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# 2018 Analyst Day

March 1, 2018

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# Agenda

10:00 – 10:30	Continental Breakfast
10:30 – 10:45	Welcome   Colin Angle, Chairman & CEO
10:45 – 11:15	Christian Cerda, COO
11:15 – 11:45	Jennifer Lichtenheim, VP Sales - Americas
11:45 – 12:00	Q&A   Break
12:00 – 12:15	Glen Weinstein, EVP & CLO
12:15 – 12:45	Alison Dean, CFO
12:45 – 1:00	Q&A
1:00 – 2:00	Lunch with iRobot Management



# 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.
- 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***

01

**Colin Angle**

Chairman & CEO



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# Growth & Technology

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# Four Growth Drivers

1

Proven U.S. Marketing Programs;  
Direct Control in Japan and 50% of EMEA

2

Low Household Penetration

3

Accelerating Global RVC Category Growth

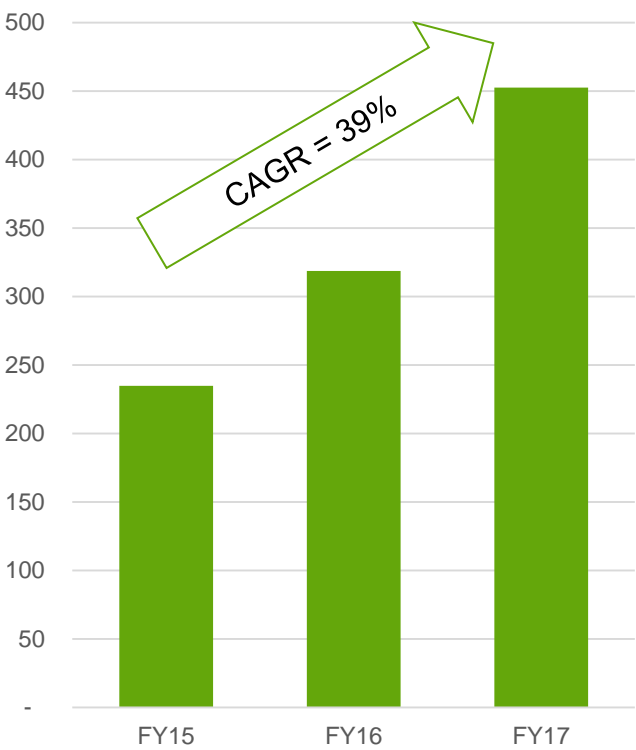
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Product and Technology Leadership

