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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): July 31, 2014

**GOPRO, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or Other Jurisdiction  
of Incorporation)

001-36514

(Commission File No.)

77-0629474  
(I.R.S. Employer  
Identification No.)

3000 Clearview Way, San Mateo, California 94402  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (650) 332-7600

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions ( see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02 Results of Operations and Financial Condition**

On July 31, 2014, GoPro, Inc. (the “Registrant”) issued a press release to report its financial results for its second quarter ended June 30, 2014.

A copy of the press release is furnished as Exhibit 99.1 to this report.

The information contained herein and in the accompanying exhibit shall not be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference to this or such filing. The information in this report, including the exhibit hereto, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

| <u>Exhibit Number</u> | <u>Description of Document</u>   |
|-----------------------|--|
| 99.1                  | Press Release of GoPro, Inc. dated July 31, 2014 to report its financial results for its second quarter ended June 30, 2014. |

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: July 31, 2014

GoPro, Inc.

By: /s/ Jack Lazar  
Name: Jack Lazar  
Title: Chief Financial Officer (Principal Financial Officer)

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## EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Description of Document</u>   |
|-----------------------|--|
| 99.1                  | Press Release of GoPro, Inc. dated July 31, 2014 to report its financial results for its second quarter ended June 30, 2014. |



## GOPRO ANNOUNCES SECOND QUARTER 2014 RESULTS

*Second Quarter Revenue up 38% vs Q2 2013*

*Reaches Major Milestone in July Shipping the 10 Millionth Cumulative Capture Device*

**SAN MATEO, Calif., July 31, 2014** - GoPro, Inc. (NASDAQ: GPRO), maker of one of the world's most versatile cameras and enabler of some of today's most engaging content, today announced financial results for its second quarter ended June 30, 2014.

Revenue in the second quarter of 2014 was \$244.6 million, up 38.1% compared to the \$177.1 million reported in the second quarter of 2013. Second quarter 2014 revenue increased 3.8% compared to \$235.7 million reported in the first quarter of 2014.

"We delivered a strong quarter of operating results driven by increased demand for our Hero 3+ Black Edition and demand for our accessory products," said Nicholas Woodman, CEO of GoPro. "We are seeing a tremendous volume of quality content generated by our users and a 200% year over year increase in video views on YouTube, which is fueling our virtuous cycle whereby viewership of GoPro content drives sales. Our second quarter performance demonstrates our users' continued passion for GoPro's products, content and brand."

GoPro reports gross profit, operating expenses, operating income (loss), net income (loss) and diluted net income (loss) per share in accordance with GAAP and additionally on a non-GAAP basis. Non-GAAP net income excludes, where applicable, the effect of stock-based compensation, amortization of acquired intangible assets and the tax impact of these excluded items. A reconciliation of preliminary GAAP financial measures to non-GAAP financial measures, as well as a description of items excluded in the calculation of non-GAAP financial measures, is presented in the financial statement portion of this release.

Non-GAAP gross margin in the second quarter of 2014 was 42.2%, compared to 32.3% in the second quarter of 2013 and 41.1% in the first quarter of 2014. Non-GAAP operating income in the second quarter of 2014 was \$17.8 million, compared to an operating loss of (\$3.2) million in the second quarter of 2013 and operating income of \$20.9 million in the first quarter of 2014.

Non-GAAP net income in the second quarter of 2014 was \$11.8 million or \$0.08 per diluted share, compared to a net loss of (\$3.2) million or (\$0.03) per diluted share in the second quarter of 2013 and net income of \$14.3 million or \$0.10 per diluted share in the first quarter of 2014.

In accordance with U.S. generally accepted accounting principles (GAAP), GoPro recorded a net loss attributable to common stockholders in the second quarter of 2014 of \$(19.8) million or \$(0.24) per diluted share. This compares to a GAAP net loss attributable to common stockholders of \$(5.1) million or \$(0.06) per diluted share in the second quarter of 2013 and GAAP net income attributable to common stockholders in the first quarter of 2014 of \$8.5 million or \$0.08 per diluted share.

Second quarter GAAP gross margin was 42.1%, compared to gross margin of 32.1% in the second quarter of 2013 and 40.9% in the first quarter of 2014. Second quarter GAAP operating loss was (\$16.7) million, compared to an operating loss of (\$6.0) million in the second quarter of 2013 and operating income of \$16.6 million in the first quarter of 2014.

