable to appropriately adapt the manner in which we operate our business or if tax laws change.

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An economic downturn or economic uncertainty in our key markets may adversely affect consumer discretionary spending and demand for our products.

Our products are discretionary items for consumers. Factors affecting the level of consumer spending for such discretionary items include general market conditions, macroeconomic conditions and other factors such as consumer confidence, the availability and cost of consumer credit, levels of unemployment and tax rates. As global economic conditions continue to be volatile or economic uncertainty remains, trends in consumer discretionary spending also remain unpredictable and subject to reductions due to credit constraints and uncertainties about the future. Unfavorable economic conditions may lead consumers to delay or reduce purchases of our products. Consumer demand for our products may not reach our sales targets, or may decline, when there is an economic downturn or economic uncertainty. Our sensitivity to economic cycles and any related fluctuation in consumer demand could adversely affect our business, financial condition and operating results.

We have previously identified a material weakness in our internal control over financial reporting, and if we are unable to maintain effective internal controls, we may not be able to produce timely and accurate financial statements, and we or our independent registered public accounting firm may conclude that our internal control over financial reporting is not effective, which could adversely impact our investors confidence and our stock price.

Prior to our initial public offering, or IPO, we were a private company and were not required to test our internal controls on a systematic basis. Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting until the later of (1) the year following our first annual report required to be filed with the SEC, or (2) the date we are no longer an Emerging Growth Company as defined in the recently enacted Jumpstart our Business Startups Act of 2012, or JOBS Act, if we take advantage of the exemptions contained in the JOBS Act. We expect that we will cease to be an emerging growth company on December 31, 2014, and therefore anticipate that, pursuant to Sections 302 and 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, we will be required to evaluate and determine the effectiveness, provide a management report and be subject to attestation of our internal control over financial reporting, beginning with our annual report for the fiscal year ending December 31, 2015.

In connection with the preparation of our financial statements for the years ended December 31, 2011 and 2012, we, in conjunction with our independent registered public accounting firm, identified a material weakness in the design and operating effectiveness of our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness primarily comprised deficiencies related to a lack of technical accounting skills, monitoring activities and a lack of adequate review processes and controls within our accounting and finance organization. During 2013, we took certain actions that remediated the material weakness, which included hiring management level personnel with technical accounting expertise, designing adequate review and monitoring procedures in our accounting and finance organization, and identifying and implementing improved processes and controls.

Further, we are in the process of designing and implementing the system of internal control over financial reporting required to comply with our future obligations and to strengthen our overall

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control environment. This initiative will be time consuming, costly, and might place significant demands on our financial and operational resources, as well as our IT systems.

Our current efforts to design and implement an effective 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. Because of 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 identify future material weaknesses in our internal controls over financial reporting, if we are unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, if we are unable to assert that our internal control over financial reporting are 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, if and when required, 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.

We have experienced rapid growth in recent periods. If we fail to manage our growth effectively, our financial performance may suffer.

We have experienced rapid growth over the last several years, which has placed a strain on our managerial, operational, research and development, sales and marketing, administrative and financial infrastructure. For example, we increased our total number of full-time employees from 49 as of December 31, 2010 to 869 as of September 30, 2014. We have also established operations in other countries. Our expansion has placed, and our expected future growth will continue to place, a significant strain on our managerial, operational, research and development, sales and marketing, administrative, financial and other resources.

Our success will depend in part upon our ability to manage our growth effectively. To do so, we must continue to increase the productivity of our existing employees and to hire, train and manage new employees as needed. To manage domestic and international growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls and our reporting processes and procedures, and implement more extensive and integrated financial and business information systems. These additional investments will increase our operating costs, which will make it more difficult for us to offset any future revenue shortfalls by reducing expenses in the short term. Moreover, if we fail to scale our operations or manage our growth successfully, our business, financial condition and operating results could be adversely affected.

Consumers may be injured while engaging in activities that they self-capture 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 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. We may be subject to claims that consumers have been injured while using our products, including false claims or erroneous reports relating to safety issues. Although we maintain insurance to help protect us from the risk of any such claims, such insurance may not be sufficient or may not to apply to all situations. Similarly, proprietors of establishments at which consumers

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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 to all or a subset of our customers, 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, financial condition or the market price of our Class A common stock.

If our estimates or judgments relating to our critical accounting policies 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 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 assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, sales incentives, stock-based compensation expense, POP displays, excess and obsolete inventory write-downs, warranty reserves, long-lived assets and accounting for income taxes including deferred tax assets and liabilities.

We are exposed to increased regulatory oversight and incur increased costs as a result of being a public company.

As a public company, we are required to satisfy the listing requirements and rules of the NASDAQ Stock Market and incur significant legal, accounting and other expenses that we did not incur as a private company. For example, we have incurred and will continue to incur costs associated with our public company reporting requirements and corporate governance requirements, including additional directors and officers liability insurance and requirements under the Sarbanes-Oxley Act, as well as rules implemented by the SEC and the NASDAQ Stock Market. These rules and regulations have increased, and will continue to increase, our legal and financial compliance costs and have made, and will continue to make, certain activities more time consuming and costly. Further, we have incurred costs in connection with hiring additional accounting, financial and compliance staff with appropriate public company experience and technical accounting knowledge. Any of these expenses could harm our business, operating results and financial condition.

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 and/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.

Any significant disruption to our ecommerce business could result in lost sales.

Our sales through our ecommerce channel have been growing. Sales through gopro.com generally have higher profit margins and provide us useful insight on the sales impact of certain of our marketing campaigns. Online sales are subject to a number of risks. System interruptions or delays could cause potential customers to fail to purchase our products and could harm our brand. The operation of our direct to consumer ecommerce business through gopro.com depends on the ability to maintain the efficient and uninterrupted operation of online order-taking and fulfillment operations. Our ecommerce operations subject us to certain risks that could have an adverse effect on our operating results, including risks related to the computer systems that operate our website and related support systems, such as system failures, viruses, computer hackers and similar disruptions. If we are unable to continually add software and hardware, effectively upgrade our systems and network infrastructure and take other steps to improve the efficiency of our systems, system interruptions or delays could occur that adversely affect our operating results.

We utilize third party vendors for our customer-facing ecommerce technology, order management system and fulfillment in the United States and internationally. We depend on our technology vendors to manage up-time of the front-end ecommerce store, manage the intake of our orders, and export orders for fulfillment. In the future, we could begin to run all or a greater portion of our ecommerce components ourselves rather than use third party vendors. Any failure on the part of our third party ecommerce vendors or in our ability to transition third party services effectively could result in lost sales and harm our business.

Failure to adequately protect customer data could harm our brand and our reputation in the marketplace.

Changing regulations and laws governing the Internet, data privacy, data protection and ecommerce transactions (including taxation, pricing and electronic communications) could impede the growth of our ecommerce business, increase our cost of doing business and limit our ability to collect and use information collected from our customers. Further, new regulations limiting our ability to collect, use and disclose customer data, or imposing additional requirements with respect to the retention and security of customer data, could limit our marketing activities and could adversely affect our business and financial condition.

In our ecommerce services, we process, store and transmit customer data. We also collect customer data through certain marketing activities. Failure to prevent or mitigate data loss or other security breaches, including breaches of our vendors technology and systems, could expose us or our customers to a risk of loss or misuse of such information, adversely affect our operating

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results, result in litigation or potential liability for us and otherwise harm our business. Further, we are subject to general business regulations and laws, as well as regulations and laws specifically governing the Internet, ecommerce and electronic devices. Existing and future laws and regulations, or new interpretations of these laws, may adversely affect our ability to conduct our ecommerce business.

