



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

| | |
|---------------------------------|------------------|
| GPRO - NASDAQ - as of 4/27/17 | \$8.94 |
| Price Target | N/A |
| 52-Week Range | \$7.14 - \$17.68 |
| Diluted Shares Outstanding (mm) | 142,899 |
| Market Cap. (\$mm) | \$1,277,517 |
| 1-Mo. Average Daily Volume | 3,815,317 |
| Institutional Ownership | 45.1% |
| Debt/Total Capital (net) Q1'17 | 0% |
| ROE | n/a |
| Book Value / Share | \$5.65 |
| Price / Book Value | 1.6x |
| Dividend Yield | 0.0% |
| LTM EBITDA Margin | - |

non GAAP EPS FY 12/31 (adjusted for nonrecurring items)

| | Prior | | Current | |
|------|----------|----------|------------|----------|
| | 2016A | 2017E | 2017E | 2018E |
| 1Q | \$0.57 | | (\$0.44) A | (\$0.24) |
| 2Q | (\$0.52) | (\$0.20) | (\$0.19) | (\$0.18) |
| 3Q | (\$0.60) | \$0.01 | (\$0.08) | (\$0.01) |
| 4Q | \$0.29 | \$0.81 | \$0.78 | \$0.81 |
| Year | (\$1.44) | \$0.20 | \$0.07 | \$0.38 |
| P/E | -6.2x | | 127.7x | 42.6x |

*Columns may not equal due to rounding

Revenue (\$mil)

| | Prior | | Current | |
|------|-----------|-----------|-----------|-----------|
| | 2016A | 2017E | 2017E | 2018E |
| 1Q | \$183.5 | | \$218.6 A | \$232.0 |
| 2Q | \$220.8 | \$237.5 | \$262.4 | \$249.5 |
| 3Q | \$240.5 | \$309.0 | \$285.0 | \$318.1 |
| 4Q | \$540.6 | \$629.5 | \$670.5 | \$644.1 |
| Year | \$1,185.5 | \$1,383.7 | \$1,436.5 | \$1,443.1 |

GoPro Inc – GoPro manufactures the world's top selling HD action cameras including the HERO 5 Black, HERO 5 Session, Session, and content capture device accessories. GoPro also recently began selling Karma within the consumer drone market. GoPro provides software and services to manage, edit and share content. The company sells Advanced Systems including the Omni and Odyssey VR rigs and HeroCast. The company was founded in 2004 by current CEO, Nick Woodman, and is headquartered in San Mateo, CA.

GoPro Inc.

GPRO - NASDAQ – Neutral - 4

GoPro Beats Q1 Revenue Expectations; Guides to Strong Q2 Revenue Growth

- Results.** On March 15th GoPro preannounced that Q1 revenue would come in at the high end of the expected guidance range of \$190 million to \$210 million. The final revenue figure reported yesterday equaled \$218.6 million, exceeding our \$207.7 million expectation. Camera unit sales totaled 738,000 which was below our view, however the average selling price of \$296 was significantly above our estimate. Improved mix of higher priced HERO5 Black cameras and Karma drone lifted the average sales price y/y. Gross margin of 32.3%, was slightly below our 34% view. Non GAAP EPS was -\$0.44 vs. our -\$0.42 estimate. Net cash continued to decline totaling \$75 million vs. \$388 million last year. The company recently sold \$175 million of convertible debt which will be reflected on Q2's balance sheet resulting in \$1.5 million added to quarterly interest expense.
- Other Highlights.** GoPro cameras remained the top selling cameras in the market. GoPro launched the Fusion 5.2k spherical camera to professional users and opened the GoPro trade-up program allowing owners of older cameras rebates toward new devices. The company also added talent appointing Susan Lyne to the Board of Directors. Despite recent troubles, we believe the GoPro brand remains a highly favored lifestyle brand which is reflected in recent brand surveys and continued increase in GoPro's online ecosystem.
- Outlook.** Q2 revenue guidance of \$270 million was provided, well above our \$237.5 million prior view and the prior consensus view of \$241 million resulting from improved product mix and higher camera ASPs. Full year expenses were guided in line with our prior view. However, management expects Q2 operating expense of \$124 million vs. our prior view of \$118 million contracting our operating margin estimate to 13% vs. our previous 15% estimate. On a non GAAP EPS basis, we increase our Q2 estimate a penny to -\$0.19. Our FY'17 EPS estimate decreases to \$0.07 from \$0.20 remaining highly susceptible to significant variance. Our current view incorporates a higher level of marketing spend vs. guidance. Our FY'18 estimate decreases to \$0.21 from \$0.38 as we take a conservative view, uncertain as to what level of spending is required to fully operate the business longer term.
- Opinion.** We maintain our Neutral rating as we gauge management's ability to report consistent results after initiating a turnaround strategy and believe it will require time to regain investor confidence.