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Cash was \$104.9 million at June 30, 2014, up \$77.6 million from June 30, 2013 and down \$6.3 million from March 31, 2014. Net cash proceeds of \$200.8 million from closing of the company's initial public offering were received on July 1, 2014 and are therefore not included in the June 30, 2014 cash balance.

### **Second Quarter and Recent GoPro Highlights Include:**

- Launched GoPro App 2.5 for iOS and Android in July, allowing users to stream playlists of GoPro content directly to their phones and identify favorite videos that will follow them across other platforms such as Xbox One and GoPro.com .
- According to June NPD data, GoPro products represented the top three camera/camcorder units and six of the top ten camera accessory units sold in the U.S.
- Launched in new vertical markets with the Sportsman Mount for hunting and fishing and the Music Edition for instruments and microphones.
- Released popular accessories including the highly versatile Gooseneck and 3-Way mounts.
- Shipped more than 10,000 linear feet of new POP displays to retail outlets around the world.
- Number of GoPro videos published on YouTube up over 160% Y/Y; views on YouTube up 200% Y/Y; video minutes watched on YouTube up over 270% vs. Q2 2013.
- Launched the GoPro Channel on Pinterest, a social network with more than 60 million users.
- Launched the GoPro Channel on Xbox 360 with Microsoft, generating more than a half million downloads and average engagement time in the U.S. of just under 30 minutes. In July, launched GoPro Channel on Xbox One with exclusive videos.
- Hosted events at South by Southwest, the X Games, and the GoPro Mountain Games.
- The GoPro Athlete Summit attracted 90 athletes and generated more than two million likes on Facebook.
- Won four Webby Awards including Best Photography and Graphics, Best Use of Video, and Best Overall Social Presence.
- GoPro CineForm Codec was standardized by the Society of Motion Picture and Television Engineers<sup>®</sup> (SMPTE<sup>®</sup>) as the SMPTE ST 2073 VC-5 video compression standard.

### **Conference Call**

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

To listen to the live conference call, please dial (913) 312-1469 or toll free (888) 609-5673, access code 5713125, approximately 15 minutes prior to the start of the call. A live webcast of the conference call will be accessible on the "Events & Presentations" section of the Company's website at <http://investor.gopro.com>. To access the live webcast, please log in 15 minutes prior to the start of the call to download and install any necessary audio software. The webcast will be recorded and the recording will be available on GoPro's website, <http://investor.gopro.com>, approximately two hours after the call and for six months thereafter.

### **About GoPro, Inc. (NASDAQ: GPRO):**

GoPro, Inc. 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.

For more information, visit [www.gopro.com](http://www.gopro.com) or connect with GoPro on [YouTube](#), [Twitter](#), [Facebook](#), or [LinkedIn](#). GOPRO<sup>®</sup> and HERO<sup>®</sup> are trademarks or registered trademarks of GoPro Inc. in the United States and other countries.

### **Note on Forward-looking Statements**

This press release may contain projections or other forward-looking statements regarding future events. These statements involve risks and uncertainties, and actual events or results may differ materially. Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are the effects of the highly competitive market in which we operate; our dependence on sales of our capture devices for substantially all of our revenue; our reliance on third-party suppliers, some of which are sole-source suppliers, to

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provide components for our products; the fact that 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; difficulty in accurately predicting our future customer demand; the importance of maintaining the value and reputation of our brand; any inability to successfully manage frequent product introductions and transitions; the effects of international business uncertainties; our reliance on our Chief Executive Officer; and other factors detailed in the Risk Factors section of the final prospectus that we filed with the Securities and Exchange Commission in connection with our initial public offering. These forward-looking statements speak only as of the date hereof or as of the date otherwise stated herein. GoPro disclaims any obligation to update these forward-looking statements.

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**GoPro, Inc.**  
**Preliminary Condensed Consolidated Statements of Operations**  
(in thousands, except per share amounts, unaudited)