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

We are subject to various environmental laws and regulations including laws governing the hazardous material content of our products and laws relating to the collection of and recycling of electrical and electronic equipment. Examples of these laws and regulations include the EU Restrictions of Hazardous Substances Directive, or the RoHS Directive, and the EU Waste Electrical and Electronic Equipment Directive, or the WEEE Directive, as well as the implementing legislation of the EU member states. Similar laws and regulations have been passed or are pending in China, South Korea, Norway and Japan and may be enacted in other regions, including in the United States, and we are, or may in the future be, subject to these laws and regulations.

The RoHS Directive and the similar laws of other jurisdictions ban the use of certain hazardous materials such as lead, mercury and cadmium in the manufacture of electrical equipment, including our products. Although we have policies and procedures in place requiring our contract manufacturers and major component suppliers to comply with the RoHS Directive requirements, we cannot assure you 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.

The WEEE Directive requires electronic goods producers to be responsible for the collection, recycling and treatment of such products. Changes in interpretation of the directive may cause us to incur costs or have additional regulatory requirements to meet in the future in order to comply with this directive, 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 impact on our results of operations or cash flows and, although we cannot predict the future impact 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.

New regulations related to conflict minerals may cause us to incur additional expenses and could limit the supply and increase the costs of certain metals used in the manufacturing of our products.

As a public company, we are subject to new requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, that require us to diligence, disclose and report whether or not our products contain conflict minerals. The

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implementation of these new requirements could adversely affect the sourcing, availability and pricing of the materials used in the manufacture of components used in our products. In addition, we have and will continue to incur additional costs to comply with the disclosure requirements, including costs related to conducting diligence procedures to determine the sources of conflict minerals that may be used or necessary to the production of our products and, if applicable, potential changes to products, processes or sources of supply as a consequence of such verification activities. It is also possible that we may face reputational harm if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to alter our products, processes or sources of supply to avoid such materials.

As an emerging growth company under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements.

As an emerging growth company under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. In particular, we have not included all of the executive compensation related information that would be required in this prospectus if we were not an emerging growth company. In addition, for so long as we are an emerging growth company, which can last, at most, until the first fiscal year following the fifth anniversary of our IPO, we will not be required to:

- have an auditor report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor s report providing additional information about the audit and the financial statements (auditor discussion and analysis); and
- submit certain executive compensation matters to shareholder advisory votes, such as say on pay and say on frequency.

Although we have relied and intend to continue to rely on certain exemptions provided in the JOBS Act, the exact implications of the JOBS Act for us are still subject to interpretations and guidance by the SEC and other regulatory agencies. Furthermore, we expect that we will cease to be an emerging growth company on December 31, 2014. We have irrevocably elected not to avail ourselves of the JOBS Act accommodation allowing for delayed adoption of new or revised accounting standards, and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

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 debt or equity financing on favorable terms, or at all. 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. Any debt financing obtained by us in the future could involve 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. If we are unable to obtain

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adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

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

Our headquarters is located in the San Francisco Bay Area of California, an area susceptible to earthquakes. A major earthquake or other natural disaster, fire, act of terrorism 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 in China, Singapore and the Netherlands as well as the United States. Political instability or catastrophic events in any of those countries could adversely affect our business in the future, our financial condition and operating results.

Risks related to owning our Class A common stock and this offering

The market for our Class A common stock is relatively new, our stock price has been and may continue to be volatile or may decline regardless of our operating performance, and you could lose all or part of your investment.

The trading prices of the securities of newly public companies such as us have historically been highly volatile. The market price of our Class A common stock has been and may continue to be volatile and subject to fluctuations in response to numerous factors, some of which are beyond our control and may not be related to our operating performance, including:

- actual or anticipated fluctuations in our revenue and other operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- changes in operating performance and stock market valuations of online marketing or other technology companies, or those in our industry in particular;
- lawsuits threatened or filed against us; and
- other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities

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class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business.

Sales of substantial amounts of our Class A common stock in the public markets, or the perception that they might occur, could reduce the price that our Class A common stock might otherwise attain and may dilute your voting power and your ownership interest in us.

After the completion of the offering, based on 99,484,734 shares of Class B common stock and 26,292,404 shares of Class A common stock outstanding as of September 30, 2014 and after giving effect to the sale of 10,360,500 shares of our Class A common stock in this offering by us and the selling stockholders, the issuance of 1,283,671 shares of our Class B common stock upon the exercise of outstanding stock options by certain selling stockholders in connection with this offering and the contribution back to us by Mr. Woodman of 576,800 shares of our Class B common stock in respect of stock options exercised by a certain selling stockholder, we will have 127,771,542 outstanding shares of our Class A and Class B common stock. This number includes the 20,470,000 shares of our Class A common stock that were sold in our IPO, 5,821,739 shares of our Class A common stock held by the Silicon Valley Community Foundation and all of the shares that we and the selling stockholders are selling in this offering, which may be resold immediately in the public market.

Subject to certain exceptions, all of our directors and officers and substantially all of our stockholders and option holders have agreed not to offer, sell or agree to sell, directly or indirectly, any shares of Class A or Class B common stock without the permission of the underwriters for a period of 180 days from the date of our IPO. In addition, in connection with this offering, our directors, officers and each of the selling stockholders, other than employee selling stockholders who own fewer than 25,000 shares of common stock or vested options to purchase common stock in the aggregate, have agreed to extend the restricted period for their shares of common stock until February 17, 2015. Accordingly, an aggregate of approximately 15,285,889 shares of Class A and Class B common stock will become eligible for sale on December 23, 2014 upon the expiration of the 180-day IPO lock-up and an aggregate of approximately 76,105,531 shares of Class A and Class B common stock will become eligible for resale upon the expiration of the lock-up agreements being entered into in connection with this offering. See Shares eligible for future sale Lock-up agreements for additional information. After the respective lock-up agreements pertaining to the IPO and this offering expire, our locked-up security holders will be able to sell our shares in the public market, subject to volume limitations under Rule 144 under the Securities Act of 1933, as amended, or the Securities Act, and various vesting agreements. Sales of a substantial number of such shares upon expiration, or early release, of the lock-up (or the perception that such sales may occur) could cause our share price to fall.

The market price of the shares of our Class A common stock could decline as a result of sales of a substantial number of our shares in the public market or the perception in the market that the holders of a large number of shares intend to sell their shares.

The dual class structure of our common stock will have the effect of concentrating voting control with our Chief Executive Officer and other directors and their affiliates; this will limit or preclude your ability to influence corporate matters.

Our Class B common stock has 10 votes per share, and our Class A common stock, which is the stock we are offering in this offering, has one vote per share. Stockholders who hold shares of

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Class B common stock will hold approximately 96.1% of the voting power of our outstanding capital stock following this offering. Our executive officers and directors and their affiliates will hold approximately 65.0% of the outstanding voting power, with Mr. Woodman, our CEO, holding approximately 42.5% after his sale of 4,078,800 shares of Class A common stock in this offering and his contribution of 576,800 shares of Class B common stock to us in respect of stock options exercised by a certain selling stockholder, and, therefore, assuming no material sales of such shares, they will be 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 will limit or preclude your ability to influence corporate matters for the foreseeable future. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may feel are in your best interest as one of our stockholders.

We have broad discretion in the use of the net proceeds from this offering and may not use them effectively.

Our management will have broad discretion in the application of the net proceeds that we receive from this offering, including applications for working capital, possible acquisitions and other general corporate purposes, and we may spend or invest these proceeds in a way with which our stockholders disagree. The failure by our management to apply these funds effectively could harm our business and financial condition. Pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value. These investments may not yield a favorable return to our investors.

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. Securities analysts have only recently commenced research coverage on us. 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.

We do not intend to pay dividends for the foreseeable future.

We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, you may only receive a return on your investment in our Class A common stock if the market price of our Class A common stock increases.

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

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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, our chief executive office or our president, and thereafter only the chairman of our board of directors, our chief executive officer, our president 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.

