



# Morgan Stanley 2<sup>nd</sup> Annual Laguna Conference September 15, 2014

**iRobot®**  
*Robots That Make A Difference*

# Forward Looking Statements

- Certain statements made in this presentation that are not based on historical information are forward-looking statements which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.
- These statements are neither promises nor guarantees, but are subject to a variety of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those contemplated in these forward-looking statements.
- Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. iRobot Corporation undertakes no obligation to update or revise the information contained in this presentation, whether as a result of new information, future events or circumstances or otherwise.
- This presentation contains various non-GAAP financial measures as defined by SEC Regulation G, including Adjusted EBITDA, which we define as Earnings Before Interest, Taxes, Depreciation, Amortization, merger and acquisition expenses, restructuring expenses, net intellectual property litigation expenses and non-cash stock compensation expense. The most directly comparable GAAP financial measures and a reconciliation of the differences between the GAAP financial measures and the non-GAAP financial measures are posted on the investor relations page of our web site at [www.irobot.com](http://www.irobot.com).
- For additional disclosure regarding these and other risks faced by iRobot Corporation, see the disclosure contained in our public filings with the Securities and Exchange Commission.

# iRobot – The Robot Company

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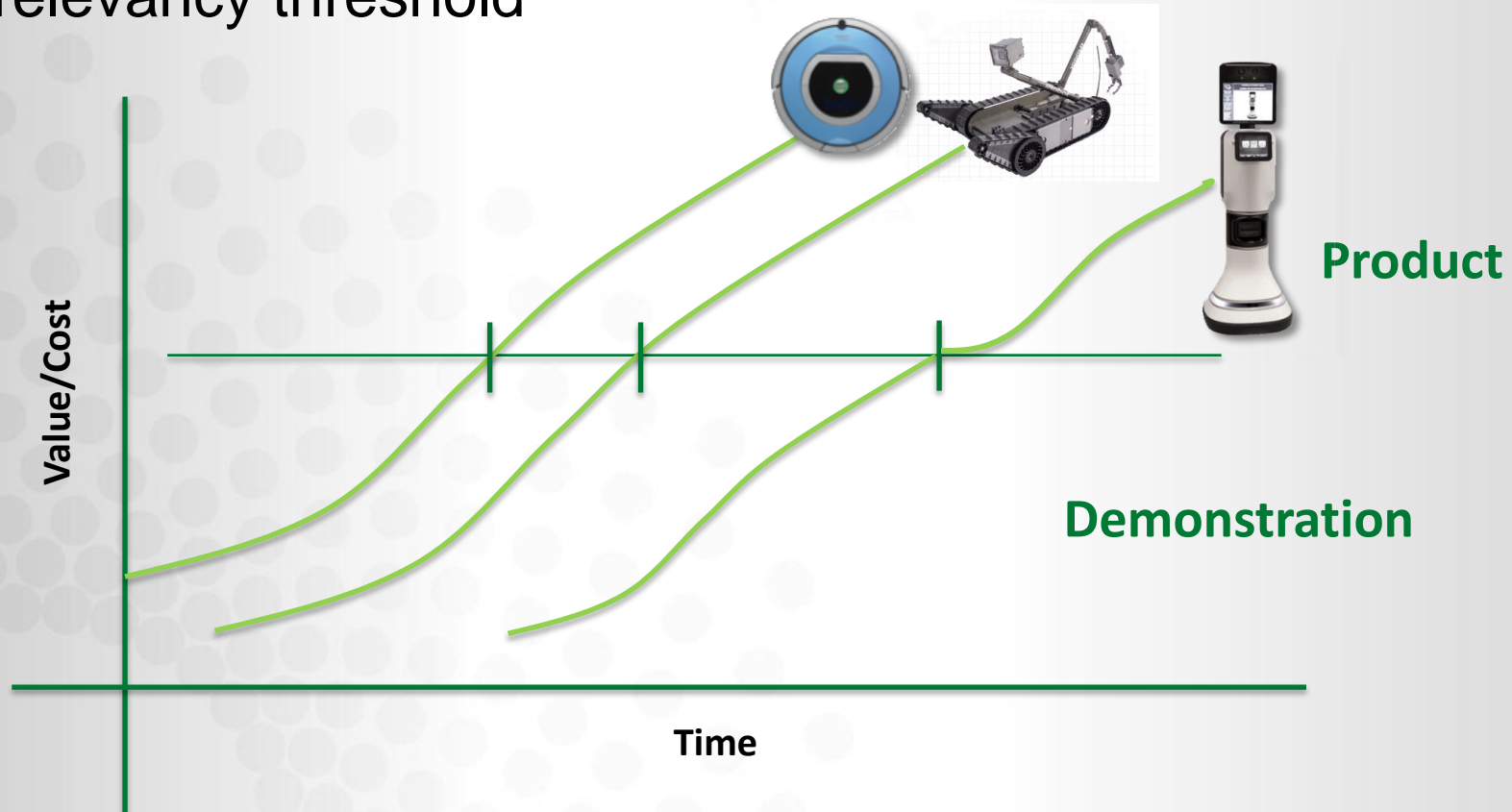
- **Empowering people to accomplish more through practical robots**
- **Portfolio of robotic technology solutions currently serving 3 market verticals:**
  - Home maintenance market – Roomba, Scooba, Braava, Mirra
  - Defense & Security – SUGV, FirstLook, PackBot
  - Emerging video collaboration markets – Ava 500, RP-VITA
- **Huge addressable markets**
  - Formidable IP portfolio
  - Market-leading brand recognition
  - First mover advantage
  - Limited competition