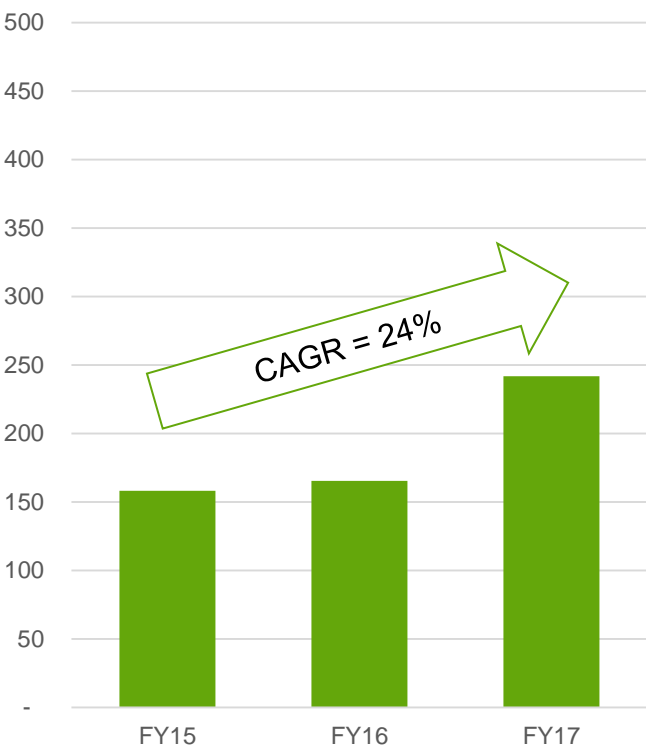


# Global Growth

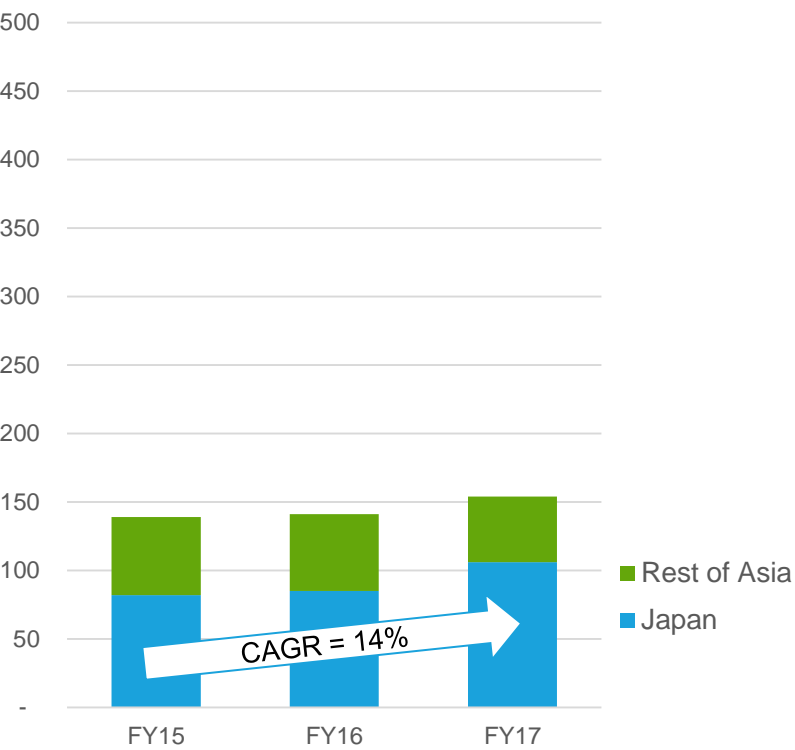
U.S. Revenue



EMEA Revenue



APAC Revenue



Sales and Marketing investment in U.S. | Apply proven model globally



# What's Driving this Growth?



**Christian Cerda**  
Chief Operating Officer  
Global



**Jennifer Lichtenheim**  
VP Sales – Americas  
U.S.

# Current Product and Technology Leadership

## Camera vs. Laser



Smart

## Debris Extractors



Simple

## Dirt Detect



Clean

Delivering consumer benefit and value through patented technology

# Technical Leadership: Near Term Future

Several New Products



Advanced Mapping



Ecosystem of Robots



**iRobot®**

02

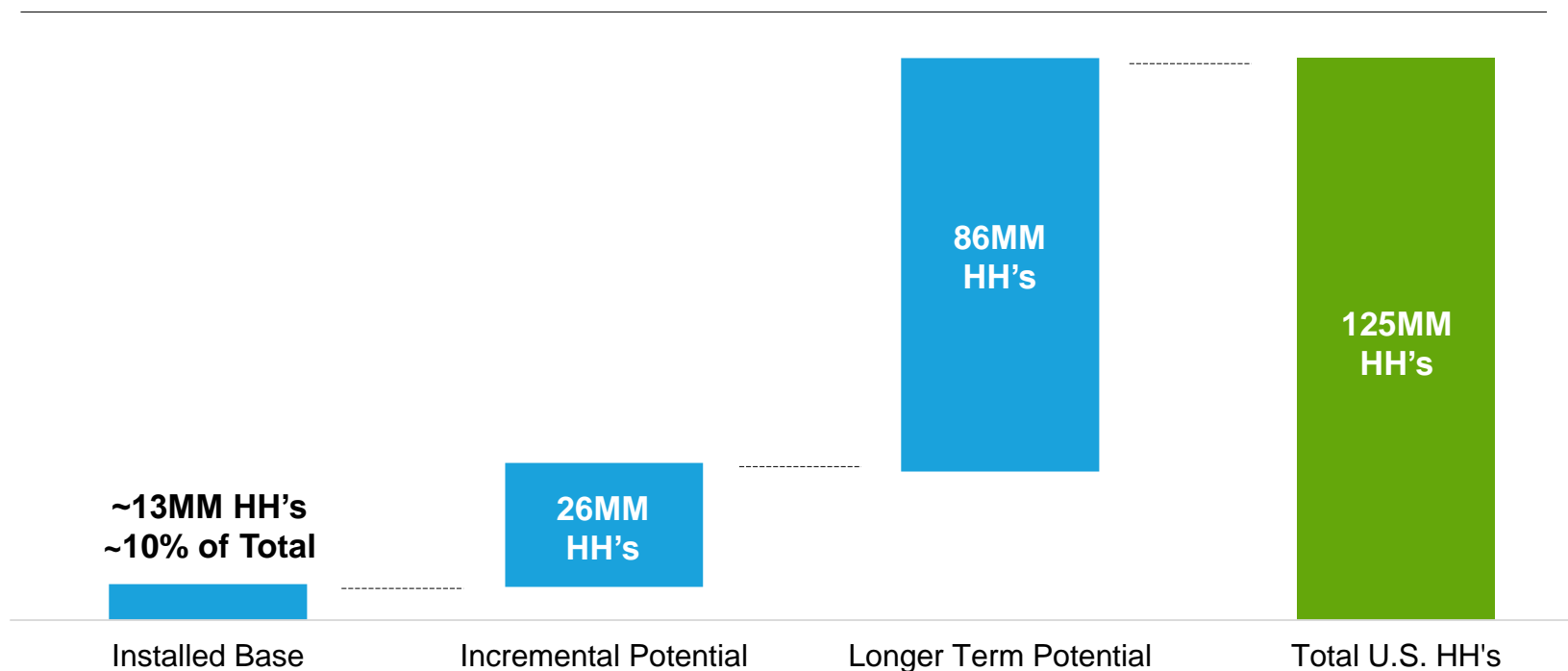
Christian Cerda

COO



# Opportunity: Low Household Penetration

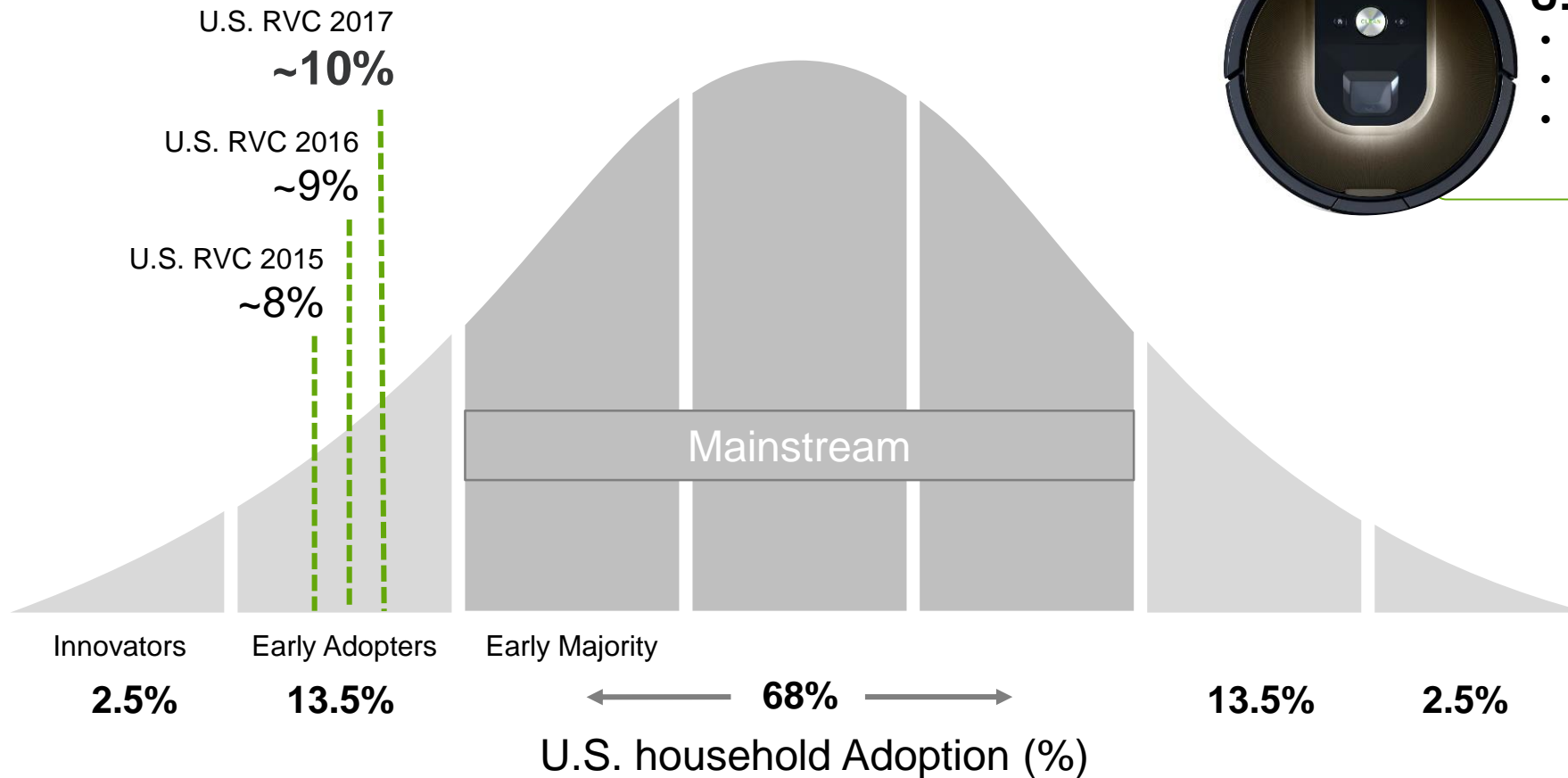
Significant Opportunity for Expanded Robot Vacuum Adoption in U.S.



Immediate addressable market ~2X current installed base



# RVC Adoption Curve\*



## U.S.

- #1 Brand of robotic vacuum
- >80% segment share