For information regarding these and other provisions, see Description of capital stock.

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Special note regarding forward-looking statements and industry data

This prospectus contains forward looking statements that are based on our beliefs and assumptions regarding future events and circumstances, including statements regarding our strategies, our opportunities, developments in the markets in which we are active, our relationships with our customers, contract manufacturers, component suppliers and distributors and other matters. These statements are principally contained in the sections titled Prospectus summary, Risk factors, Use of proceeds, Management s discussion and analysis of financial condition and results of operations, Business, and Shares eligible for future sale. Forward looking statements include statements that are not historical facts and can be identified by words such as project, believe, anticipate, plan, expect, estimate, intend, continue, should, would, could, po other similar words and phrases.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated by these forward-looking statements. These risks, uncertainties and factors include those we discuss in this prospectus in the section titled Risk factors. You should read these risk factors and the other cautionary statements made in this prospectus as being applicable to all related forward-looking statements wherever they appear in this prospectus. It is not possible for us to predict all risks that could affect us, nor can we assess the impact of all factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements we may make. Moreover, new risks emerge from time to time.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should read this prospectus and the documents we reference in this prospectus, and have filed with the SEC as exhibits to the registration statement of which this prospectus is a part, with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

In this prospectus, we refer to metrics related to our presence on third-party social media services, such as the number of likes on our Facebook page and the number of users who have shared videos on YouTube with GoPro in the title. These social media services generally have policies in place to discourage duplicative user accounts or artificial activity designed to inflate such metrics. We are unable to independently verify the metrics provided by these social media services. We are also unable to determine whether these figures include individuals with multiple accounts on one service, deactivated or inactive accounts, or multiple views, likes or similar actions by the same user. We have relied on the calculations and analysis conducted by these services to present metrics that, as closely as possible, reflect genuine users and legitimate user activity on their social media services.

This prospectus also contains estimates and other statistical data that we obtained from industry publications, surveys, forecasts and reports. These industry publications generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. Although we have not independently verified the accuracy or completeness of the data contained in these industry publications and reports, based on our industry experience we believe that the publications are reliable and the conclusions contained in the publications and reports are reasonable.

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Use of proceeds

We estimate that we will receive net proceeds of $92.0 million from the sale of the 1,287,533 shares of Class A common stock that we are selling in this offering, based on the public offering price of $75.00 per share and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. We will also receive proceeds of $2.3 million from the exercise of stock options by certain selling stockholders in connection with this offering. We will not receive any proceeds from the sale of shares of our Class A common stock by the selling stockholders.

The principal purposes of this offering are to raise additional capital, facilitate an orderly distribution of shares for the selling stockholders in this offering and increase our public float. We expect to use the net proceeds of this offering for general corporate purposes including working capital.

We may also use a portion of the net proceeds to acquire or invest in complementary businesses, technologies or assets. However, we have no present commitments or agreements to enter into any acquisitions or make any investments.

Our management will have significant flexibility in applying the net proceeds from this offering, and investors will be relying on the judgment of our management regarding the application of these net proceeds. Pending the uses described above, we intend to invest the net proceeds from this offering in short-term, interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government. The goal with respect to the investment of these net proceeds will be capital preservation and liquidity so that these funds are readily available to fund our operations.

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Market price of Class A common stock

Our Class A common stock has been listed on the NASDAQ Global Select Market under the symbol GPRO since June 26, 2014. Prior to that date, there was no public trading market for our Class A common stock. The following table sets forth for the periods indicated the high and low closing sale price per share of our Class A common stock as reported on the NASDAQ Global Select Market:

	Low	High
Fiscal Year ended December 31, 2014		
Second Quarter (beginning June 26, 2014)	$ 28.65	$ 41.19
Third Quarter	$ 36.10	$ 96.45
Fourth Quarter (through November 19, 2014)	$ 64.14	$ 98.47

On November 19, 2014, the last reported sale price of our Class A common stock on the NASDAQ Global Select Market was $79.09 per share. As of September 30, 2014, there were approximately 255 stockholders of record of our Class B common stock and 16 stockholders of record of our Class A common stock. As many of our shares of Class A common stock are held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of beneficial holders of our Class A common stock represented by these record holders.

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Dividend policy

On December 19, 2012, we declared a cash dividend pursuant to which each holder of our common stock and redeemable convertible preferred stock as of December 21, 2012 received $1.050965 for every share of our common stock then held by such stockholder (with each stockholder of redeemable convertible preferred stock being treated as holding the number of shares of common stock then issuable upon conversion of all shares of redeemable convertible preferred stock held by such stockholder). We do not currently intend to pay any cash dividends on our Class A common stock or Class B common stock for the foreseeable future. We expect to retain future earnings, if any, to fund the development and growth of our business. Any future determination to pay dividends on our Class A common stock or Class B common stock will be at the discretion of our board of directors and will depend upon, among other factors, our financial condition, operating results, current and anticipated cash needs, plans for expansion and other factors that our board of directors may deem relevant.

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Capitalization

The following table sets forth our capitalization as of September 30, 2014:

on an actual basis;

on an as adjusted basis to reflect (i) the issuance of 1,283,671 shares of our Class B common stock upon the exercise of outstanding stock options with an aggregate exercise price of $2.3 million by certain selling stockholders and the conversion of such shares into the same number of shares of Class A common stock for sale in this offering, (ii) the contribution back to us by a stockholder of 576,800 shares of our Class B common stock in respect of stock options exercised by a certain selling stockholder, (iii) the conversion by the selling stockholders of 7,789,296 shares of our Class B common stock into the same number of shares of our Class A common stock in connection with the completion of this offering and (iv) the sale by us of 1,287,533 shares of our Class A common stock in this offering at the public offering price of $75.00 per share, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this table together with the section titled Management s discussion and analysis of financial condition and results of operations and our financial statements, related notes and other financial information appearing elsewhere in this prospectus.

(in thousands, except share amounts) (unaudited)	As of September 30, 2014 Actual	As adjusted
Stockholders equity:		
Preferred stock, $0.0001 par value, 5,000,000 shares authorized, no shares issued or outstanding, actual and as adjusted		
Class A common stock, $0.0001 par value, 500,000,000 shares authorized, 26,292,404 shares issued and outstanding, actual; 36,652,904 shares issued and outstanding, as adjusted	3	4
Class B common stock, $0.0001 par value, 150,000,000 shares authorized; 99,484,734 shares issued and outstanding, actual; 91,118,638 shares issued and outstanding, as adjusted	10	9
Additional paid-in capital	364,704	459,004
Accumulated deficit	(14,056)	(14,056)
Total stockholders equity	350,661	444,961
Total capitalization	$ 350,661	$ 444,961

The number of shares of our Class A and Class B common stock to be outstanding after this offering is based on (i) 26,292,404 shares of our Class A common stock and 99,484,734 shares of our Class B common stock outstanding as of September 30, 2014, (ii) the exercise of stock options for the purchase of 1,283,671 shares of Class B common stock by certain selling stockholders and the conversion of such shares into the same number of shares of Class A common stock for sale in this offering and (iii) the contribution of 576,800 shares of Class B common stock by Mr. Woodman to us in respect of stock options exercised by a certain selling stockholder and excludes:

27,095,134 shares of Class B common stock issuable upon the exercise of stock options outstanding as of September 30, 2014 with a weighted average exercise price of $5.17 per share and 3,804,426 shares of Class B common stock issuable upon settlement of RSUs outstanding as of September 30, 2014 under our 2010 Plan;

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422,828 shares of Class A common stock issuable upon the exercise of stock options outstanding as of September 30, 2014 with a weighted average exercise price of $45.52 per share and 95,877 shares of Class B common stock issuable upon settlement of RSUs outstanding as of September 30, 2014 under our 2014 Plan;

The effect of the contribution back to us of a number of shares of Class B common stock equal to the number of shares we issue upon exercise of an outstanding option for the purchase of 5,918,984 shares of Class B common stock (other than those shares of Class B common stock contributed back to us in respect of stock options exercised by a certain selling stockholder); see Certain relationships and related person transactions Equity grants and contribution agreement;

150,000 shares of Class A common stock issuable upon the exercise of stock options granted after September 30, 2014 under our 2014 Plan with an exercise price of $81.50 per share;

367,620 shares of Class A common stock issuable upon settlement of RSUs granted after September 30, 2014 under our 2014 Plan;

272,117 shares of Class B common stock subject to a right of repurchase by us outstanding as of September 30, 2014;

13,404,260 shares of Class A common stock reserved for future issuance under our 2014 Plan; and

3,367,557 shares reserved for future issuance under our ESPP.