**More than two decades of global robotic-technology market leadership**

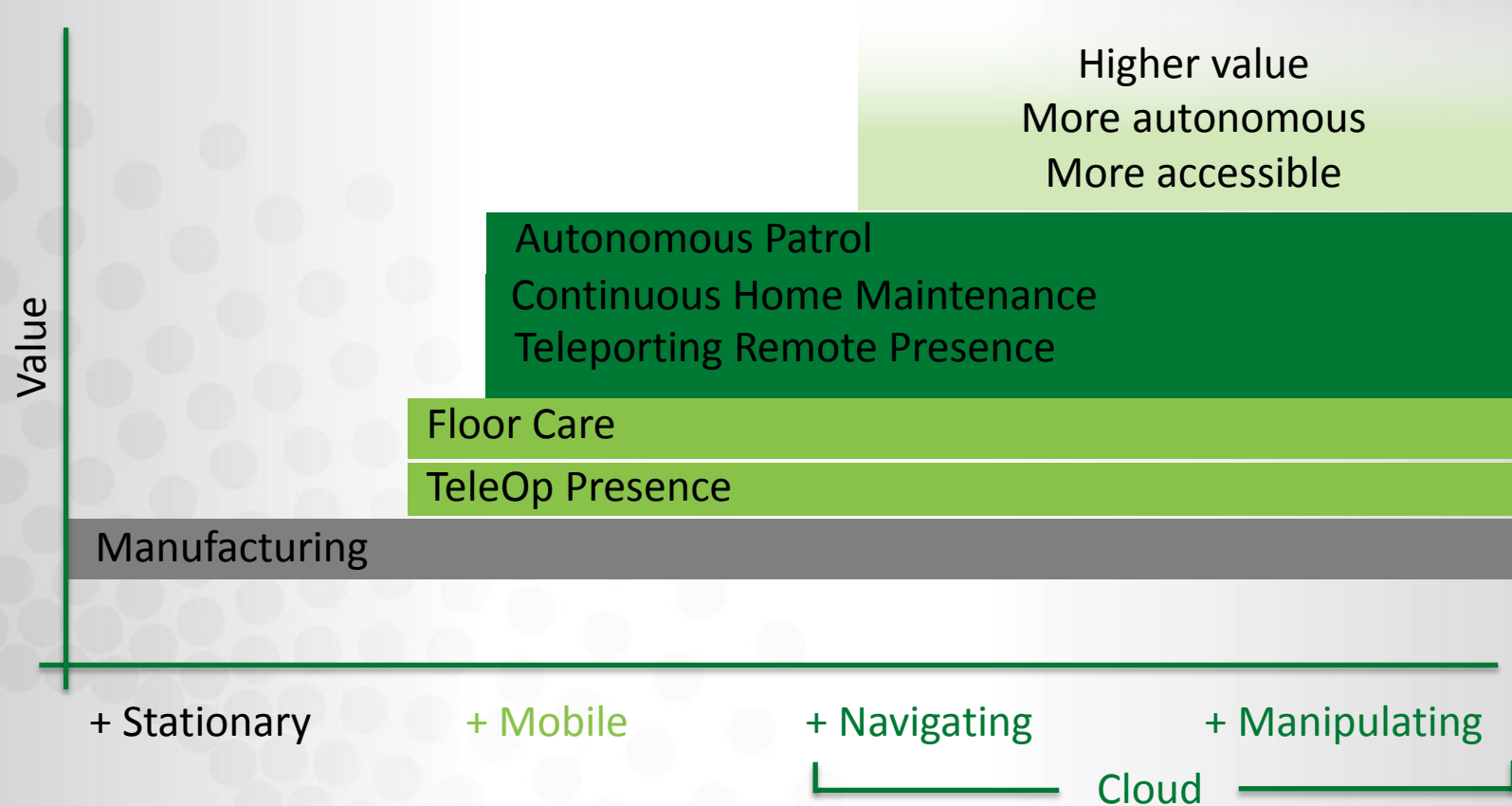


# The Emerging Robot Industry

New capabilities unlock new opportunities to cross the relevancy threshold

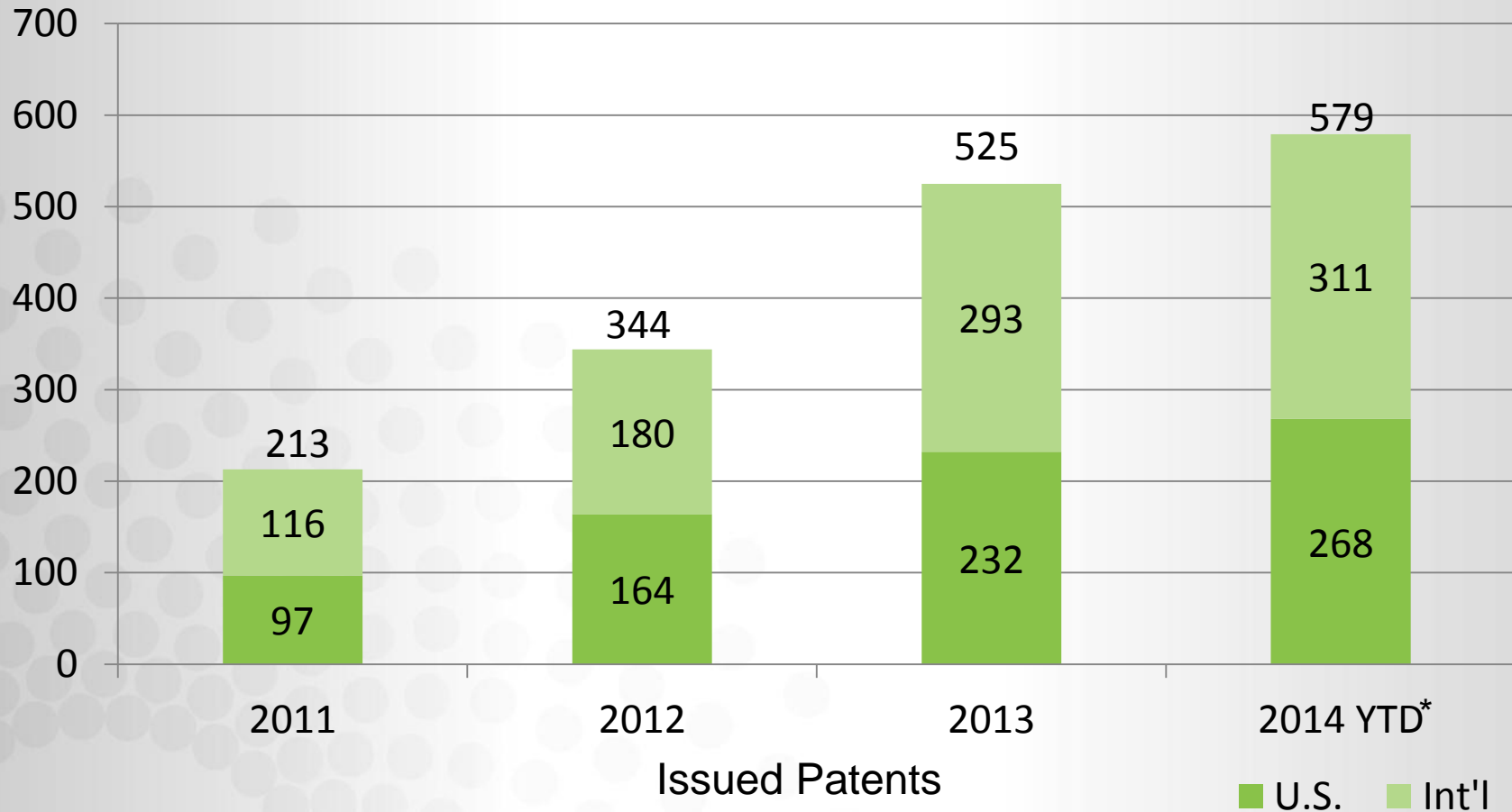


# Unlocking the Potential



**Productizing Robot Capabilities**

# Formidable Patent Portfolio



**iRobot ranked #5 by the Patent Board™ for having one of the top patent portfolios within the electronics and instruments industry**

\* As of July 24, 2014

# IP Strategy

## Sword

Encourage or force competitors to design products that avoid iRobot's technology and brand identity