|   | Three months ended |                  |                   |
|---|--------------------|------------------|-------------------|
|   | June 30, 2014      | March 31, 2014   | June 30, 2013     |
| Revenue   | \$ 244,605         | \$ 235,716       | \$ 177,082        |
| Cost of revenue   | 141,736            | 139,202          | 120,242           |
| Gross profit  | 102,869            | 96,514           | 56,840            |
| Operating expenses:   |                    |                  |                   |
| Research and development  | 34,663             | 28,739           | 16,687            |
| Sales and marketing   | 43,701             | 41,341           | 39,065            |
| General and administrative  | 41,171             | 9,878            | 7,044             |
| Total operating expenses  | 119,535            | 79,958           | 62,796            |
| Operating income (loss)   | (16,666)           | 16,556           | (5,956)           |
| Other income (expense), net   | (1,536)            | (1,625)          | (1,697)           |
| Income (loss) before income taxes   | (18,202)           | 14,931           | (7,653)           |
| Income tax (benefit) expense  | 1,639              | 3,882            | (2,568)           |
| Net income (loss)   | <u>\$ (19,841)</u> | <u>\$ 11,049</u> | <u>\$ (5,085)</u> |
| Net income (loss) attributable to common stockholders- basic                              | <u>\$ (19,841)</u> | <u>\$ 8,009</u>  | <u>\$ (5,085)</u> |
| Net income (loss) attributable to common stockholders- diluted                            | <u>\$ (19,841)</u> | <u>\$ 8,452</u>  | <u>\$ (5,085)</u> |
| Net income (loss) per share attributable to common stockholders:                          |                    |                  |                   |
| Basic   | \$ (0.24)          | \$ 0.10          | \$ (0.06)         |
| Diluted   | \$ (0.24)          | \$ 0.08          | \$ (0.06)         |
| Shares used in computing net income (loss) per share attributable to common stockholders: |                    |                  |                   |
| Basic   | 82,936             | 81,582           | 80,902            |
| Diluted   | 82,936             | 100,783          | 80,902            |

**GoPro, Inc.**  
**Preliminary Condensed Consolidated Statements of Operations**  
(in thousands, except per share amounts, unaudited)

|   | Six months ended |               |
|---|------------------|---------------|
|   | June 30, 2014    | June 30, 2013 |
| Revenue   | \$ 480,321       | \$ 432,139    |
| Cost of revenue   | 280,938          | 285,870       |
| Gross profit  | 199,383          | 146,269       |
| Operating expenses:   |                  |               |
| Research and development  | 63,402           | 28,699        |
| Sales and marketing   | 85,042           | 74,738        |
| General and administrative  | 51,049           | 14,032        |
| Total operating expenses  | 199,493          | 117,469       |
| Operating income (loss)   | (110)            | 28,800        |
| Other income (expense), net   | (3,161)          | (3,391)       |
| Income (loss) before income taxes   | (3,271)          | 25,409        |
| Income tax expense  | 5,521            | 7,459         |
| Net income (loss)   | \$ (8,792)       | \$ 17,950     |
| Net income (loss) attributable to common stockholders- basic                              | \$ (8,792)       | \$ 12,986     |
| Net income (loss) attributable to common stockholders- diluted                            | \$ (8,792)       | \$ 13,666     |
| Net income (loss) per share attributable to common stockholders:                          |                  |               |
| Basic   | \$ (0.11)        | \$ 0.16       |
| Diluted   | \$ (0.11)        | \$ 0.14       |
| Shares used in computing net income (loss) per share attributable to common stockholders: |                  |               |
| Basic   | 82,263           | 80,836        |
| Diluted   | 82,263           | 98,577        |

**GoPro, Inc.**  
**Preliminary Condensed Consolidated Balance Sheets**  
(in thousands)

|   | <b>June 30,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|---|--------------------------|------------------------------|
|   | (unaudited)              |                              |
| <b>ASSETS</b>   |                          |                              |
| Current assets:   |                          |                              |
| Cash  | \$ 104,879               | \$ 101,410                   |
| Accounts receivable, net  | 49,230                   | 122,669                      |
| Inventory   | 80,376                   | 111,994                      |
| Prepaid expenses and other current assets   | 65,409                   | 21,967                       |
| <b>Total current assets</b>   | <b>299,894</b>           | <b>358,040</b>               |
| Property and equipment, net   | 38,939                   | 32,111                       |
| Intangible assets and goodwill  | 16,805                   | 17,365                       |
| Other long-term assets  | 36,562                   | 32,155                       |
| <b>Total assets</b>   | <b>\$ 392,200</b>        | <b>\$ 439,671</b>            |
| <b>LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)</b>       |                          |                              |
| Current liabilities:  |                          |                              |
| Accounts payable  | \$ 54,925                | \$ 126,423                   |
| Accrued liabilities   | 78,819                   | 86,391                       |
| Other current liabilities   | 12,524                   | 27,483                       |
| Current portion of long-term debt   | 66,306                   | 60,297                       |
| <b>Total current liabilities</b>  | <b>212,574</b>           | <b>300,594</b>               |
| Long-term debt, less current portion  | 41,433                   | 53,315                       |
| Other long-term liabilities   | 13,719                   | 13,930                       |
| <b>Total liabilities</b>  | <b>267,726</b>           | <b>367,839</b>               |
| Redeemable convertible preferred stock  | 77,227                   | 77,198                       |
| Total stockholders' equity (deficit)  | 47,247                   | (5,366)                      |
| <b>Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)</b> | <b>\$ 392,200</b>        | <b>\$ 439,671</b>            |