Our 2014 Plan and ESPP also provide for automatic annual increases in the number of shares reserved under the plans, as more fully described in Executive compensation Employee benefit plans.

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Selected consolidated financial data

You should read the selected consolidated financial data below 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 prospectus. The selected consolidated financial data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this prospectus.

The following table presents selected consolidated financial data. We derived the consolidated statements of operations data for 2011, 2012 and 2013 and the balance sheet data as of December 31, 2012 and 2013 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the consolidated statements of operations data for 2010 from our audited consolidated financial statements that are not included in this prospectus, and have reclassified certain operating expenses for 2010 and have now included $0.7 million (unaudited) in sales and marketing expenses that was previously classified in general and administrative expenses, to conform with current presentation. The consolidated statements of operations data for the nine months ended September 30, 2013 and 2014 and the consolidated balance sheet data as of September 30, 2014 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited consolidated financial statements on the same basis as the audited consolidated financial statements and have included, in our opinion, all adjustments, consisting only of normal recurring adjustments that we consider necessary to state fairly the financial information set forth in those financial statements. Our historical results are not necessarily indicative of the results to be expected in the future, and our interim results should not necessarily be considered indicative of results we expect for the full year.

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Consolidated statements of operations data: (in thousands, except per share amounts)	Year ended December 31, 2010	2011	2012	2013	Nine months ended September 30, 2013	2014
Revenue	$ 64,464	$ 234,238	$ 526,016	$ 985,737	$ 624,285	$ 760,292
Cost of revenue(1)	31,719	111,683	298,530	623,953	414,005	436,870
Gross profit	32,745	122,555	227,486	361,784	210,280	323,422
Operating expenses:						
Research and development(1)	1,394	8,644	36,115	73,737	48,286	105,778
Sales and marketing(1)	13,860	64,375	116,855	157,771	112,151	133,151
General and administrative(1)	5,634	10,757	20,899	31,573	21,715	71,146
Total operating expenses	20,888	83,776	173,869	263,081	182,152	310,075
Operating income	11,857	38,779	53,617	98,703	28,128	13,347
Other income (expense), net	(29)	12	(407)	(7,374)	(5,150)	(4,945)
Income before income taxes	11,828	38,791	53,210	91,329	22,978	8,402
Income tax expense	248	14,179	20,948	30,751	6,129	2,574
Net income	$ 11,580	$ 24,612	$ 32,262	$ 60,578	$ 16,849	$ 5,828
Weighted-average shares used to compute net income per share attributable to common stockholders(2):						
Basic	67,207	73,481	74,226	81,018	80,914	96,905
Diluted	73,160	78,551	74,226	98,941	98,671	115,578
Net income per share attributable to common stockholders(2):						
Basic	$ 0.17	$ 0.26	$ 0.07	$ 0.54	$ 0.15	$ 0.05
Diluted	$ 0.16	$ 0.24	$ 0.07	$ 0.47	$ 0.13	$ 0.04
Other financial information:						
Adjusted EBITDA(3)	$ 12,748	$ 52,873	$ 75,288	$ 133,726	$ 51,870	$ 90,526

(1) Includes stock-based compensation expense as follows:

(in thousands)	Year ended December 31, 2010	2011	2012	2013	Nine months ended September 30, 2013	2014
Cost of revenue	$ 10	$ 122	$ 333	$ 690	$ 530	$ 555
Research and development	73	261	1,452	3,003	1,737	5,486
Sales and marketing	323	7,690	6,335	5,670	4,077	6,293
General and administrative	268	902	1,036	1,524	1,003	39,809
Total stock-based compensation expense	$ 674	$ 8,975	$ 9,156	$ 10,887	$ 7,347	$ 52,143

(2) See Note 8 of our consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our historical basic and diluted net income per share attributable to common stockholders.

(3) See Prospectus summary Summary consolidated financial data Adjusted EBITDA for additional information and a reconciliation of net income to adjusted EBITDA.

(in thousands)	December 31, 2012	2013	September 30, 2014
Consolidated balance sheet data:			
Cash and cash equivalents	$ 36,485	$ 101,410	$ 237,749
Working capital	69,618	57,446	273,394
Total assets	246,665	439,671	589,058
Total indebtedness	129,395	113,612	
Redeemable convertible preferred stock	77,138	77,198	
Total stockholders equity (deficit)	(79,741)	(5,366)	350,661

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Management s discussion and analysis of financial condition and results of operations

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 prospectus. 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 prospectus.

Overview

GoPro is transforming the way consumers capture, manage, share and enjoy meaningful life experiences. We do this by enabling people to capture compelling, immersive photo and video content of themselves participating in their favorite activities.

We were founded in 2004 to address the limitations of traditional cameras. In 2004, we shipped our first product, a wrist-mounted, waterproof, film-based capture device, and in 2006 we shipped our first digital capture device, the Digital HERO. We introduced our first HD capture device in 2009, the HD HERO, and we introduced our current HERO4 family of capture devices in September 2014. We also sell mountable and wearable accessories that enable professional quality capture at affordable prices.

We have continued to enhance our product offering by providing software solutions that address the pain points of managing, editing and sharing content. GoPro Studio enables our customers to easily edit and share simple or complex videos. The GoPro App enables customers to easily and wirelessly manage and share content from our HERO capture devices.

Since we launched our first HD camera in 2009, we have experienced rapid growth. In 2011, 2012, 2013 and the nine months ended September 30, 2013 and 2014, we generated revenue of $234.2 million, $526.0 million, $985.7 million, $624.3 million and $760.3 million and reported net income of $24.6 million, $32.3 million, $60.6 million, $16.8 million and $5.8 million, respectively. Substantially all of our revenue has been generated from the sale of cameras and accessories.

Our sales strategy initially targeted independent specialty retailers focused on action sports markets, which we believe helped to establish the authenticity of our brand. We now sell our products both directly and through distribution. Our direct channel includes big box, mid-market and independent specialty retailers, as well as our website. We use our distribution channel to sell internationally and into certain specialty markets. As of September 30, 2014, our products were sold to customers in more than 100 countries and through more than 25,000 retail outlets. Sales outside of the United States represented 35%, 47%, 49%, 53% and 44% of our revenue for 2011, 2012, 2013 and the nine months ended September 30, 2013 and 2014, respectively.

We believe consumer demand for compelling content, combined with our self-capture technology and the popularity of social media, create a significant media opportunity for GoPro. GoPro programming, a combination of GoPro originally produced content and best of UGC, has developed a growing audience. To scale this, we have built a team of production professionals who regularly produce content based on inspiring stories from around the world, captured exclusively with our capture devices. In addition, we actively curate and redistribute,

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with permission, UGC as GoPro-branded content through the GoPro Network, which includes the GoPro Channels on Facebook, Instagram, Twitter, Pinterest, Virgin America, Xbox 360, Xbox One and YouTube.