## Shield

Ensure freedom to operate



## Openness

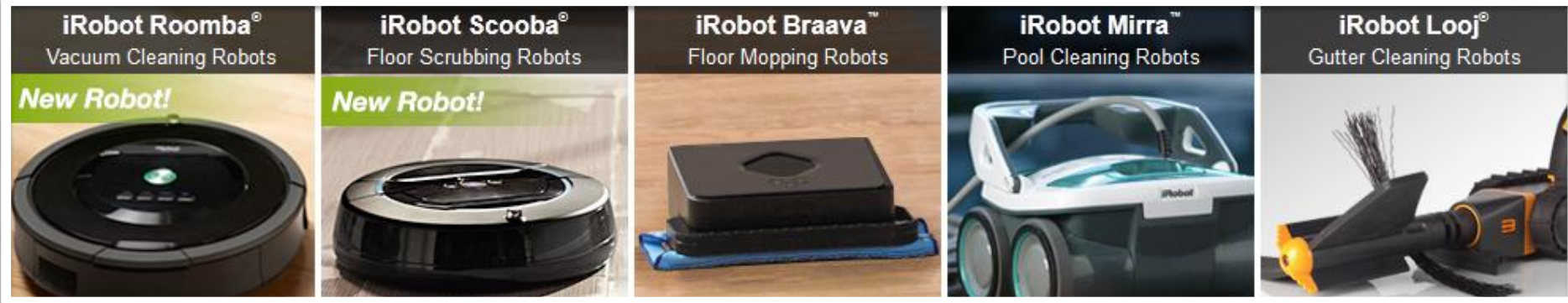
Embrace open source and interoperability where appropriate

## Enforcement

Stress test patent assets while pursuing business goals



# Home Robot Products



Flagship product  
Driving iRobot revenue growth  
**New iRobot Roomba® 880 Vacuum  
Cleaning Robot**

**More Than 12 Million Home Robots Sold Since 2002  
Currently Sold in More Than 50 Countries**

**iRobot®**



# New iRobot Roomba 880

## Revolutionary AeroForce™ Extractors



### New Features:

- Removes up to 50 percent more dirt, dust, hair and debris.
- Virtually maintenance free – AeroForce Extractors eliminate tangled hair.
- 5x more powerful vacuum than previous Roomba models.
- Holds 60 percent more dirt in the high capacity bin.
- Delivers double the cleaning cycles over the life of the robot, with the new XLife battery.

★★★★★ So worth it!

By [katie0123](#) on April 6, 2014

"The rubber rollers on the bottom have been the biggest difference. Our old vacuum had the bristled roller on the bottom and wouldn't even rotate it was so tangled in hair. Now, hair isn't a problem."

★★★★★ I am in love!

By [tharp83](#) on April 10, 2014

"I had a Roomba many years ago when they first came out. That Roomba was a novelty. This Roomba is a masterpiece."



iRobot's most advanced Roomba

**iRobot®**

# New iRobot Scooba 450

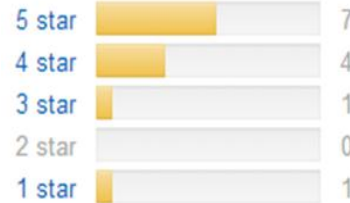
## Wet Floor Scrubbing System



### Customer Reviews

★★★★★ (13)

4.2 out of 5 stars



[See all 13 customer reviews ▶](#)

I let my floors get pretty bad, but it did a great job of cleaning.

Bookenator

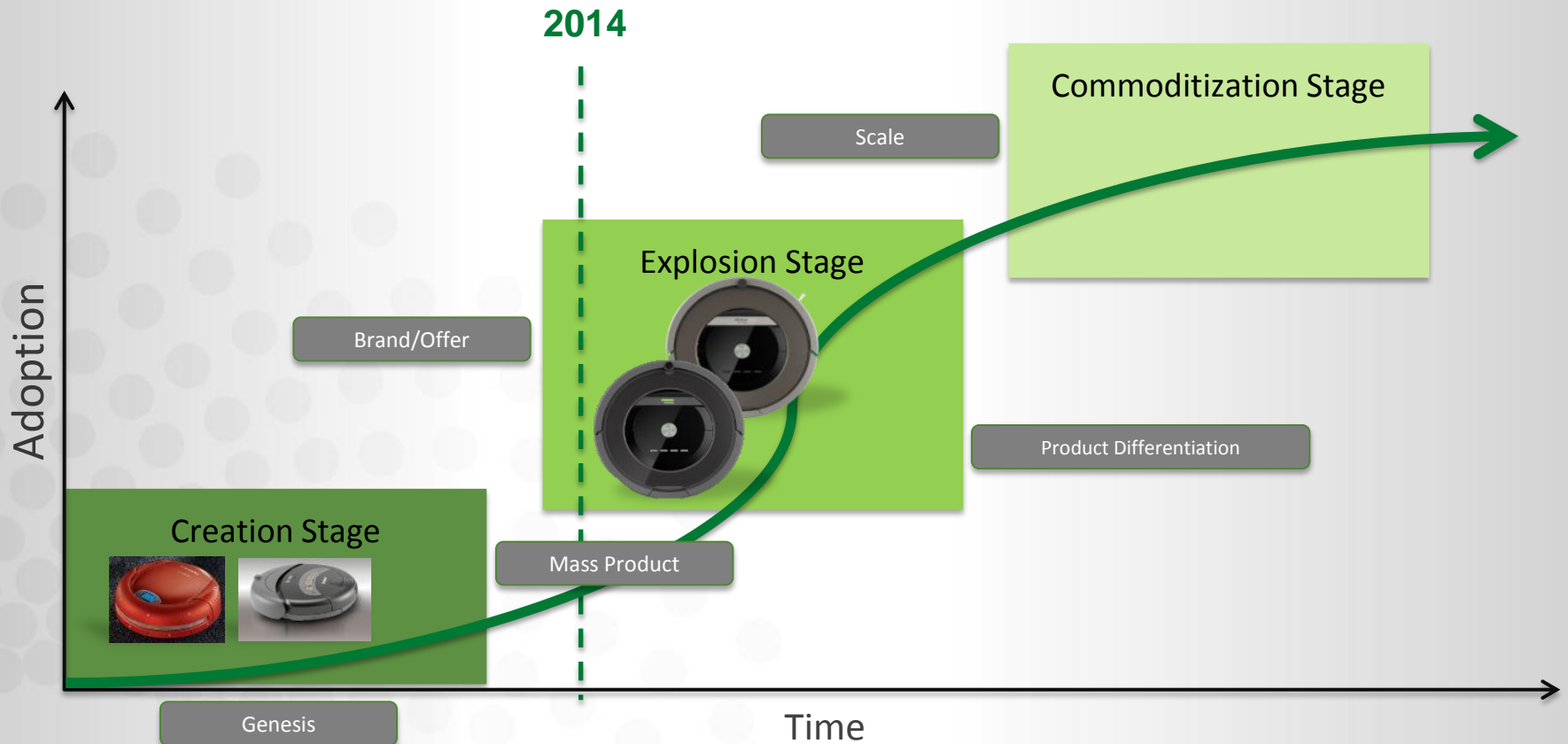
I found that having a Scooba floor cleaner is much more useful than having a Roomba for hard floors, since the Scooba takes care of both mopping and vacuuming.