- High consumer satisfaction and net promoter scores

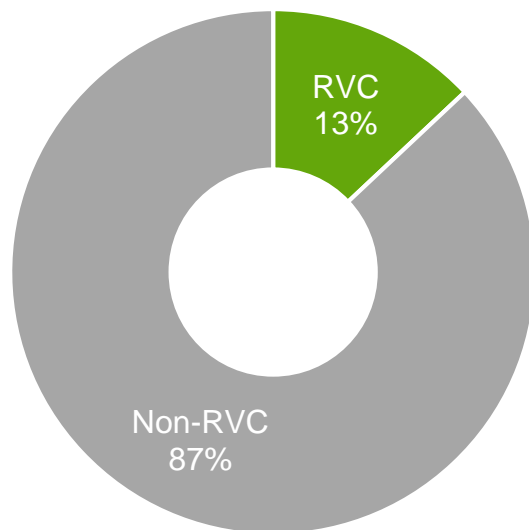
Even more opportunity with international household penetration of ~2-3%

# RVC Segment Continues to Grow

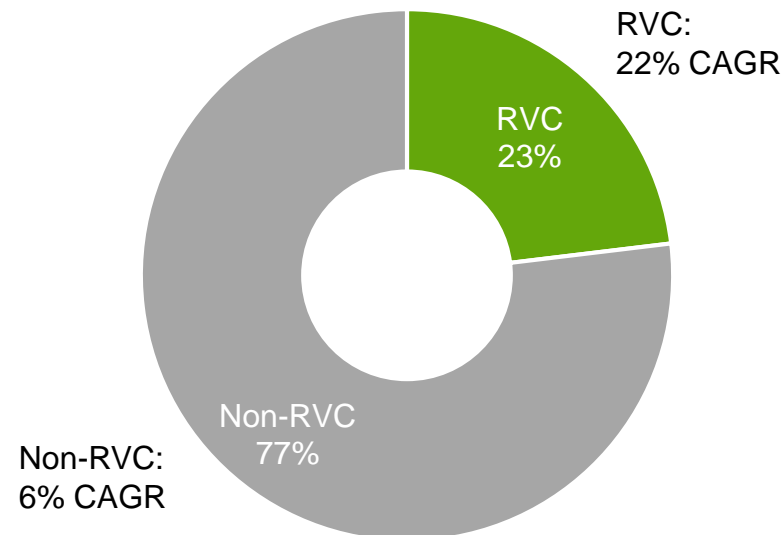
Now 23% of Total Vacuums\*

Global Vacuum Cleaner Market >\$200 (\$ Retail)\*

**2012: ~\$5B Market**



**2017: \$7.5B Market**  
**8.6% CAGR**



RVC segment (>\$200) growth expected to significantly outpace overall vacuum cleaner market growth (>\$200)

\*Source: Global market size for vacuum cleaners >\$200 (NPD, GfK, and iRobot internal estimates)



# Many Brands have Launched into the RVC Segment

2015



Dyson 360 eye  
(Japan)



Neato Botvac  
D Series



Neato Botvac  
Connected



Panasonic Rulo  
(Japan)



Dirt Devil Spider  
(EMEA)



Haier SWR-T320  
(China)



Bissell SmartClean  
(NA)



bObsweep  
bObi  
(NA)

2016



Dyson 360 eye  
(U.S.A-EMEA)



Samsung  
POWERbot Turbo



Neato Botvac  
D3/D5



Xiaomi Mi  
(China)



Ecovacs DT85g (China)



iLIFE A4 (NA)



LG Hombot Square  
Turbo+



Hoover Quest  
(NA)