We face potential challenges that could limit our ability to take advantage of these opportunities, including the risk that we may not be able to continue to develop and introduce new products and attract new customers. We do not expect to sustain or increase our revenue growth rates. In addition, we rely on a small number of retailer and distributor customers for a significant portion of our revenue. For 2011, 2012, 2013 and the nine months ended September 30, 2013 and 2014, one retailer accounted for 15%, 15%, 17%, 15% and 19% of our revenue, respectively. For the nine months ended September 30, 2013, one distributor accounted for 10% of our revenue.

We rely on contract manufacturers for the production of our cameras and accessories. All of the components that go into the manufacture of our cameras and accessories are sourced from third-party suppliers, and some of these suppliers are the sole source for important components. We utilize third-party logistics providers for product fulfillment.

Key business metrics

In addition to the measures presented in our consolidated financial statements, we use the following key metrics to evaluate our business, measure our performance, develop financial forecasts and make strategic decisions.

	Year ended December 31,			Nine months ended September 30,	
(in thousands)	**2011**	**2012**	**2013**	**2013**	**2014**
Key business metrics:					
Units shipped	1,145	2,316	3,849	2,429	2,795
Adjusted EBITDA	$ 52,873	$ 75,288	$ 133,726	$ 51,870	$ 90,526

Units shipped. Units shipped represents the number of individual packaged camera units that are shipped during a reporting period, net of any returns. Packaged camera units include a waterproof housing, a battery, selected mounts and other accessories which vary by model. We monitor units shipped on a daily basis as it is a key indicator of revenue trends for a reporting period. We use units shipped to help optimize our fulfillment operations and shipment allocations in order to better maintain operating efficiencies and improve customer satisfaction.

Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure that we calculate as net income (loss), adjusted after excluding the impact of: provision (benefit) for income taxes, interest income, interest expense, depreciation and amortization, POP display amortization and stock-based compensation. We use adjusted EBITDA as a key measure to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, the exclusion of certain expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our business. Accordingly, we believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. See Prospectus summary Summary consolidated financial data Adjusted EBITDA for additional information and a reconciliation of net income to adjusted EBITDA.

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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 continue the growth of our business and improve our results of operations.

Investing in research and development. We believe that our performance is significantly dependent on the investments we make in research and development and that we must continually develop and introduce innovative new products, enhance existing products and effectively stimulate customer demand for existing and future products. If we fail to innovate and enhance our product offerings, our brand, market position and revenue may be adversely affected. Further if our research and development efforts are not successful, we will not recover the investments that we make in this aspect of our business.

Investing in sales and marketing. We intend to continue to invest significant resources in our marketing, advertising and brand management efforts. 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.

Leveraging media content. We expect to increase our investment in the development of the GoPro Network and its related content. We believe we have significant opportunities to establish new revenue streams from these investments. However, we do not have significant experience deriving revenue from the distribution of GoPro content, and we cannot be assured that these investments will result in increased revenue or profitability.

Expanding into new vertical markets and growing internationally. Our long-term growth will depend in part on our continued ability to expand our customer base and increase revenue from international markets. We intend to expand into new vertical markets and to increase our presence globally through the active promotion of our brand, the formation of strategic partnerships, the introduction of new products and the growth of our international sales channel.

Seasonality. Historically, we have experienced the highest levels of revenue in the fourth quarter of the year, coinciding with the holiday shopping season in the United States and Europe. Accordingly, we have historically introduced our newest generation of product offerings just prior to this peak season. Given the significant seasonality of our sales, timely and effective product introductions and forecasting for this season are critical to our operations.

Components of our results of operations and financial condition

Revenue

Our revenue is comprised of product revenue, net of returns and sales incentives:

Product revenue. Product revenue is derived from the sale of our HERO line of cameras and accessories directly to retailers and through gopro.com, as well as through our network of domestic and international distributors.

Returns and sales incentives. Our standard terms and conditions of sale do not allow for product returns and we generally do not allow product returns other than under warranty.

However, we have entered into contracts with certain large retailers and distributors with terms and conditions that allow for limited product returns rights. Upon shipment of our product to customers with such rights, we reduce revenue equal to the estimated future returns related to the current period product revenue. Additionally, we offer price protection discounts to certain customers when new capture devices are released. We record price protection discounts, as a reduction in revenue, based on shipments subject to price protection. Discounts recorded are based on an evaluation of inventory held by the customer at the time the price protection offer is extended.

See Critical accounting policies for a more detailed discussion of our revenue recognition policy.

Cost of revenue

Our cost of revenue is comprised of the following:

- manufacturing costs of our products payable to third-party contract manufacturers;
- third-party logistics costs;
- costs to procure components directly from our suppliers;
- inbound and outbound freight costs and duties;
- costs associated with the repair of products under warranty;
- license fees paid to third parties;
- write-downs of inventory carrying value to adjust for excess and obsolete inventory and periodic physical inventory counts; and
- certain allocated costs related to manufacturing management, facilities, information technology support and other expenses associated with internal logistics support, including stock-based compensation.

We outsource our manufacturing, warehouse operations and order fulfillment activities to third parties. Our product costs will vary directly with volume and based on the costs of underlying product components as well as the prices we are able to negotiate with our contract manufacturers. Shipping costs will fluctuate with volume as well as with the method of shipping chosen in order to meet customer demand. As a global company with suppliers centered in Asia and customers located worldwide, we have used, and may in the future use, air shipping to deliver our products directly to retail stores and distribution centers. Air shipping is more costly than sea or ground shipping or other delivery options. We primarily use air shipping to meet the demand of our products during peak shopping seasons and new product launches.

Gross profit and gross profit margin

Our gross profit and gross profit margin have been, and may in the future be, influenced by several factors including: product, channel and geographical revenue mix; changes in product costs related to the release of different camera models; component, contract manufacturing and supplier pricing; and foreign currency exchange. Although we primarily procure and sell our products in U.S. dollars, our suppliers incur many costs, including labor costs, in other currencies. To the extent that exchange rates move unfavorably for our suppliers, they may seek to pass

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these additional costs on to us, which could have a material impact on our future average selling prices and unit costs. Gross profit and gross profit margin may fluctuate over time based on the factors described above.

Operating expenses

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

Research and development. Research and development expense consists primarily of personnel related costs, which include salaries and stock-based compensation, in addition to costs attributable to product design, test, patent, facilities and information technology. Over time, we expect our research and development expense to increase in absolute dollars as we continue to make significant investments in developing new products, applications, functionality and other offerings. Research and development expense may fluctuate as a percentage of revenue, notably in the fourth quarter of our fiscal year when we have historically experienced our highest levels of revenue.

Sales and marketing. Sales and marketing expense consists primarily of advertising and marketing promotions of our products, including POP display amortization, personnel related costs, which include salaries and stock-based compensation, commissions, trade show and event costs, sponsorship costs, professional services, facilities, information technology and travel. Over time, we expect our sales and marketing expense to increase in absolute dollars as we continue to actively promote our products. Sales and marketing expense may fluctuate as a percentage of revenue, notably in the fourth quarter of our fiscal year when we have historically experienced our highest levels of revenue.

General and administrative. General and administrative expense consists of personnel related costs, which include salaries and stock-based compensation, as well as the costs of professional services, facilities, information technology and other administrative expenses. We expect our general and administrative expense to increase in absolute dollars due to the anticipated growth of our business and related infrastructure as well as accounting, insurance, investor relations and other public company costs. General and administrative expense may fluctuate as a percentage of revenue, notably in the fourth quarter of our fiscal year when we have historically experienced our highest levels of revenue, or due to fluctuations in stock-based compensation expense.