FlyingPolarBear

### New Features:

- **Three-Cycle Cleaning Process** – sweeps and pre-soaks, scrubs, finishes with squeegee; 3x more effective than previous models
- **iAdapt® Responsive Navigation** – optimized for wet floor care
- **Two cleaning options** – 40-minute cycle or 20-minute cycle for smaller spaces
- **Uses same accessories as Roomba** - Virtual Wall® Barriers, wall chargers and batteries
- **Significantly improved user interface** – easier to use and clean

# Scaling Robot Vacuuming



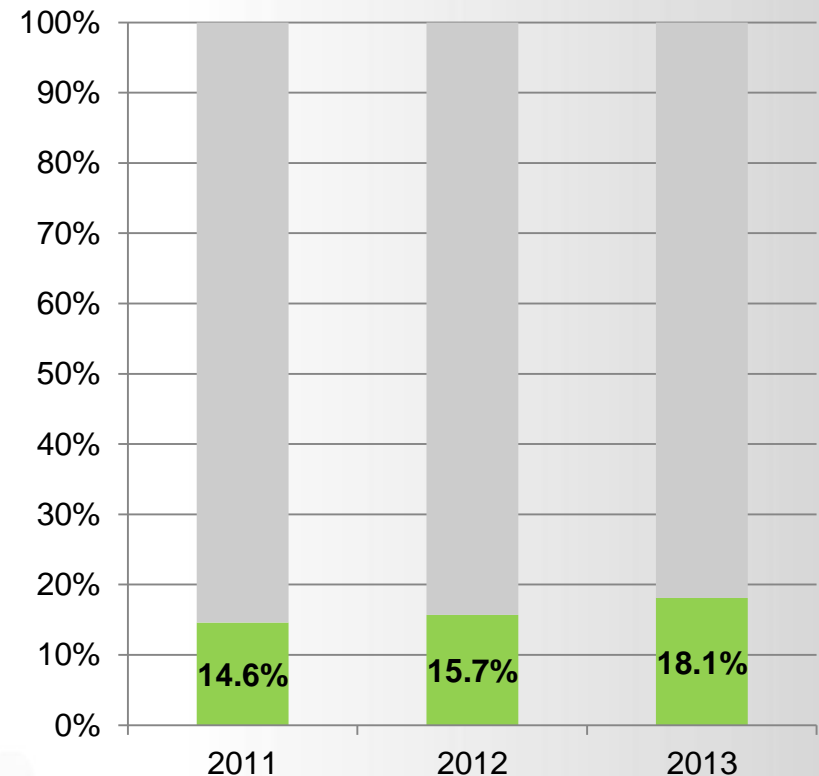
**Roomba - beginning of the explosion stage**