2017



Bosch Roxxter



Neato D7



Samsung R7070



Shark Ion Robot V1



Ecovacs N79

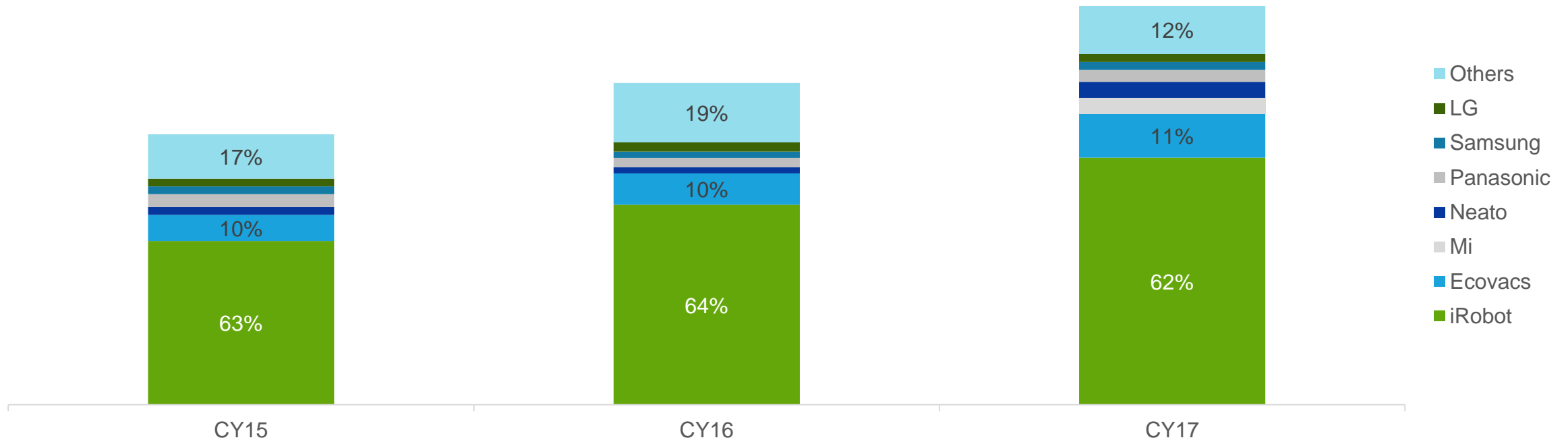


Neato

iRobot continues to lead in robot vacuum segment in spite of increased competition

# iRobot Roomba Share in the RVC Segment

## Global \$ Segment Share



iRobot continues to hold 60+% share despite new competition

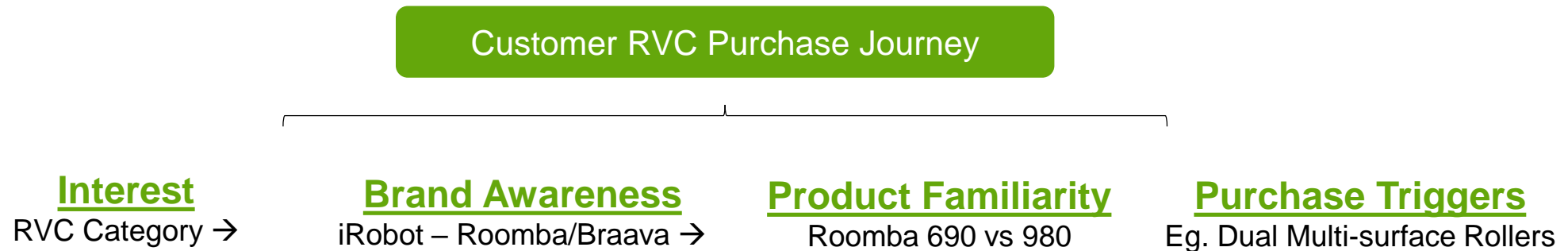


# Drivers of Growth

## Marketing Activities are Impactful

### Marketing Generates Consumer Sales

We research each stage of the customer journey to drive RVC category interest, iRobot brand preference and Roomba/Braava product selection



iRobot knows what to say/show, to whom and how **at each stage** of the customer journey



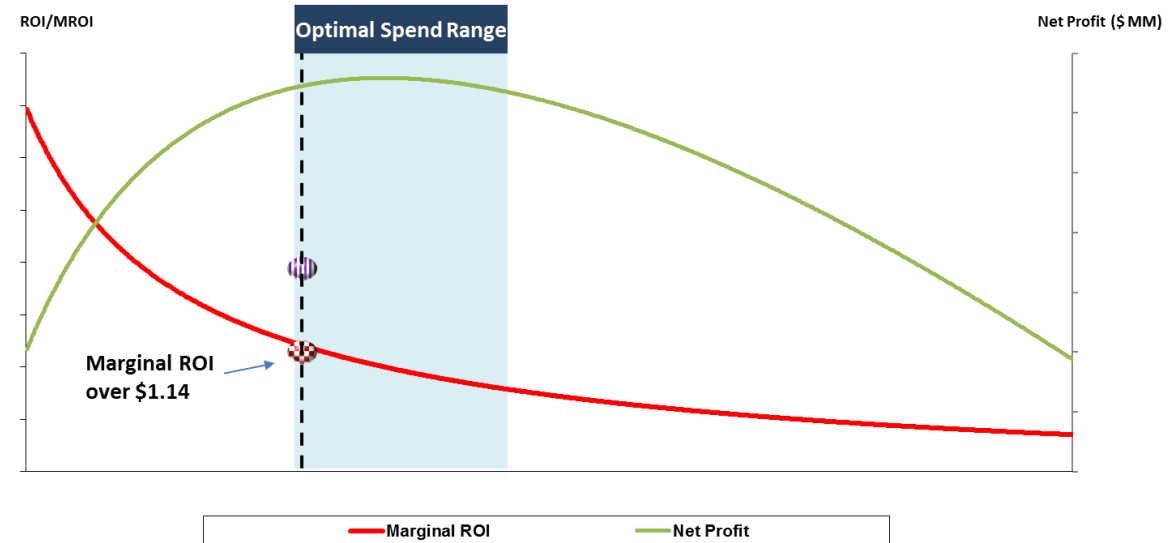
# Drivers of Growth

## Marketing Activities Drive Incremental Revenue & Profit

iRobot performs an independent marketing audit of all marketing activities and consumer touchpoints in USA and major international markets