Note Important Disclosures on Pages 5-6
Note Analyst Certification on Page 5

SUITABILITY

Investors should understand our 4 suitability rating (1 = most conservative, 4 = most aggressive) is based on assumptions surrounding GoPro's lack of profitability, significant holiday seasonality, and unproven new product lines that we expect to drive future revenue growth, as well as large potential swings in cash flow generation, and GoPro's relatively recent history as a public company. Also, uncertainty regarding the relative size, continued growth potential, and global adoption levels of the action camera market are factored into our suitability rating. We believe the company has sufficient cash and access to capital to continue to operate. We believe investors should also consider the level of uncertainty regarding GoPro's future endeavors in the consumer electronics market including consumer drones. GoPro's lifestyle brand recognition and favorable consumer appeal remain strong attributes in the consumer hardware market, nonetheless we assign our most aggressive 4 rating to shares of GPRO.

RISKS & CONSIDERATIONS

Risks to our valuation include but are not limited to:

- The ability to grow and/or retain the GoPro user base and their current level of engagement
- The lack of further adoption of GoPro products by mainstream users and/or the lack of innovation and new products from GoPro could result in significantly lower growth going forward
- Continual innovation improvements from smartphone manufacturers making the ease of capturing content overwhelmingly convenient which could negatively impact the HD capture device market
- An undiversified product line where a majority of revenue is derived from HD capture devices as well as a large percentage of total sales represented by a small number of merchants
- The potential loss of key GoPro executives including CEO and Chairman, Nick Woodman, who has a significant voting interest in the stock
- Highly competitive market with large, mature, multinational companies that have greater financial resources and a broader product base which may negatively affect GoPro's relative long term competitive position
- Heavy reliance on third party suppliers for product parts and assembly. A disruption within the supply chain could lead to product shortages, poor quality or higher costs. Semiconductor company Ambarella, is GoPro's most notable supplier and a sole source for video compression and image processing
- Seasonality within GoPro's business performance, with a large portion of sales during the Q4 holiday sales cycle. Poor results during the holiday season would materially affect full year financial results
- GoPro is an aspirational brand and as such has a premium brand image which is highly valuable within the consumer electronics industry. A deterioration of brand image and quality would negatively affect financial results on a go forward basis
- Macroeconomic uncertainties including interest rate, foreign exchange, tax, trade laws, and general global economic health
- Government regulations within new end markets, specifically on unmanned aerial vehicles (drones) by the FAA
- Short operating history as a publicly traded company

Additional information is available upon request.

GoPro Inc. Consolidated Statement of Income (in 000's except per share data)