# Robotic Vacuum Market

## Robotic Vacuum \$ Spent\*



## Robotic Vacuum \$ as % of total \$ Vacuum Market\*\*



**Strong growth continues in robotic vacuum cleaning market**

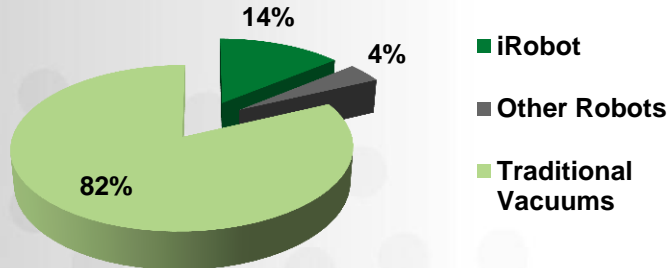
Source: \*GfK, NPD, iRobot data –March 2014

\*\*Vacuum cleaners >\$200/robotic vacuum revenues

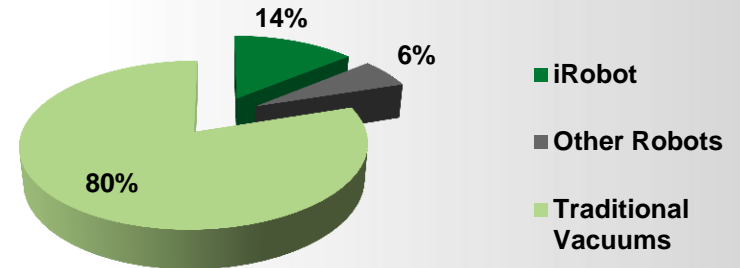
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# Huge Addressable Markets

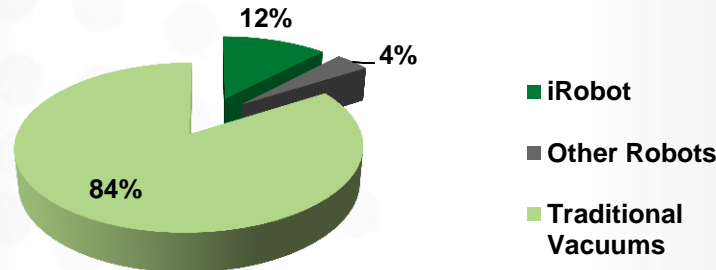
North America - \$2.2 billion



EMEA - \$2.5 billion



APAC - \$2.2 billion



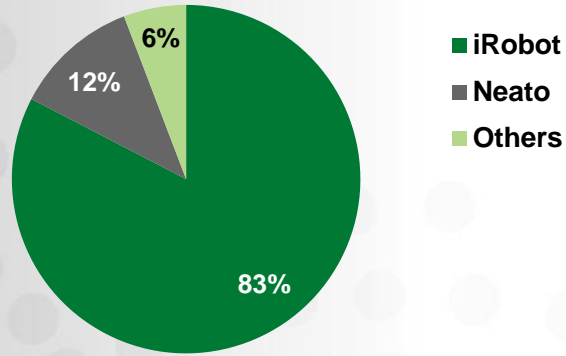
**\$7 billion annual market opportunity**

Source: Vacuum Cleaners >\$200 USD, 2013 retail prices (based on NPD, GfK, Euromonitor, iRobot internal data)

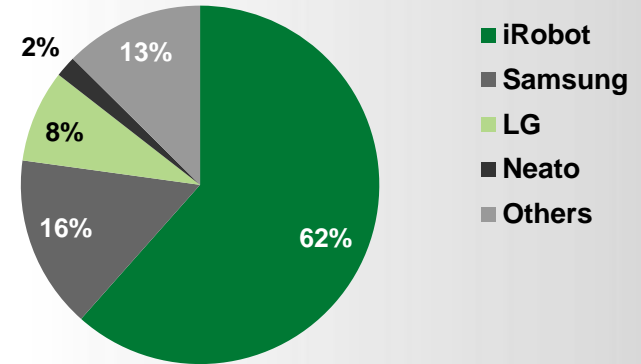
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# Robotic Vacuum Global Retail \$ Market Share

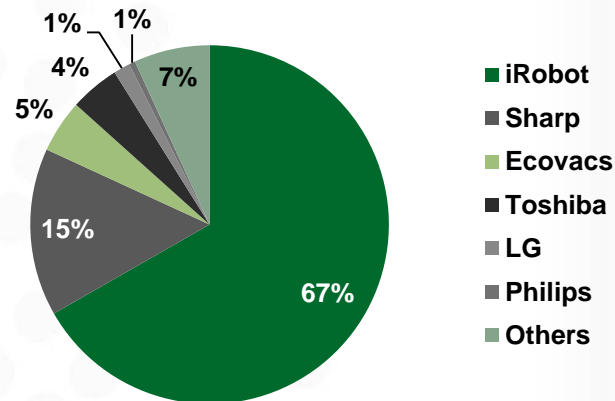
## North America



## EMEA



## APAC



Source: 2013 NPD, GfK, iRobot internal data, Robotic Vacuum Cleaners >\$200 retail prices

# Defense & Security Products



iRobot 110 FirstLook



iRobot 310 SUGV



iRobot 510 PackBot

## Revenue Drivers

- International
- Domestic non-DoD: Nuclear/State & Local
- DoD
  - PLR: Upgrades/Sustainment
  - Commercial Off The Shelf units: FirstLook/PackBot/SUGV

## Other Initiatives

- Focused on influencing future DoD requirements



# Defense & Security Markets



Expanding markets and opportunities in international, public safety and industry

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# Remote Presence

RP- VITA  
Health Care Telepresence  
InTouch Health



Annual video telemedicine market is expected to grow to \$1B by 2016\*. iRobot estimates that 10% will be robotic telemedicine.