- Roomba marketing investments – in total, individually and by geography - drive incremental sales and profit. We also optimize our marginal ROI above iRobot's Operating Margin.
- Braava – a newer, less established category than Roomba - delivers a lower ROI but is rapidly approaching positive territory as it grows
- We use the learnings to continuously optimize future campaigns

**Roomba Marketing Optimization**  
(Illustration)



# Roomba Continuous Innovation and Value to Consumers

## Future Roomba Models

### Advanced Mapping



### Advanced Cleaning Performance



### Ecosystem of Robots



R980  
\$899



R960  
\$699

### iAdapt® 2.0 Navigation



### Intelligent Cleaning Carpet Boost



### Cloud Connectivity



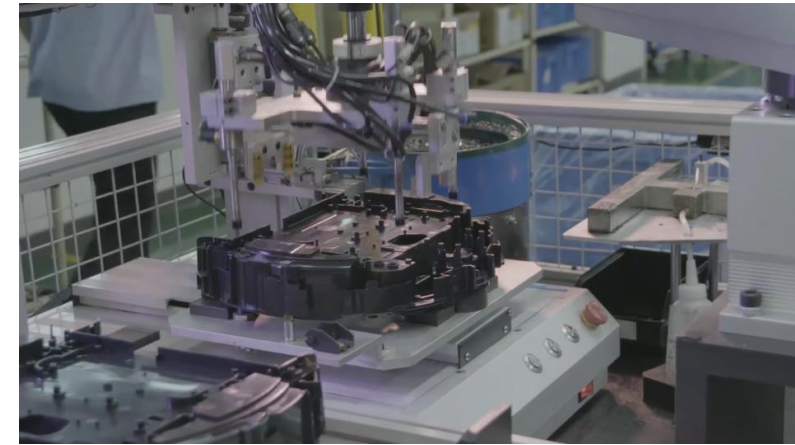
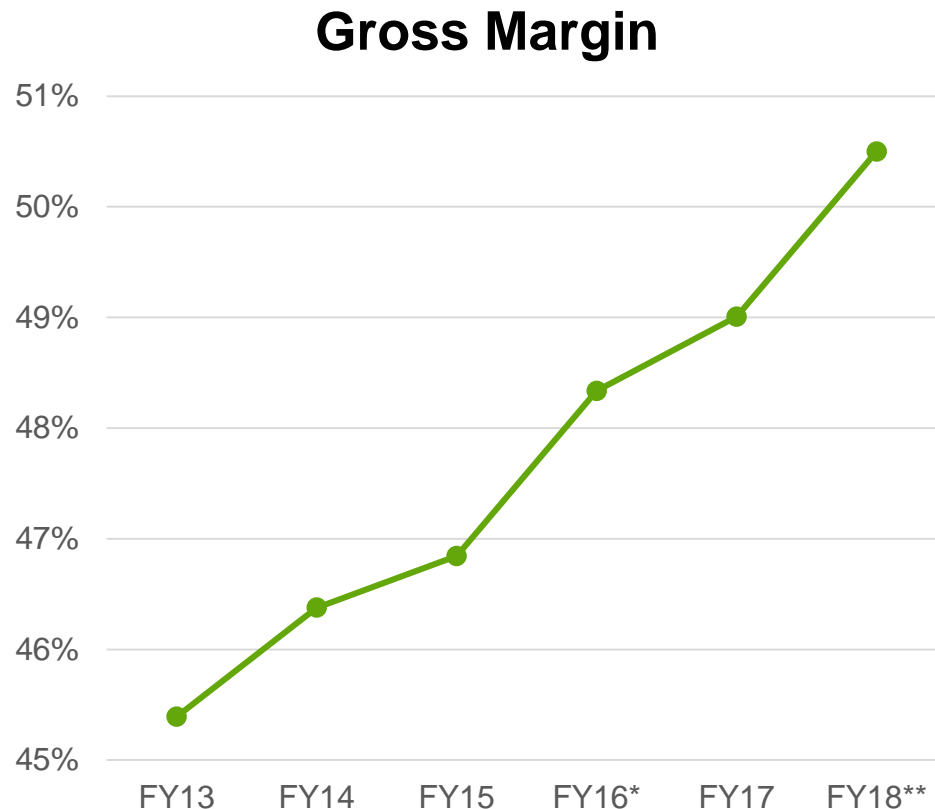
R890  
\$499

### AeroForce® Cleaning System Virtually no Maintenance



Introduce Innovation in premium product;  
Flow innovation across lower price point products over time

# Operational Efficiencies and Continuous Cost Focus to Improve GM in Competitive Environment



- Dedicated costing team
- Best-in-class Contract Manufacturers, dual sourcing
- Improved efficiency: strategic sourcing and negotiation of component pricing
- Driving automation: robots-making-robots and robots-inspecting-robots
- Established and growing iRobot Supply Chain team in China: Manufacturing, Quality, Supply Chain and Strategic Sourcing
- Continuous improvement in product quality