| | 2013 | 2014 | 2015 | Q1'16 | Q2'16 | Q3'16 | Q4'16 | 2016 | Q1'17 | Q2'17E | Q3'17E | Q4'17E | 2017E | 2018E |
|--|------------|--------------|--------------|-------------|-------------|-------------|------------|--------------|-------------|-------------|-------------|------------|--------------|--------------|
| Revenue | \$ 985,737 | \$ 1,394,205 | \$ 1,619,971 | \$ 183,536 | \$ 220,755 | \$ 240,569 | \$ 540,621 | \$ 1,185,481 | \$ 218,614 | \$ 262,400 | \$ 285,000 | \$ 670,500 | \$ 1,436,514 | \$ 1,520,250 |
| Cost of revenue | 622,375 | 765,247 | 944,304 | 114,879 | 127,119 | 142,852 | 326,972 | 719,689 | 148,318 | 171,534 | 180,700 | 407,255 | 907,807 | 949,390 |
| Gross Profit | \$ 363,362 | \$ 628,958 | \$ 675,667 | \$ 68,657 | \$ 93,636 | \$ 97,717 | \$ 213,649 | \$ 465,792 | \$ 70,296 | \$ 90,866 | \$ 104,300 | \$ 263,245 | \$ 528,707 | \$ 570,860 |
| Research and development | 70,705 | 140,109 | 220,516 | 67,029 | 83,745 | 79,752 | 65,375 | 295,901 | 53,669 | 54,988 | 53,300 | 47,198 | 209,155 | 228,655 |
| Sales and Marketing | 151,912 | 183,807 | 255,045 | 73,545 | 81,209 | 87,751 | 100,146 | 342,651 | 59,923 | 59,100 | 55,440 | 77,764 | 252,227 | 266,243 |
| General and administrative | 30,049 | 45,475 | 59,308 | 16,881 | 17,980 | 18,764 | 16,622 | 70,247 | 17,384 | 10,444 | 8,350 | 10,663 | 46,841 | 43,416 |
| Non-GAAP Total Operating Expenses | \$ 252,666 | \$ 369,391 | \$ 534,869 | \$ 157,455 | \$ 182,934 | \$ 186,267 | \$ 182,143 | \$ 708,799 | \$ 130,976 | \$ 124,532 | \$ 117,090 | \$ 135,624 | \$ 508,222 | \$ 538,313 |
| Non-GAAP Income from Operations | \$ 110,696 | \$ 259,567 | \$ 140,798 | \$ (88,798) | \$ (89,298) | \$ (88,550) | \$ 31,506 | \$ (243,007) | \$ (60,680) | \$ (33,666) | \$ (12,790) | \$ 127,621 | \$ 20,485 | \$ 32,547 |
| Interest and Other Income | (7,374) | (6,060) | (2,163) | (307) | 660 | (808) | (1,750) | (2,205) | (653) | (1,500) | (2,000) | (2,000) | (6,153) | (8,800) |
| Non-GAAP Income Before Provision for Income Taxes | \$ 103,322 | \$ 253,507 | \$ 138,635 | \$ (89,105) | \$ (88,638) | \$ (89,358) | \$ 29,756 | \$ (245,212) | \$ (61,333) | \$ (35,166) | \$ (14,790) | \$ 125,621 | \$ 14,332 | \$ 23,747 |
| Provision for income taxes | 30,751 | 52,887 | 16,454 | (14,283) | (16,950) | (12,329) | 87,391 | 43,829 | 22,282 | (8,398) | (5,662) | 23,303 | 31,525 | 1,085 |