\* 2011 report from InMedica – unit of IMS Research

Ava 500  
Video Collaboration  
Cisco



Annual Personal Video market is expected to reach \$1.1B by 2017\*\*. iRobot estimates that Video Collaboration market will be 10%.

\*\* IDC

**Partnering to address broad market opportunity**

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# 2014 Results and Expectations

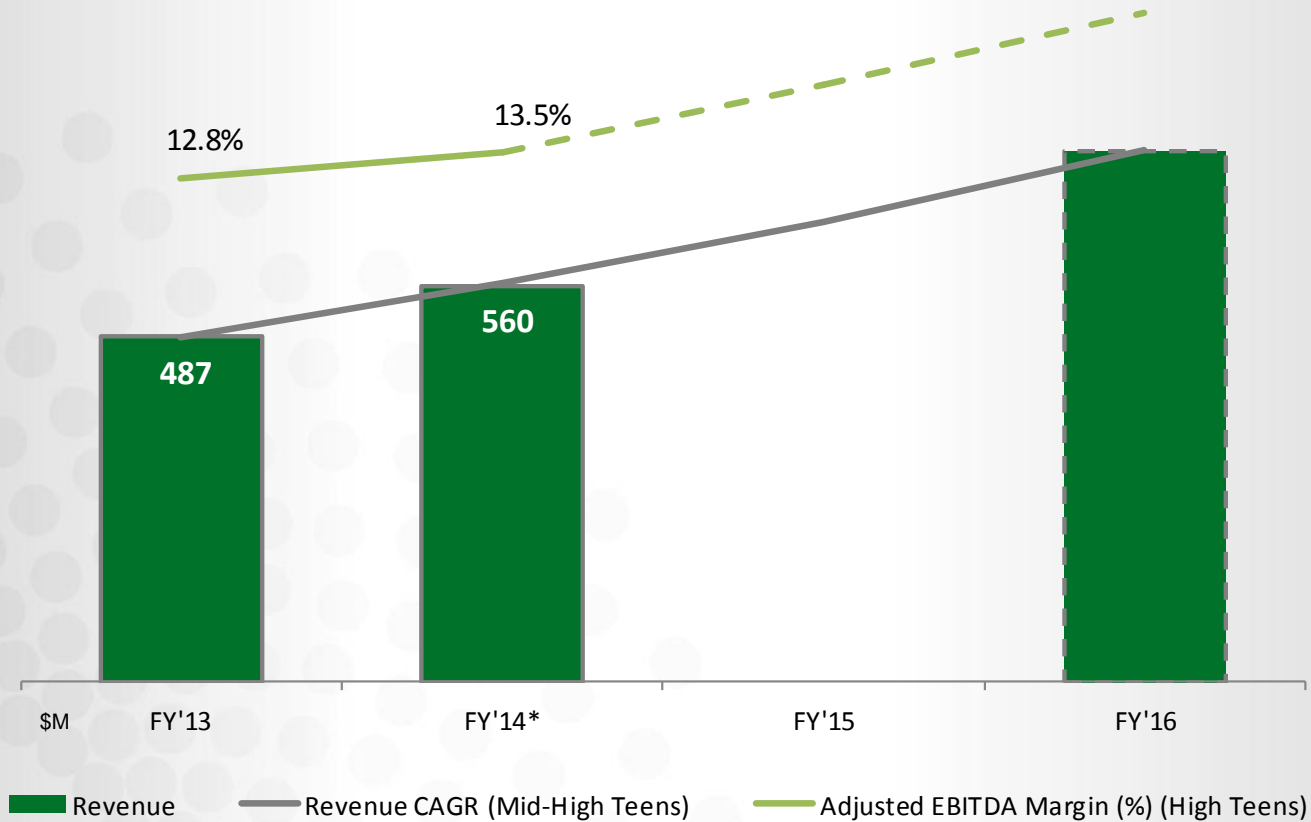
	Q2-14	Q3-14*	FY 2014 *
<b>Revenue (\$M)</b>	140	133 - 136	555 - 565
<i>YoY % Growth</i>	7%	7% - 9%	14% - 16%
<b>EPS (\$)</b>	0.28	0.32 - 0.35	1.10 - 1.20
<b>Adjusted EBITDA (\$M)</b>	16	21 - 23	74 - 78