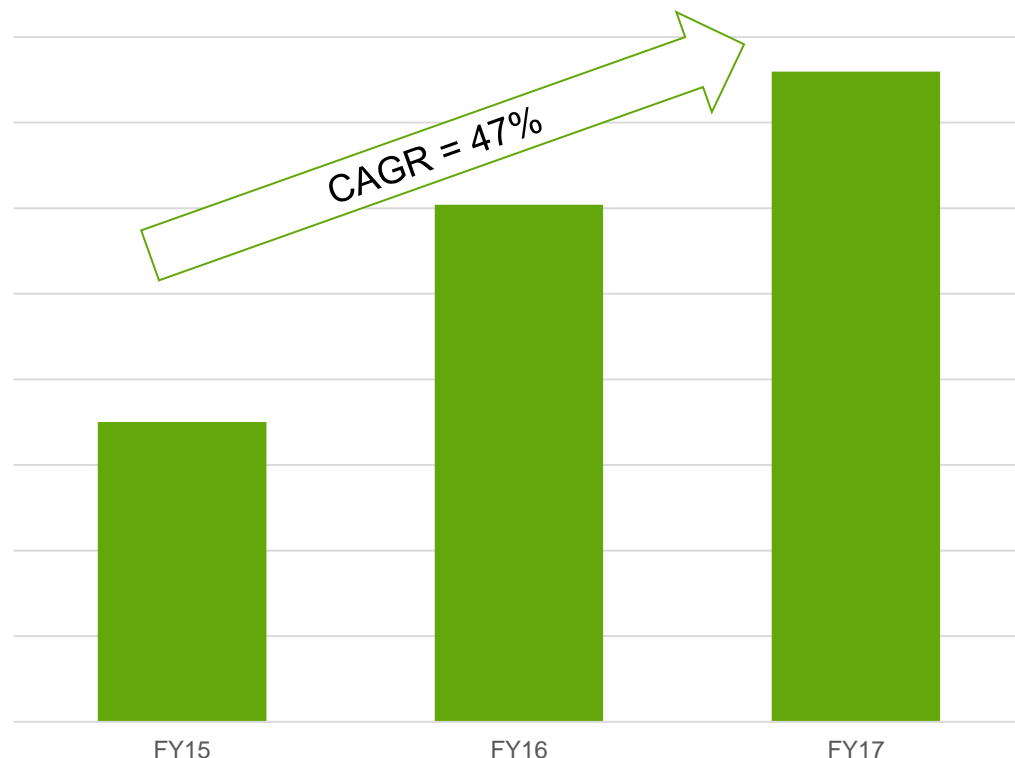
Operational efficiencies have driven improved GMs in a competitive environment

\*Defense business sold in Q1

\*\*Midpoint of Expectations provided 2/7/18

# Braava Family - Developing a Second Revenue Stream

## Global Braava Family Revenue Growth

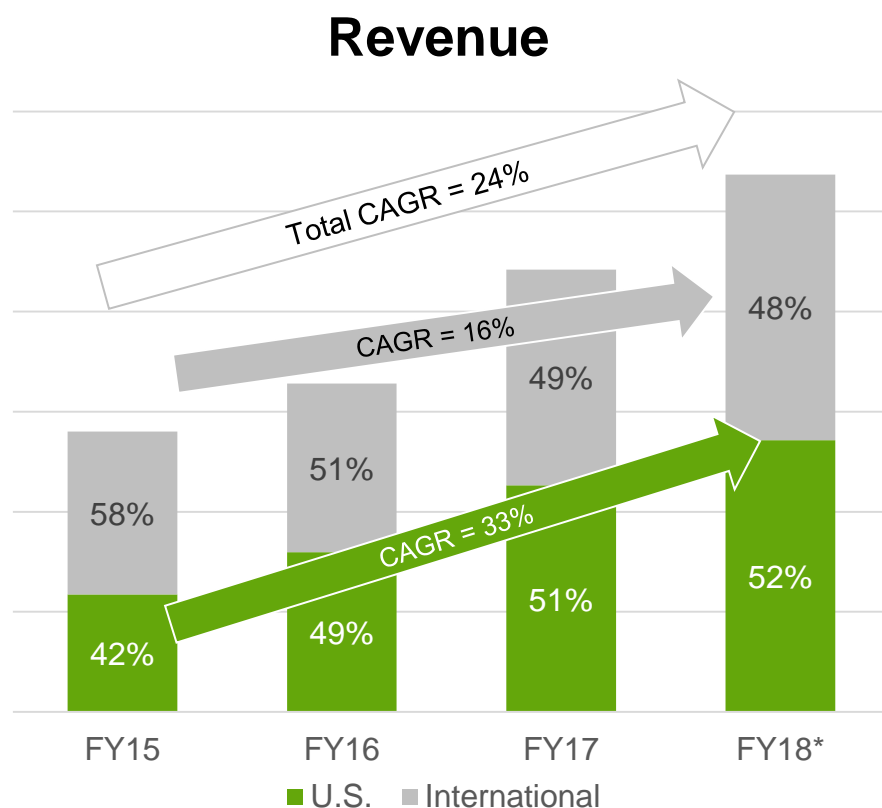


## FY2017

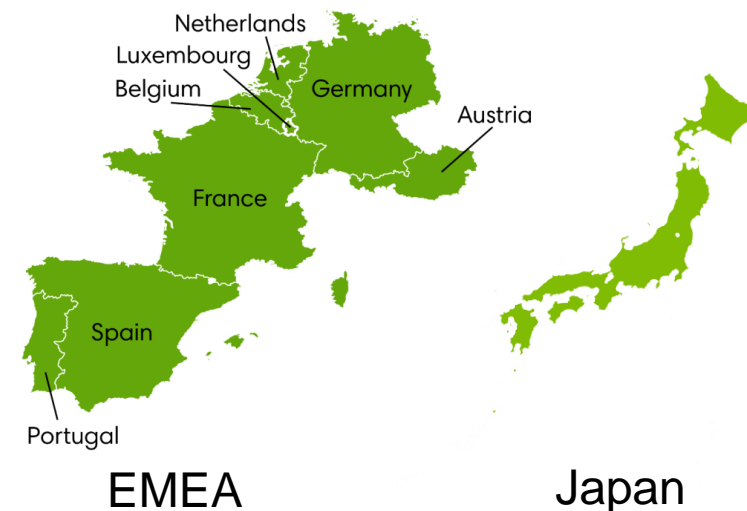
- U.S. revenue growth **65%**
- Braava family made up **14%** of total robots shipped globally
- Leverage marketing to Roomba installed base

Floor mopping category continues to be a viable and complementary product to Roomba

# Continuous Global Growth - Domestic and International



## International Forward Integrations



Direct control over >75% of global revenue following recent acquisitions enables better execution