| SBC tax benefit | (3,745) | (11,707) | (11,109) | (3,918) | (907) | (7,250) | 99,869 | 87,794 | 20,439 | (500) | (2,000) | 11,000 | 28,939 | 8,500 |
| Non-GAAP Net Income | \$ 68,826 | \$ 188,913 | \$ 111,072 | \$ (78,740) | \$ (72,595) | \$ (84,279) | \$ 42,234 | \$ (201,247) | \$ (63,176) | \$ (27,268) | \$ (11,128) | \$ 113,318 | \$ 11,746 | \$ 31,162 |
| Diluted Shares Outstanding | 138,364 | 143,180 | 144,624 | 137,543 | 138,942 | 140,124 | 146,261 | 139,425 | 142,899 | 143,000 | 144,000 | 145,000 | 143,725 | 146,625 |
| Non-GAAP EPS | \$ 0.50 | \$ 1.32 | \$ 0.75 | \$ (0.57) | \$ (0.52) | \$ (0.60) | \$ 0.29 | \$ (1.44) | \$ (0.44) | \$ (0.19) | \$ (0.08) | \$ 0.78 | \$ 0.07 | \$ 0.21 |
| Y/Y Growth Rate | | | | | | | | | | | | | | |
| Total Revenue | 87% | 41% | 16% | -49% | -47% | -40% | 24% | -27% | 19% | 19% | 18% | 24% | 21% | 6% |
| Cost of Revenue | 109% | 23% | 23% | -42% | -43% | -33% | 6% | -24% | 29% | 35% | 26% | 25% | 26% | 5% |
| Marketing and sales | 37% | 21% | 39% | 38% | 34% | 40% | 28% | 34% | -19% | -27% | -37% | -22% | -26% | 6% |
| R&D | 104% | 98% | 57% | 46% | 55% | 30% | 10% | 34% | -20% | -34% | -33% | -28% | -29% | 9% |
| General & administrative | 51% | 51% | 30% | 5% | 24% | 20% | 26% | 18% | 3% | -42% | -55% | -36% | -33% | -7% |
| Operating income | 76% | 134% | -46% | -281% | NM | NM | NM | NM | -32% | -62% | NM | 305% | NM | 59% |
| Net income | 66% | 174% | -41% | -321% | NM | NM | NM | NM | -20% | -62% | NM | 168% | NM | 165% |
| Diluted EPS | -11% | 165% | -43% | -339% | NM | NM | NM | NM | -23% | -64% | NM | 171% | NM | 193% |
| Diluted share count | 86% | 3% | 1% | -7% | -5% | -4% | 7% | -4% | 4% | 3% | 3% | -1% | 3% | 2% |
| Percentage of Revenue | | | | | | | | | | | | | | |
| Cost of Revenue | 63% | 55% | 58% | 63% | 58% | 59% | 60% | 61% | 68% | 65% | 63% | 61% | 63% | 62% |
| Gross Margin | 37% | 45% | 42% | 37% | 42% | 41% | 40% | 39% | 32% | 35% | 37% | 39% | 37% | 38% |
| Total costs and expenses | 26% | 26% | 33% | 86% | 83% | 77% | 34% | 60% | 60% | 47% | 41% | 20% | 35% | 35% |
| Operating income | 11% | 19% | 9% | -48% | -40% | -37% | 6% | -20% | -28% | -13% | -4% | 19% | 1% | 2% |
| Non-GAAP Net Income | 7% | 14% | 7% | -43% | -33% | -35% | 8% | -17% | -29% | -10% | -4% | 17% | 1% | 2% |