**Q2 met expectations; Adjusted 2014 outlook**

\* Expectations provided July 22, 2014



# Financial Targets - 2016



**Commitment to Grow Shareholder Value**

\* Expectations provided July 22, 2014

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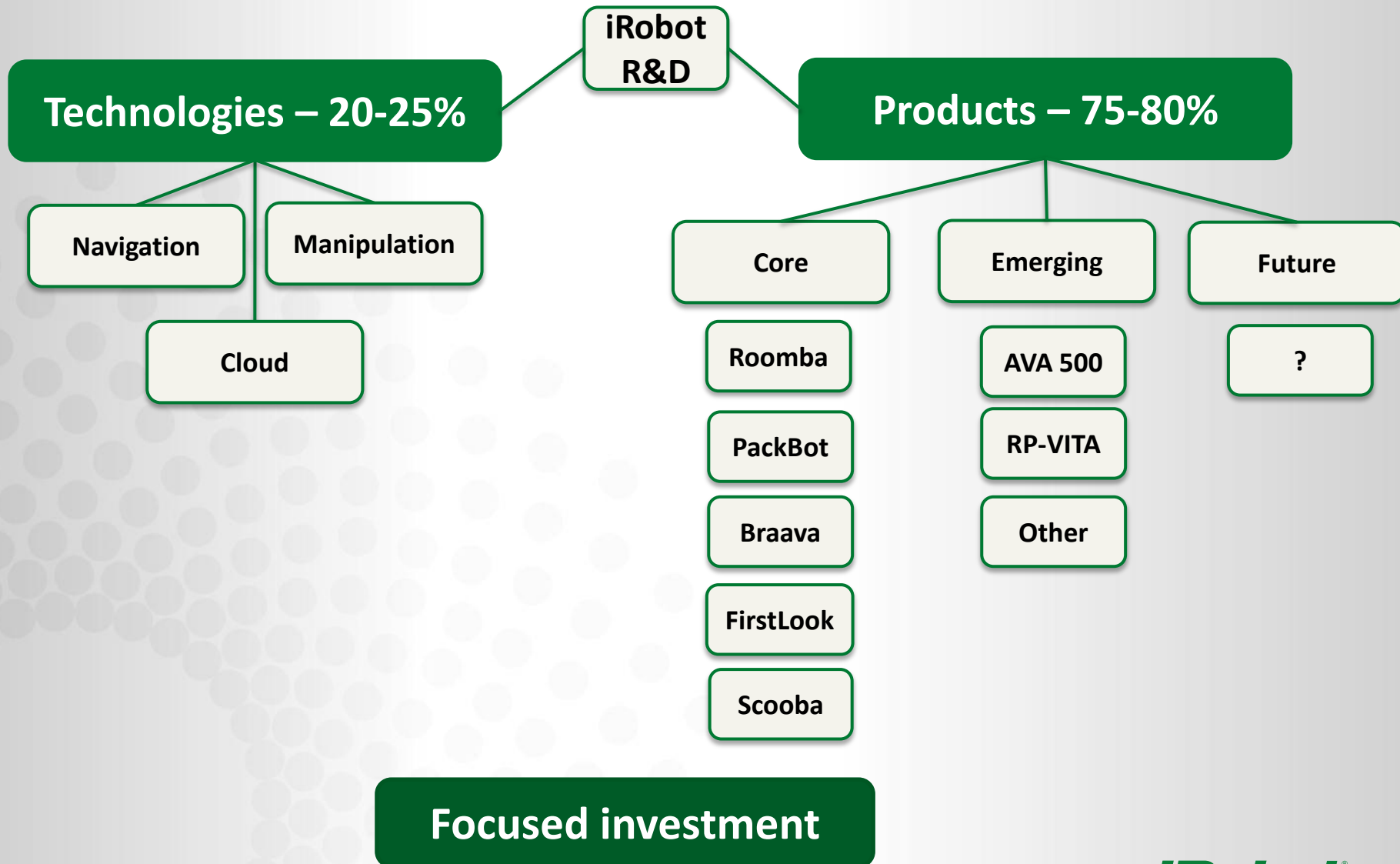
# Cash Generation – Capital Allocation Priorities

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- Build cash through strong OCF
- Evaluation of investment/acquisition opportunities
- Opportunistically purchase stock under expanded share repurchase program

**Cash generation to leverage Robot industry investment options**

# Internal R&D Prioritization Framework



# Investment Thesis

- 2014 revenue growth of 14 – 16%
- Home Robots will drive iRobot growth and profitability for the next couple of years
- Addressable markets are huge and growing
- Strong balance sheet allows for acquisitions and stock repurchase
- iRobot's foundational technologies enable significant & sustainable competitive advantage
- Commitment to generating profitable growth