Other income (expense), net

Other income (expense), net consists of interest expense associated with our debt financing arrangements and sales of accounts receivable, amortization of debt issuance costs, interest income earned on our cash and cash equivalents balances, foreign currency exchange gains (losses) related to the remeasurement of certain assets and liabilities of our foreign subsidiaries that are denominated in currencies other than the functional currency of the subsidiary and foreign exchange transactions gains and losses. We do not utilize derivatives to hedge our foreign exchange risk as we believe the risk to be immaterial to our results of operations.

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Income tax expense

We are subject to income taxes in the United States and foreign jurisdictions in which we do business. These foreign jurisdictions have statutory tax rates different from those in the United States. Additionally, certain of our international earnings are also taxable in the United States. Accordingly, our effective tax rates will vary depending on the relative proportion of foreign to U.S. income, the absorption of foreign tax credits, changes in the valuation of our deferred tax assets and liabilities and changes in tax laws. We regularly assess the likelihood of adverse outcomes resulting from the examination of our tax returns by the U.S. Internal Revenue Service, or IRS, and other tax authorities to determine the adequacy of our income tax reserves and expense. Should actual events or results differ from our current expectations, charges or credits to our income tax expense may become necessary. Any such adjustments could have a significant impact on our results of operations.

Statements of operations

The following table sets forth the components of our consolidated statements of operations for each of the periods presented:

	Year ended December 31,			Nine months ended September,	
(in thousands)	**2011**	**2012**	**2013**	**2013**	**2014**
Revenue	$ 234,238	$ 526,016	$ 985,737	$ 624,285	$ 760,292
Cost of revenue(1)	111,683	298,530	623,953	414,005	436,870
Gross profit	122,555	227,486	361,784	210,280	323,422
Operating expenses:					
Research and development(1)	8,644	36,115	73,737	48,286	105,778
Sales and marketing(1)	64,375	116,855	157,771	112,151	133,151
General and administrative(1)	10,757	20,899	31,573	21,715	71,146
Total operating expenses	83,776	173,869	263,081	182,152	310,075
Operating income	38,779	53,617	98,703	28,128	13,347
Other income (expense), net	12	(407)	(7,374)	(5,150)	(4,945)
Income before income taxes	38,791	53,210	91,329	22,978	8,402
Income tax expense	14,179	20,948	30,751	6,129	2,574
Net income	$ 24,612	$ 32,262	$ 60,578	$ 16,849	$ 5,828
(1) Includes stock-based compensation expense as follows:					
Cost of revenue	$ 122	$ 333	$ 690	$ 530	$ 555
Research and development	261	1,452	3,003	1,737	5,486
Sales and marketing	7,690	6,335	5,670	4,077	6,293
General and administrative	902	1,036	1,524	1,003	39,809
Total stock-based compensation expense	$ 8,975	$ 9,156	$ 10,887	$ 7,347	$ 52,143

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The following table sets forth the components of our consolidated statements of operations for each of the periods presented as a percentage of revenue:

	Year ended December 31,			Nine months ended September 30,	
	2011	2012	2013	2013	2014
Revenue	100%	100%	100%	100%	100%
Cost of revenue	48%	57%	63%	66%	57%
Gross profit	52%	43%	37%	34%	43%
Operating expenses:					
Research and development	4%	7%	7%	8%	14%
Sales and marketing	27%	22%	16%	18%	18%
General and administrative	4%	4%	4%	3%	9%
Total operating expenses	35%	33%	27%	29%	41%
Operating income	17%	10%	10%	5%	2%
Other income (expense), net			(1)%	(1)%	(1)%
Income before income taxes	17%	10%	9%	4%	1%
Income tax expense	6%	4%	3%	1%	0%
Net income	11%	6%	6%	3%	1%

Comparison of the nine months ended September 30, 2013 and 2014

Revenue

	Nine months ended September 30,		Change	
(dollars in thousands)	2013	2014	$	%
Revenue	$ 624,285	$ 760,292	$ 136,007	22%

Revenue for the nine months ended September 30, 2014 increased 22% to $760.3 million from $624.3 million for the nine months ended September 30, 2013, primarily due to an increase in units shipped and increased sales of our higher priced products. Units shipped in the nine months ended September 30, 2014 increased 15% to 2.8 million from 2.4 million in the nine months ended September 30, 2013. The average selling price of units shipped increased 2% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, primarily due to a shift in product mix to the HERO3+ Black edition capture devices. Our revenue in the nine months ended September 30, 2014 also increased, to a lesser extent, as a result of an increase in accessory unit shipments. Our revenue increased in the Americas and Asia Pacific, or APAC, and decreased in Europe, Middle East and Africa, or EMEA, during the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013.

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Cost of revenue, gross profit and gross profit margin

(dollars in thousands)	Nine months ended September 30, 2013	2014	Change $	%
Cost of revenue	$ 414,005	$ 436,870	$ 22,865	6%
Gross profit	$ 210,280	$ 323,422	$ 113,142	54%
Gross profit margin	34%	43%		

Gross profit margin increased to 43% in the nine months ended September 30, 2014 from 34% in the nine months ended September 30, 2013 primarily due to lower product costs from our HERO3+ capture devices compared to our previous generation HERO3 capture devices. In addition, gross profit margin also improved due to a 2% increase in the average selling price of units shipped.

Operating expenses

(dollars in thousands)	Nine months ended September 30, 2013	2014	Change $	%
Research and development	$ 48,286	$ 105,778	$ 57,492	119%
Sales and marketing	112,151	133,151	21,000	19%
General and administrative	21,715	71,146	49,431	228%
Total operating expenses	$ 182,152	$ 310,075	$ 127,923	70%

Research and development expense increased $57.5 million, or 119%, for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, primarily due to a $24.2 million increase in personnel related costs associated with an increase in headcount, a $15.5 million increase in consulting and outside professional service costs, a $6.2 million increase in facility and information technology support costs, a $5.9 million increase in equipment costs and a $3.8 million increase in stock-based compensation. These increases were primarily driven by investments in the development of our HERO4 line of capture devices.

Sales and marketing expense increased $21.0 million, or 19%, for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, primarily due to a $12.0 million increase in personnel related costs associated with an increase in headcount, a $3.4 million increase in facility and information technology support costs, a $2.2 million increase in stock-based compensation and a $1.9 million increase in advertising and promotional activity costs.

General and administrative expense increased $49.4 million, or 228%, for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, due primarily to a $38.8 million increase in stock-based compensation, an $8.1 million increase in personnel related costs associated with an increase in headcount, a $1.1 million increase in consulting and outside professional service costs and a $1.1 million increase in facility and information technology support costs. Of the total increase in stock-based compensation, $27.6 million was attributable to the issuance of 4,500,000 RSUs to our CEO during the period, 1,500,000 of which immediately vested during the period.

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Income tax expense

(dollars in thousands)	Nine months ended September 30, 2013	2014	Change $	%
Income tax expense	$ 6,129	$ 2,574	$ (3,555)	(58)%
Effective tax rate	26.7%	30.6%		

Income tax expense for the nine months ended September 30, 2014 was $2.6 million compared to $6.1 million for the nine months ended September 30, 2013 primarily due to lower U.S. pre-tax income, higher earnings in jurisdictions with lower tax rates than the United States and lower foreign withholding taxes.

Comparison of the years ended December 31, 2011, 2012 and 2013

Revenue

(dollars in thousands)	Year ended December 31, 2011	2012	2013	Change 2012 vs. 2011 $	%	Change 2013 vs. 2012 $	%
Revenue	$ 234,238	$ 526,016	$ 985,737	$ 291,778	125%	$ 459,721	87%

2013 compared to 2012

Revenue for 2013 increased 87% to $985.7 million from $526.0 million for 2012. Units shipped in 2013 increased 66% to 3.8 million from 2.3 million in 2012, primarily due to an increase in demand for our HERO3 products released in the fourth quarter of 2012 and our HERO3+ products released in the fourth quarter of 2013. Further contributing to the increase in revenue in 2013 was a 19% increase in the average selling price of units shipped. The increase in average selling price from 2012 to 2013 was primarily driven by a shift in product mix to the HERO3 and HERO3+ Black edition capture devices, which have higher price points compared to our HERO2 capture devices. Our 2013 revenue also increased compared to 2012 as a result of an increase in accessories we shipped outside of units shipped. Our revenue grew in each of our primary geographical regions of the Americas, APAC and EMEA in 2013.