Source: Company data & Hilliard Lyons estimates.

GoPro Inc. Consolidated Balance Sheets (in 000's except per share data)

| | 2012 | 2013 | 2014 | Q1'15 | Q2'15 | Q3'15 | Q4'15 | 2015 | Q1'16 | Q2'16 | Q3'16 | Q4'16 | 2016 | Q1'17 |
|---|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Assets | | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 36,485 | \$ 101,410 | \$ 319,929 | \$323,165 | \$ 338,031 | \$ 279,969 | \$ 279,672 | \$ 279,672 | \$ 248,717 | \$ 163,512 | \$ 131,577 | \$ 192,114 | \$ 192,114 | \$ 74,877 |
| Marketable securities | - | - | 102,327 | 168,741 | 178,953 | 233,133 | 194,386 | 194,386 | 139,951 | 115,688 | 93,315 | 25,839 | 25,839 | - |
| Accounts receivable, net | 80,197 | 122,669 | 183,992 | 105,970 | 118,551 | 120,666 | 145,692 | 145,692 | 46,519 | 65,016 | 92,351 | 164,553 | 164,553 | 55,293 |
| Inventory | 60,412 | 111,994 | 153,026 | 164,044 | 219,272 | 289,521 | 188,232 | 188,232 | 139,736 | 89,889 | 145,231 | 167,192 | 167,192 | 207,735 |
| Prepaid expenses and other | 21,724 | 21,967 | 63,769 | 60,334 | 80,636 | 79,976 | 25,261 | 25,261 | 27,452 | 38,057 | 40,566 | 38,115 | 38,115 | 46,241 |
| Total current assets | 198,818 | 358,040 | 823,043 | 822,254 | 935,443 | 1,003,265 | 833,243 | 833,243 | 602,375 | 472,162 | 503,040 | 587,813 | 587,813 | 384,146 |
| Property and equipment, net | 22,440 | 32,111 | 41,556 | 43,890 | 52,252 | 67,644 | 70,050 | 70,050 | 67,725 | 66,525 | 77,577 | 76,509 | 76,509 | 73,118 |
| Goodwill and intangible assets, net | 8,449 | 17,365 | 17,032 | 24,874 | 78,524 | 89,642 | 88,122 | 88,122 | 131,364 | 192,532 | 183,955 | 179,989 | 179,989 | 177,601 |
| Other assets | 16,958 | 32,155 | 36,060 | 39,616 | 45,313 | 48,730 | 111,561 | 111,561 | 127,465 | 133,161 | 136,713 | 78,329 | 78,329 | 79,831 |
| Total assets | 246,665 | 439,671 | 917,691 | 930,634 | 1,111,532 | 1,209,281 | 1,102,976 | 1,102,976 | 928,929 | 864,380 | 901,285 | 922,640 | 922,640 | 714,696 |
| Liabilities and stockholders' equity | | | | | | | | | | | | | | |
| Accounts payable | 53,746 | 126,423 | 126,240 | 91,919 | 156,450 | 159,901 | 89,989 | 89,989 | 50,989 | 63,642 | 158,767 | 205,028 | 205,028 | 129,733 |
| Accrued liabilities | 48,714 | 86,391 | 115,775 | 103,350 | 133,442 | 166,116 | 184,910 | 184,910 | 148,309 | 151,102 | 183,905 | 211,323 | 211,323 | 170,297 |
| Deferred revenue | 7,380 | 7,781 | 14,022 | 12,327 | 13,298 | 13,095 | 12,742 | 12,742 | 13,847 | 11,605 | 11,499 | 14,388 | 14,388 | 13,884 |
| Income taxes payable | 3,578 | 19,702 | 2,732 | 2,940 | 4,691 | 6,630 | 7,536 | 7,536 | - | - | - | - | - | - |
| Current portion of long-term debt | 15,782 | 60,297 | | | | | | | | | | | | |
| Total current liabilities | 129,200 | 300,594 | 258,769 | 210,536 | 307,881 | 345,742 | 295,177 | 295,177 | 213,145 | 226,349 | 354,171 | 430,739 | 430,739 | 313,914 |
| Long-term debt | 113,613 | 53,315 | | | | | | | | | | | | |
| Other liabilities | 6,455 | 13,930 | 17,718 | 18,378 | 20,678 | 32,849 | 35,766 | 35,766 | 36,389 | 40,641 | 39,496 | 44,956 | 44,957 | 35,331 |
| Total liabilities | 249,268 | 367,839 | 276,487 | 228,914 | 328,559 | 378,591 | 330,943 | 330,943 | 249,534 | 266,990 | 393,667 | 475,695 | 475,696 | 349,245 |
| Stockholders' equity: | | | | | | | | | | | | | | |
| Redeemable convertible preferred stock | 77,138 | 77,198 | | | | | | | | | | | | |
| Common stock and additional paid in capital | 479 | 14,518 | 533,000 | 576,764 | 622,986 | 651,904 | 663,311 | 663,311 | 678,132 | 687,894 | 702,190 | 757,226 | 757,226 | 771,475 |
| Treasury stock, at cost | | (19,884) | - | - | - | - | (35,613) | (35,613) | (35,613) | (35,613) | (35,613) | (35,613) | (35,613) | (35,613) |
| Retained earnings | (80,220) | | 108,204 | 124,956 | 159,987 | 178,786 | 144,335 | 144,335 | 36,876 | (54,891) | (158,959) | (274,668) | (274,668) | (370,411) |
| Total stockholders' equity | (79,741) | (5,366) | 641,204 | 701,720 | 782,973 | 830,690 | 772,033 | 772,033 | 679,395 | 597,390 | 507,618 | 446,945 | 446,945 | 365,451 |
| Total liabilities and stockholders' equity | 246,665 | 439,671 | 917,691 | 930,634 | 1,111,532 | 1,209,281 | 1,102,976 | 1,102,976 | 928,929 | 864,380 | 901,285 | 922,640 | 922,640 | 714,696 |