**GoPro, Inc.**  
**Reconciliation of Preliminary Non-GAAP Adjustments**  
**(in thousands, except per share data, unaudited)**

|  | Three months ended |                  |                   |
|--|--------------------|------------------|-------------------|
|  | June 30, 2014      | March 31, 2014   | June 30, 2013     |
| <b>GAAP NET INCOME (LOSS)</b>                                  | \$ (19,841)        | \$ 11,049        | \$ (5,085)        |
| Stock-based compensation                                       |                    |                  |                   |
| Cost of revenue  | 154                | 168              | 157               |
| Research and development                                       | 1,657              | 1,401            | 556               |
| Sales and marketing  | 1,654              | 1,414            | 1,454             |
| General and administrative                                     | 30,728             | 1,054            | 365               |
| Total stock-based compensation                                 | <u>34,193</u>      | <u>4,037</u>     | <u>2,532</u>      |
| Amortization of acquisition-related intangible assets          |                    |                  |                   |
| Cost of revenue  | 222                | 222              | 222               |
| Research and development                                       | 20                 | 20               | —                 |
| Sales and marketing  | 34                 | 42               | 47                |
| Total amortization of acquisition-related intangible assets    | <u>276</u>         | <u>284</u>       | <u>269</u>        |
| Tax related items  |                    |                  |                   |
| Income tax adjustments   | (2,854)            | (1,088)          | (875)             |
| <b>Non-GAAP NET INCOME (LOSS)</b>                              | <u>\$ 11,774</u>   | <u>\$ 14,282</u> | <u>\$ (3,159)</u> |
| <b>GAAP SHARES FOR DILUTED NET INCOME (LOSS) PER SHARE</b>     | 82,936             | 100,783          | 80,902            |
| Add: dilutive shares   | 17,345             | —                | —                 |
| Add: preferred shares conversion                               | 30,523             | 30,523           | 30,523            |
| Add: initial public offering shares                            | 8,900              | 8,900            | 8,900             |
| <b>Non-GAAP SHARES FOR DILUTED NET INCOME (LOSS) PER SHARE</b> | <u>139,704</u>     | <u>140,206</u>   | <u>120,325</u>    |
| Non-GAAP diluted net income (loss) per share                   | \$ 0.08            | \$ 0.10          | \$ (0.03)         |

**GoPro, Inc.**  
**Reconciliation of Preliminary Non-GAAP Adjustments**  
(in thousands, except per share data, unaudited)

|   | Six months ended |                  |
|---|------------------|------------------|
|   | June 30, 2014    | June 30, 2013    |
| <b>GAAP NET INCOME (LOSS)</b>                               | \$ (8,792)       | \$ 17,950        |
| Stock-based compensation                                    |                  |                  |
| Cost of revenue   | 322              | 377              |
| Research and development                                    | 3,058            | 997              |
| Sales and marketing   | 3,068            | 2,658            |
| General and administrative                                  | 31,782           | 595              |
| Total stock-based compensation                              | 38,230           | 4,627            |
| Amortization of acquisition-related intangible assets       |                  |                  |
| Cost of revenue   | 444              | 444              |
| Research and development                                    | 40               | 13               |
| Sales and marketing   | 76               | 94               |
| Total amortization of acquisition-related intangible assets | 560              | 551              |
| Tax related items   |                  |                  |
| Income tax adjustments                                      | (3,942)          | (1,617)          |
| <b>Non-GAAP NET INCOME</b>                                  | <b>\$ 26,056</b> | <b>\$ 21,511</b> |
| <b>GAAP SHARES FOR DILUTED EARNINGS PER SHARE</b>           | <b>82,263</b>    | <b>98,577</b>    |
| Add: dilutive shares  | 18,273           | —                |
| Add: preferred shares conversion                            | 30,523           | 30,523           |
| Add: initial public offering shares                         | 8,900            | 8,900            |
| <b>Non-GAAP SHARES FOR DILUTED EARNINGS PER SHARE</b>       | <b>139,959</b>   | <b>138,000</b>   |
| Non-GAAP diluted net income per share                       | \$ 0.19          | \$ 0.16          |

**GoPro, Inc.**  
**Reconciliation of Preliminary GAAP to Non-GAAP Financial Measures**

To supplement our unaudited selected financial data presented on a basis consistent with Generally Accepted Accounting Principles, or GAAP, we disclose certain non-GAAP financial measures, including non-GAAP gross profit, operating expenses, operating income (loss), net income (loss), earnings (loss) per share and adjusted EBITDA. These non-GAAP measures are not in accordance with, nor serve as an alternative for GAAP. We believe that these non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our GAAP results of operations. These non-GAAP measures should only be viewed in conjunction with corresponding GAAP measures.