2012 compared to 2011

Revenue for 2012 increased 125% to $526.0 million from $234.2 million for 2011. Units shipped in 2012 increased 102% to 2.3 million units from 1.1 million in 2011 primarily due to an increase in demand for our HERO2 capture devices released in the fourth quarter of 2011 and our HERO3 capture devices released in the fourth quarter of 2012. Revenue for 2012 also increased compared to 2011 due to an increase in accessories we shipped outside of units shipped. Further contributing to the increase in revenue in 2012 was a 14% increase in our average selling price of units shipped for 2012 compared to 2011 due to higher average selling price for our HERO3 Black edition capture devices. Our revenue grew in each of our primary geographic regions in 2012.

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Cost of revenue, gross profit and gross profit margin

(dollars in thousands)	Year ended December 31, 2011	2012	2013	Change 2012 vs. 2011 $	%	Change 2013 vs. 2012 $	%
Cost of revenue	$ 111,683	$ 298,530	$ 623,953	$ 186,847	167%	$ 325,423	109%
Gross profit	$ 122,555	$ 227,486	$ 361,784	$ 104,931	86%	$ 134,298	59%
Gross profit margin	52%	43%	37%				

2013 compared to 2012

Gross profit margin decreased to 37% in 2013 from 43% in 2012 primarily due to higher product costs for our HERO3 capture devices introduced in the fourth quarter of 2012 compared to our previous generation HERO2 capture devices. HERO3 product costs were approximately 67% greater than those of the HERO2, while average selling prices of units shipped increased approximately 19%. This increase in product costs was primarily due to the inclusion of additional features and functionality in our HERO3 capture devices. Our HERO3+ capture devices, introduced in October 2013, included lower product costs and partially offset the HERO3 cost increase in the fourth quarter of 2013 as customers transitioned to our new product line. The average cost for our HERO3+ capture device decreased approximately 3% compared to our HERO3 capture device.

2012 compared to 2011

Gross profit margin decreased to 43% in 2012 from 52% in 2011, primarily due to higher product costs associated with additional features and functionality included in our HERO3 capture devices introduced in the fourth quarter of 2012. The average product costs of our HERO3 capture device, introduced in the fourth quarter of 2012, represented more than a 60% increase in the average cost of the HERO and HERO2 capture devices sold in 2011. This increase in product costs was partially offset by the 14% increase in the average selling price of units shipped for 2012 compared to 2011.

Operating expenses

(dollars in thousands)	Year ended December 31, 2011	2012	2013	Change 2012 vs. 2011 $	%	Change 2013 vs. 2012 $	%
Research and development	$ 8,644	$ 36,115	$ 73,737	$ 27,471	318%	$ 37,622	104%
Sales and marketing	64,375	116,855	157,771	52,480	82%	40,916	35%
General and administrative	10,757	20,899	31,573	10,142	94%	10,674	51%
Total operating expenses	$ 83,776	$ 173,869	$ 263,081	$ 90,093	108%	$ 89,212	51%

2013 compared to 2012

Research and development expense increased $37.6 million, or 104%, for 2013 compared to 2012, primarily due to a $20.3 million increase in personnel related costs associated with an increase in headcount of 127 employees, a $9.7 million increase in facility and information technology support costs associated with an expansion of our corporate offices and a $6.1 million increase in consulting and outside professional service costs.

Sales and marketing expense increased $40.9 million, or 35%, for 2013 compared to 2012, primarily due to a $21.3 million increase in advertising and promotional activities, a $6.8 million

increase in personnel related costs associated with an increase in headcount of 95 employees, a $5.0 million increase in facility and information technology support costs associated with an expansion of our corporate offices, a $3.9 million increase in consulting and outside professional services costs and a $1.0 million increase in sales commissions.

General and administrative expense increased $10.7 million, or 51%, for 2013 compared to 2012, primarily due to a $5.2 million increase in personnel related costs associated with an increase in headcount of 62 employees, a $2.6 million increase in professional, consulting and temporary services to support our overall growth and a $2.3 million increase in facility and information technology support costs associated with an expansion of our corporate offices.

2012 compared to 2011

Research and development expense increased $27.5 million, or 318%, for 2012 compared to 2011, primarily due to a $11.7 million increase in personnel related costs associated with an increase in headcount of 87 employees, an $8.2 million increase in consulting and outside professional services, a $5.4 million increase in facility and information technology support costs associated with an expansion of our corporate offices and a $1.8 million increase in prototype material costs.

Sales and marketing expense increased $52.5 million, or 82%, for 2012 compared to 2011, primarily due to a $33.4 million increase in advertising and promotional activities to increase brand awareness, a $13.6 million increase in personnel related costs associated with an increase in headcount of 61 employees and a $6.9 million increase in consulting and outside professional service costs, largely in connection with marketing and customer support activities. We also increased our facility and information technology support costs associated with an expansion of our corporate offices by $6.5 million. Selling expense, which principally consists of internal and external sales commissions, increased $4.1 million from 2011. Partially offsetting these increases in 2012 was a $13.0 million charge included in sales and marketing expense for 2011 related to an agreement between our CEO and an employee to share proceeds from a sale of equity securities. See Certain relationships and related person transactions Share of proceeds from sale of equity securities for further description of this transaction.

General and administrative expense increased $10.1 million, or 94%, for 2012 compared to 2011, primarily due to a $3.1 million increase in personnel related costs associated with an increase in headcount of 29 employees, a $3.1 million increase in facility and information technology support costs associated with an expansion of our corporate offices and a $3.0 million increase in consulting and outside professional service costs to support our growth.

Other income (expense), net

	Year ended December 31,			Change 2012 vs. 2011		Change 2013 vs. 2012	
(dollars in thousands)	**2011**	**2012**	**2013**	**$**	**%**	**$**	**%**
Interest expense	$ (32)	$ (392)	$ (6,020)	$ (360)	1,125%	$ (5,628)	1,436%
Interest income	44	46	2	2	5%	(44)	(96)%
Realized foreign exchange loss, net		(61)	(322)	(61)	100%	(261)	428%
Other income (expense), net			(1,034)			(1,034)	100%
Total other income (expense), net	$ 12	$ (407)	$ (7,374)	$ (419)	(3,492)%	$ (6,967)	1,712%

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2013 compared to 2012

Interest expense for 2013 was $6.0 million compared to $0.4 million for 2012, primarily due to increased debt balances under our credit facility. Other expense in 2013 consisted primarily of banking and commission fees related to our standby letter of credit. See Liquidity and capital resources Credit facility.

2012 compared to 2011

Other income (expense), net, was ($0.4 million) for 2012 compared to $12,000 in 2011. The increase in net expense was primarily due to interest expense associated with our credit facility entered into in December 2012.

Income tax expense

(dollars in thousands)	Year ended December 31, 2011	2012	2013	Change 2012 vs. 2011 $	%	Change 2013 vs. 2012 $	%
Income tax expense	$ 14,179	$ 20,948	$ 30,751	$ 6,769	48%	$9,803	47%
Effective tax rate	36.6%	39.4%	33.7%				

2013 compared to 2012

Income tax expense for 2013 was $30.8 million compared to $20.9 million for 2012. Our effective income tax rate was 33.7% for 2013 compared to 39.4% for 2012. Our effective tax rate for 2013 was lower than for 2012 and the federal statutory rate of 35% primarily due to the expansion of our operations into international jurisdictions that have lower overall statutory tax rates and the extension of our 2012 federal research credit in 2013 of $0.7 million.