Source: Company data

Other stocks mentioned: Ambarella (AMBA-\$56.95)

Analyst Certification

I, Stephen Turner, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Suitability Ratings

1 - A large cap, core holding with a solid history

2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage

4 - Speculative, due to small size, inconsistent profitability, erratic revenues, volatility, low trading volume or a narrow customer or product base

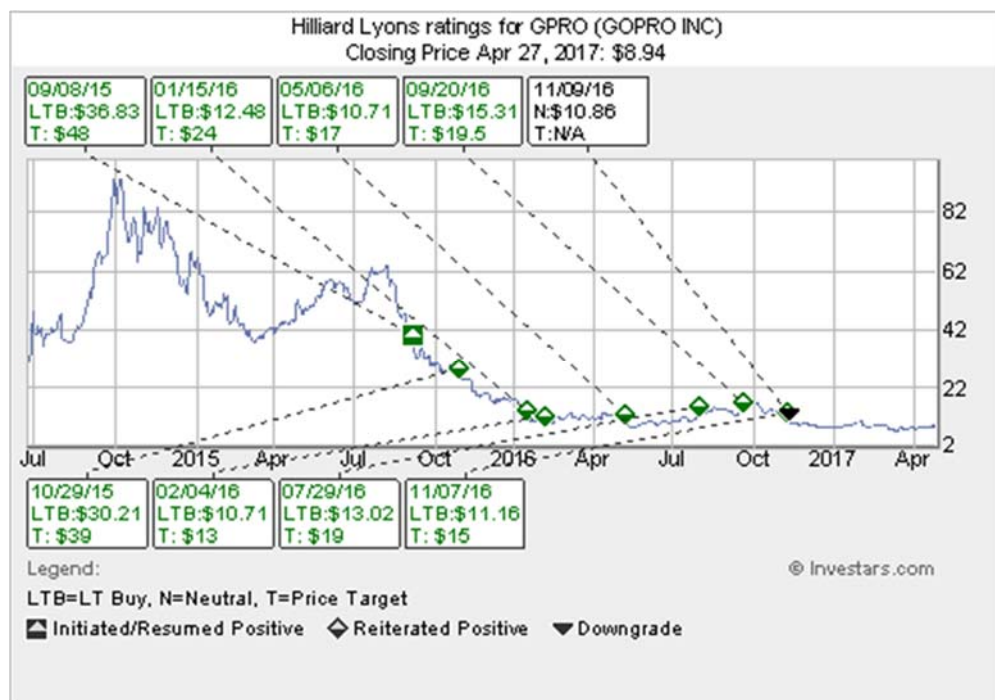
Investment Ratings

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price setback in the next 12 months.



| Rating | Hilliard Lyons Recommended Issues | | Investment Banking Provided in Past 12 Mo. | |
|---------------------|--|--------------------------------|---|-------------------|
| | # of Stocks Covered | % of Stocks Covered | Banking | No Banking |
| Buy | 36 | 30% | 14% | 86% |
| Hold/Neutral | 71 | 58% | 6% | 94% |
| Sell | 15 | 12% | 7% | 93% |

As of 5 April 2017

Other Disclosures

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of J.J.B. Hilliard, W.L. Lyons, LLC or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed here.

J.J.B. Hilliard, W.L. Lyons, LLC is a multi-disciplined financial services firm that regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as placement agent in private transactions.

The information herein has been obtained from sources we believe to be reliable but is not guaranteed and does not purport to be a complete statement of all material factors. This is for informational purposes and is not a solicitation of orders to purchase or sell securities. Reproduction is forbidden unless authorized. All rights reserved.