In calculating non-GAAP financial measures, we exclude certain items to facilitate a review of the comparability of our core operating performance on a period-to-period basis. The excluded items represent stock-based compensation and charges that are primarily driven by discrete events that we do not consider to be directly related to core operating performance. We use non-GAAP measures to evaluate the core operating performance of our business, for comparison with forecasts and strategic plans and for calculating return on investment. In addition, management's incentive compensation is determined using non-GAAP measures. Since we find these measures to be useful, we believe that investors benefit from seeing results reviewed by management in addition to seeing GAAP results. We believe that these non-GAAP measures, when read in conjunction with our GAAP financials, provide useful information to investors by facilitating:

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

The following are explanations of each type of adjustment that we incorporate into non-GAAP financial measures:

- Stock-based compensation expense relates to equity awards granted primarily to our workforce. We exclude stock-based compensation expense because we believe that the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In particular, we note that companies calculate stock-based compensation expense for the variety of award types that they employ using different valuation methodologies and subjective assumptions. These non-cash charges are not factored into our internal evaluation of net income as we believe their inclusion would hinder our ability to assess core operational performance. We believe that excluding this expense provides greater visibility to the underlying performance of our business operations, facilitates comparison of our results with other periods, and may also facilitate comparison with the results of other companies in our industry.
  - Acquisition-related charges include the amortization of acquired intangible assets primarily consisting of acquired technology, customer relationships, tradenames and covenants not to compete related to our acquisitions. These charges are not factored into our evaluation of potential acquisitions, or of our performance after completion of acquisitions, because they are not related to our core operating performance, and the frequency and amount of such charges vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the businesses being acquired.
  - Adjustment for taxes relates to the tax effect of the adjustments that we incorporate into non-GAAP measures in order to provide a more meaningful measure of non-GAAP net income. We believe that these adjustments provide us with the ability to more clearly view trends in our core operating performance.
  - Adjustment to shares includes the conversion of the redeemable convertible preferred stock into shares of common stock as though the conversion had occurred at the beginning of the period, the initial public offering shares issued July 2014, as if they had been outstanding since the beginning of the period, and the addition of all dilutive awards outstanding that were excluded from the GAAP diluted earnings per share calculation because they were anti-dilutive as a result of our net loss position.
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Reconciliations of non-GAAP measures are set forth below (\$ in thousands):

|   | Three months ended |                  |                   |
|---|--------------------|------------------|-------------------|
|   | June 30, 2014      | March 31, 2014   | June 30, 2013     |
| <b>GAAP gross profit</b>                                  | \$ 102,869         | \$ 96,514        | \$ 56,840         |
| Stock-based compensation                                  | 154                | 168              | 157               |
| Amortization of acquisition-related intangible assets     | 222                | 222              | 222               |
| <b>Non-GAAP gross profit</b>                              | <u>\$ 103,245</u>  | <u>\$ 96,904</u> | <u>\$ 57,219</u>  |
| <b>GAAP gross profit as a % of revenue</b>                | 42.1%              | 40.9%            | 32.1%             |
| Stock-based compensation                                  | 0.0%               | 0.1%             | 0.1%              |
| Amortization of acquisition-related intangible assets     | 0.1%               | 0.1%             | 0.1%              |
| <b>Non-GAAP gross profit as a % of revenue</b>            | <u>42.2%</u>       | <u>41.1%</u>     | <u>32.3%</u>      |
| <b>GAAP operating expenses</b>                            | \$ 119,535         | \$ 79,958        | \$ 62,796         |
| Stock-based compensation                                  | (34,039)           | (3,869)          | (2,375)           |
| Amortization of acquisition-related intangible assets     | (54)               | (62)             | (47)              |
| <b>Non-GAAP operating expenses</b>                        | <u>\$ 85,442</u>   | <u>\$ 76,027</u> | <u>\$ 60,374</u>  |
| <b>GAAP operating income (loss)</b>                       | \$ (16,666)        | \$ 16,556        | \$ (5,956)        |
| Stock-based compensation                                  | 34,193             | 4,037            | 2,532             |
| Amortization of acquisition-related intangible assets     | 276                | 284              | 269               |
| <b>Non-GAAP operating income (loss)</b>                   | <u>\$ 17,803</u>   | <u>\$ 20,877</u> | <u>\$ (3,155)</u> |
| <b>GAAP operating income (loss) as a % of revenue</b>     | (6.8%)             | 7.0%             | (3.4%)            |
| Stock-based compensation                                  | 14.0%              | 1.7%             | 1.4%              |
| Amortization of acquisition-related intangible assets     | 0.1%               | 0.2%             | 0.2%              |
| <b>Non-GAAP operating income (loss) as a % of revenue</b> | <u>7.3%</u>        | <u>8.9%</u>      | <u>(1.8%)</u>     |