2012 compared to 2011

Our income tax expense was $20.9 million for 2012 compared to $14.2 million for 2011. Our effective income tax rate was 39.4% for 2012 compared to 36.6% for 2011. Our effective tax rate increased in 2012 compared to 2011 primarily due to tax benefits related to our S corporation status during the first two months of 2011.

Backlog

We do not believe that our backlog is meaningful as of any particular date or indicative of future sales, as our customers can change or cancel orders with limited or no penalty and limited advance notice prior to shipment.

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Unaudited quarterly results of operations

The following table sets forth our unaudited quarterly consolidated results of operations for each of the nine quarterly periods ended September 30, 2014. These unaudited quarterly results of operations have been prepared on the same basis as our audited consolidated financial statements and, in our opinion, reflect all normal recurring adjustments necessary for the fair statement of the results of operations for these periods. You should read the following tables in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus. The results of operations for any quarter are not necessarily indicative of the results of operations for a full year or any future periods.

	Three months ended								
(in thousands)	**Sept. 30, 2012(2)**	**Dec. 31, 2012(3)**	**March 31, 2013**	**June 30, 2013**	**Sept. 30, 2013**	**Dec. 31, 2013(4)**	**March 31, 2014**	**June 30, 2014(5)**	**Sept. 30, 2014**
Consolidated statement of operations data:									
Revenue	$ 82,055	$ 234,029	$ 255,057	$ 177,082	$ 192,146	$ 361,452	$ 235,716	$ 244,605	$ 279,971
Cost of revenue(1)	46,580	149,640	165,628	120,242	128,135	209,948	139,202	141,736	155,932
Gross profit	35,475	84,389	89,429	56,840	64,011	151,504	96,514	102,869	124,039
Operating expenses:									
Research and development(1)	10,929	12,290	12,012	16,687	19,587	25,451	28,739	34,663	42,376
Sales and marketing(1)	26,764	44,708	35,673	39,065	37,413	45,620	41,341	43,701	48,109
General and administrative(1)	5,009	6,922	6,988	7,044	7,683	9,858	9,878	41,171	20,097
Total operating expenses	42,702	63,920	54,673	62,796	64,683	80,929	79,958	119,535	110,582
Operating income (loss)	(7,227)	20,469	34,756	(5,956)	(672)	70,575	16,556	(16,666)	13,457
Other income (expense), net	(68)	(224)	(1,694)	(1,697)	(1,759)	(2,224)	(1,625)	(1,536)	(1,784)
Income (loss) before income taxes	(7,295)	20,245	33,062	(7,653)	(2,431)	68,351	14,931	(18,202)	11,673
Income tax (benefit) expense	(4,586)	8,544	10,027	(2,568)	(1,330)	24,622	3,882	1,639	(2,947)
Net income (loss)	$ (2,709)	$ 11,701	$ 23,035	$ (5,085)	$ (1,101)	$ 43,729	$ 11,049	$ (19,841)	$ 14,620

(1) Includes stock-based compensation expense as follows:

Cost of revenue	$ 83	$ 110	$ 220	$ 157	$ 153	$ 160	$ 168	$ 154	$ 233
Research and development	338	689	441	556	740	1,266	1,401	1,657	2,428
Sales and marketing	1,880	2,790	1,204	1,454	1,419	1,593	1,414	1,654	3,225
General and administrative	115	747	230	365	408	521	1,054	30,728	8,027
Total stock-based compensation expense	$ 2,416	$ 4,336	$ 2,095	$ 2,532	$ 2,720	$ 3,540	$ 4,037	$ 34,193	$ 13,913

(2) Includes a charge of $1.0 million related to the modification of stock options, which was recorded to sales and marketing expense.

(3) Includes compensation costs of $2.6 million recognized upon a sale of shares from several employees to our CEO, of which $0.3 million was recorded to research and development, $1.7 million was recorded to sales and marketing and $0.6 million was recorded to general and administrative expense.

(4) Includes a cash charge of $0.3 million related to certain provisions and benefits in the separation agreement of our former Chief Financial Officer, who resigned in December 2013 due to health reasons. This charge was recorded to general and administrative expense.

(5) Includes compensation costs of $27.6 million related to the issuance of 4,500,000 RSUs to our CEO during the quarter, 1,500,000 of which immediately vested during the quarter. This charge was recorded in general and administrative expense.

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The following table sets forth the components of our unaudited consolidated statements of operations for each of the periods presented as a percentage of revenue:

mended and Restated Plan may qualify as performance-based compensation for

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bject to a substantial risk of forfeiture, subject to certain rules governing the assessment, collection and payment of income taxes.

AUDIT MATTERS

Audit Committee of the Board of Directors
Stuart Diamond
Philip S. Schein, M.D.
Arthur G. Altschul, Jr.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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OTHER MATTERS

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MEDICIS PHARMACEUTICAL CORPORATION AMENDED AND RESTATED

2006 INCENTIVE AWARD PLAN

ARTICLE I.

DEFINITIONS

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, however, that each Performance Criteria shall be determined in accordance with generally accepted accounting principles to the exten

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d the then applicable regulations and revenue rulings under said Section. For purposes of the Plan, a Holder s employee-employer relati

ARTICLE II.

SHARES SUBJECT TO PLAN

ting the share limitation set forth in Section 2.3, regardless of the actual number of shares issued or transferred upon any net exercise of

ARTICLE III.

GRANTING OF AWARDS

Year or other designated fiscal period or period of service. In determining the amount earned by a Covered Employee, the Committee

ARTICLE IV.

GRANTING OF OPTIONS TO EMPLOYEES,
CONSULTANTS AND NON-EMPLOYEE DIRECTORS

rship shall thereafter become exercisable.

ARTICLE V.

TERMS OF OPTIONS

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ARTICLE VI.

EXERCISE OF OPTIONS

and (iv); provided, however, that the payment in the manner prescribed in the preceding paragraphs shall not be permitted to the extent

ARTICLE VII.

AWARD OF RESTRICTED STOCK

mposed by the terms of the Award Agreement. Restricted Stock may not be sold or encumbered until all restrictions are terminated or e

wise to the extent consistent with the terms of any employment agreement or other commitment made by the Company.

ARTICLE VIII.

PERFORMANCE AWARDS, DIVIDEND EQUIVALENTS, DEFERRED STOCK, STOCK PAYMENTS, REST ole share of Common Stock for each Restricted Stock Unit distributed.

ARTICLE IX.

STOCK APPRECIATION RIGHTS

ARTICLE X.

ADMINISTRATION

ARTICLE XI.

MISCELLANEOUS PROVISIONS

er-in-law, or sister-in-law, including adoptive relationships, any person sharing the Holder s household (other than a tenant or employe

nt, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise

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at is less than the exercise price per share of the original Options or Stock Appreciation Rights without the approval of the stockholders

een the Company and the Holder).

r (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

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Corporate Secretary

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<u>MEDICIS PHARMACEUTICAL CORPORATION</u>
ANNUAL MEETING OF STOCKHOLDERS
Tuesday, May 17, 2011
9:30 a.m. local time
Scottsdale Resort and Conference Center
7700 East McCormick Parkway
Scottsdale, Arizona

See reverse for voting instructions.

Vote by Internet, Telephone or Mail
24 Hours a Day, 7 Days a Week

Your phone or Internet vote authorizes the Named Proxies to vote your shares in the same manner as if you marked, signe

ò *Please detach here* ò

The Board of Directors Recommends a Vote FOR all of the nominees for director named
FOR the proposals under Items 2, 3 and 5, and for every 3 YEARS for Item

o Abstain

Change of Address Please print your new address below.
Authorized Signatures This section must be completed for your vote to be counted. Date an