# 2018 Global Growth Drivers

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Proven U.S. Marketing Programs;  
Direct Control in Japan and 50% of EMEA

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Low Household Penetration

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Product and Technology Leadership

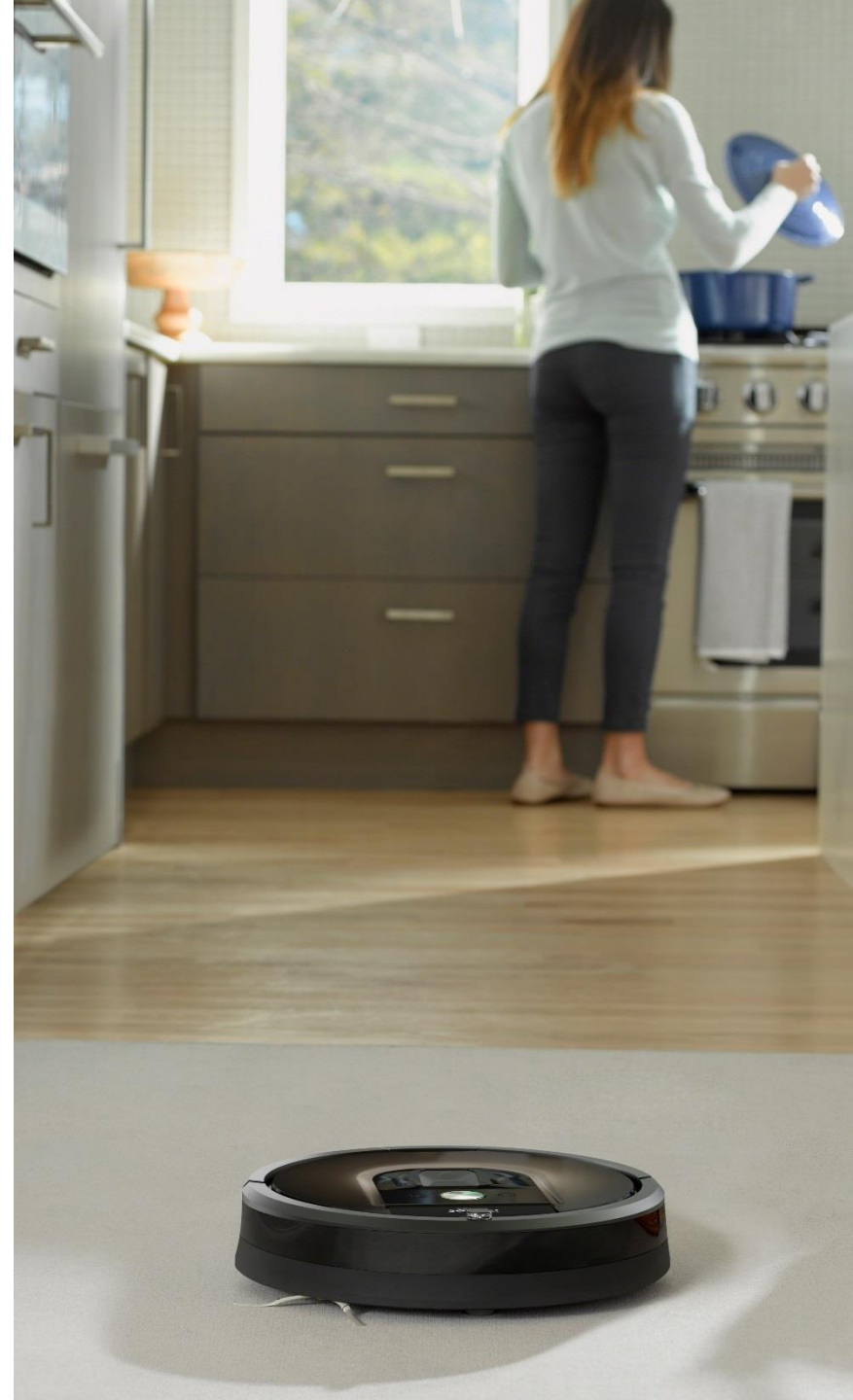




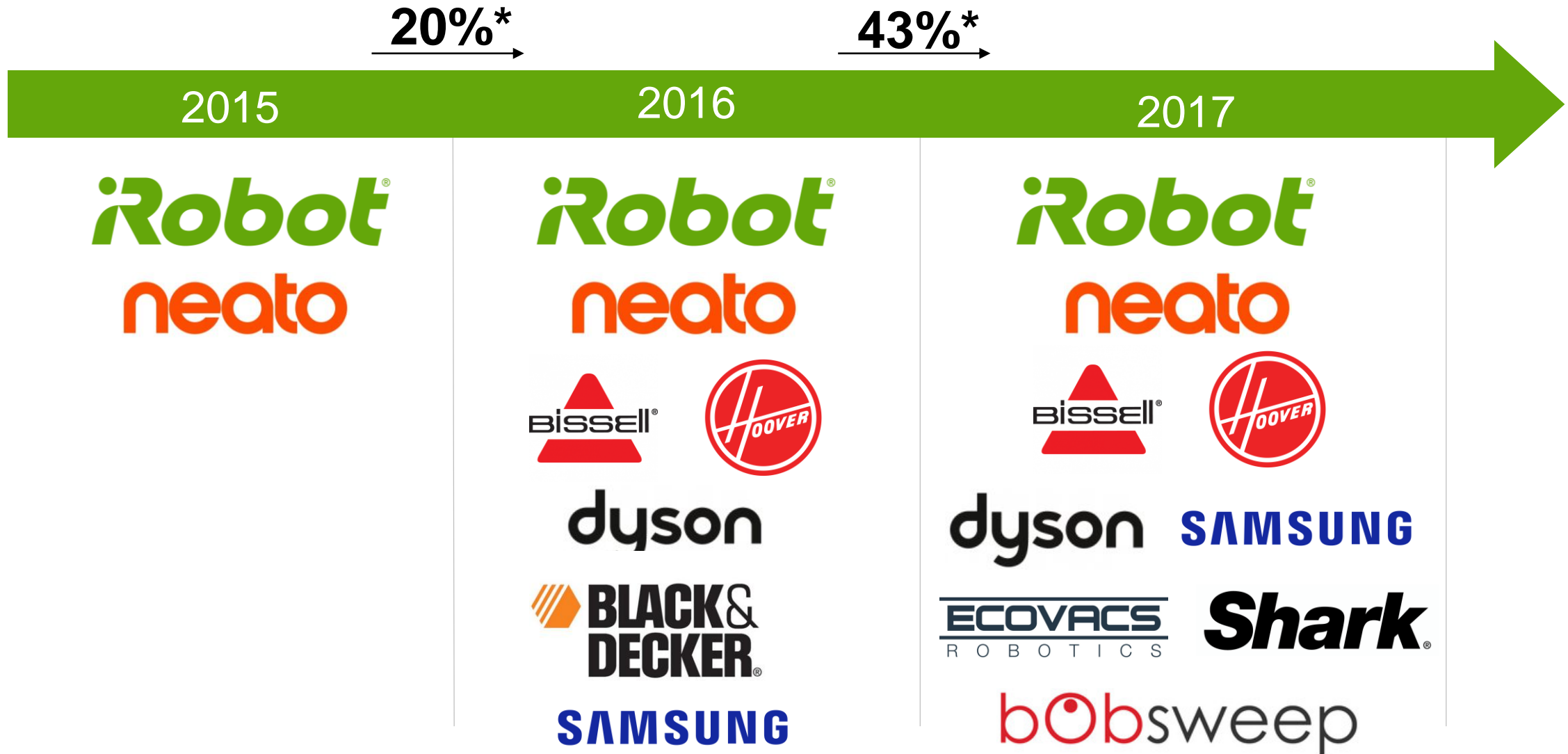
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# Jennifer Lichtenheim