Reconciliations of non-GAAP measures are set forth below (\$ in thousands):

|   | Six months ended  |                   |
|---|-------------------|-------------------|
|   | June 30, 2014     | June 30, 2013     |
| <b>GAAP gross profit</b>                              | \$ 199,383        | \$ 146,269        |
| Stock-based compensation                              | 322               | 377               |
| Amortization of acquisition-related intangible assets | 444               | 444               |
| <b>Non-GAAP gross profit</b>                          | <u>\$ 200,149</u> | <u>\$ 147,090</u> |
| <b>GAAP gross profit as a % of revenue</b>            | 41.5%             | 33.8%             |
| Stock-based compensation                              | 0.1%              | 0.1%              |
| Amortization of acquisition-related intangible assets | 0.1%              | 0.1%              |
| <b>Non-GAAP gross profit as a % of revenue</b>        | <u>41.7%</u>      | <u>34.0%</u>      |
| <b>GAAP operating expenses</b>                        | \$ 199,493        | \$ 117,469        |
| Stock-based compensation                              | (37,908)          | (4,250)           |
| Amortization of acquisition-related intangible assets | (116)             | (107)             |
| <b>Non-GAAP operating expenses</b>                    | <u>\$ 161,469</u> | <u>\$ 113,112</u> |
| <b>GAAP operating income (loss)</b>                   | \$ (110)          | \$ 28,800         |
| Stock-based compensation                              | 38,230            | 4,627             |
| Amortization of acquisition-related intangible assets | 560               | 551               |
| <b>Non-GAAP operating income</b>                      | <u>\$ 38,680</u>  | <u>\$ 33,978</u>  |
| <b>GAAP operating income (loss) as a % of revenue</b> | 0.0%              | 6.7%              |
| Stock-based compensation                              | 8.0%              | 1.1%              |
| Amortization of acquisition-related intangible assets | 0.1%              | 0.1%              |
| <b>Non-GAAP operating income as a % of revenue</b>    | <u>8.1%</u>       | <u>7.9%</u>       |

Reconciliations of non-GAAP financial measures are set forth below (\$ in thousands):

|                               | Three months ended |                  |                 |
|-------------------------------|--------------------|------------------|-----------------|
|                               | June 30, 2014      | March 31, 2014   | June 30, 2013   |
| GAAP net income (loss)        | \$ (19,841)        | \$ 11,049        | \$ (5,085)      |
| Income tax (benefit) expense  | 1,639              | 3,882            | (2,568)         |
| Interest income and expense   | 1,390              | 1,335            | 1,369           |
| Depreciation and amortization | 4,177              | 3,811            | 3,207           |
| POP display amortization      | 4,166              | 4,513            | 2,886           |
| Stock-based compensation      | 34,193             | 4,037            | 2,532           |
| <b>Adjusted EBITDA</b>        | <b>\$ 25,724</b>   | <b>\$ 28,627</b> | <b>\$ 2,341</b> |

|                               | Six months ended |                  |
|-------------------------------|------------------|------------------|
|                               | June 30, 2014    | June 30, 2013    |
| GAAP net income (loss)        | \$ (8,792)       | \$ 17,950        |
| Income tax expense            | 5,521            | 7,459            |
| Interest income and expense   | 2,725            | 2,701            |
| Depreciation and amortization | 7,988            | 5,416            |
| POP display amortization      | 8,679            | 5,111            |
| Stock-based compensation      | 38,230           | 4,627            |
| <b>Adjusted EBITDA</b>        | <b>\$ 54,351</b> | <b>\$ 43,264</b> |