VP Sales - Americas



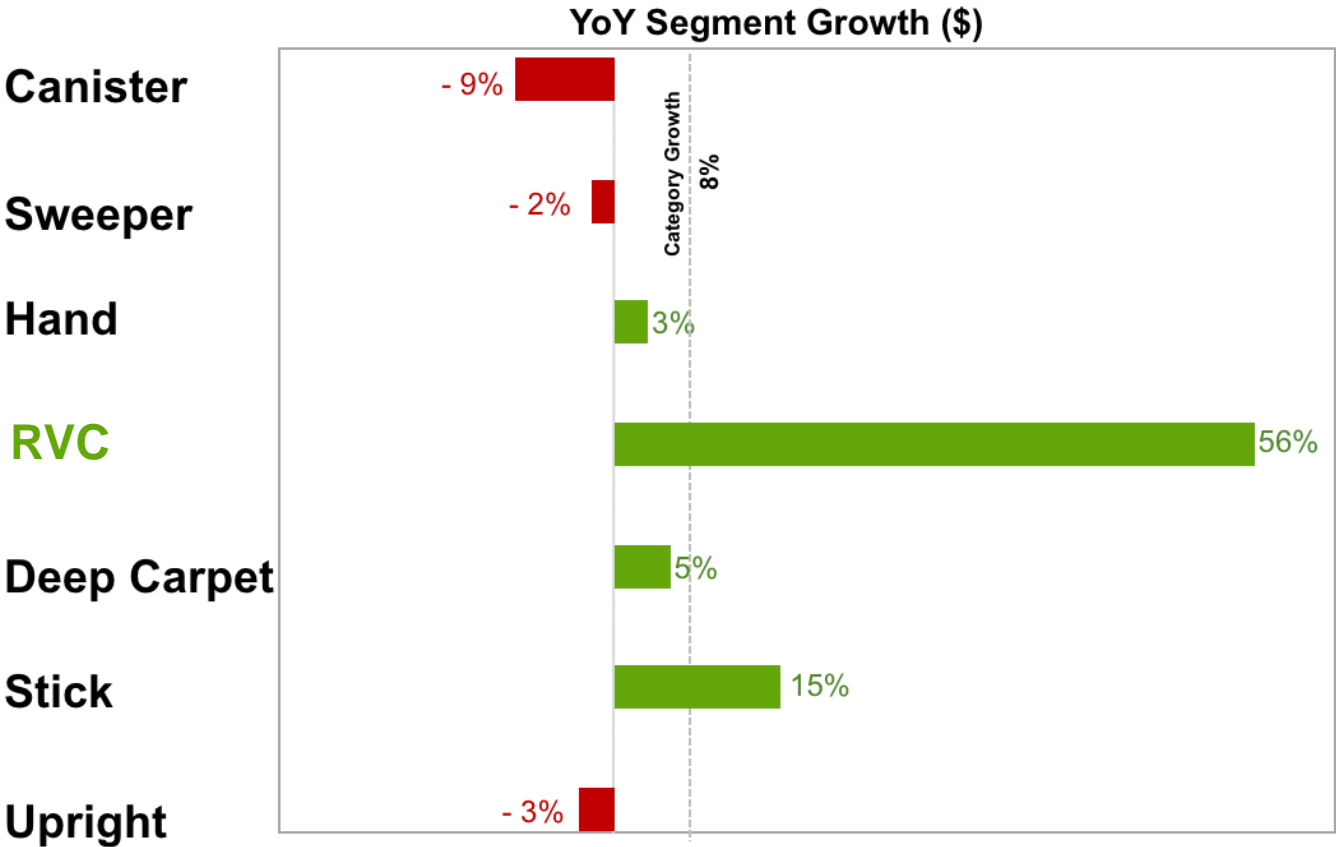
# U.S. Competitive Landscape



\*Year over year category growth  
Source: 2015 - 2017 NPD and iRobot internal estimates; RVC>\$200 retail



# 2017 U.S. Floor Care Performance\*



\*Source: NPD Retail Tracking Services: 2017



# 2017 Floor Care Performance\*



# Awareness Catalysts



## Continued & New Category Media



## Increased Trade Marketing



500+

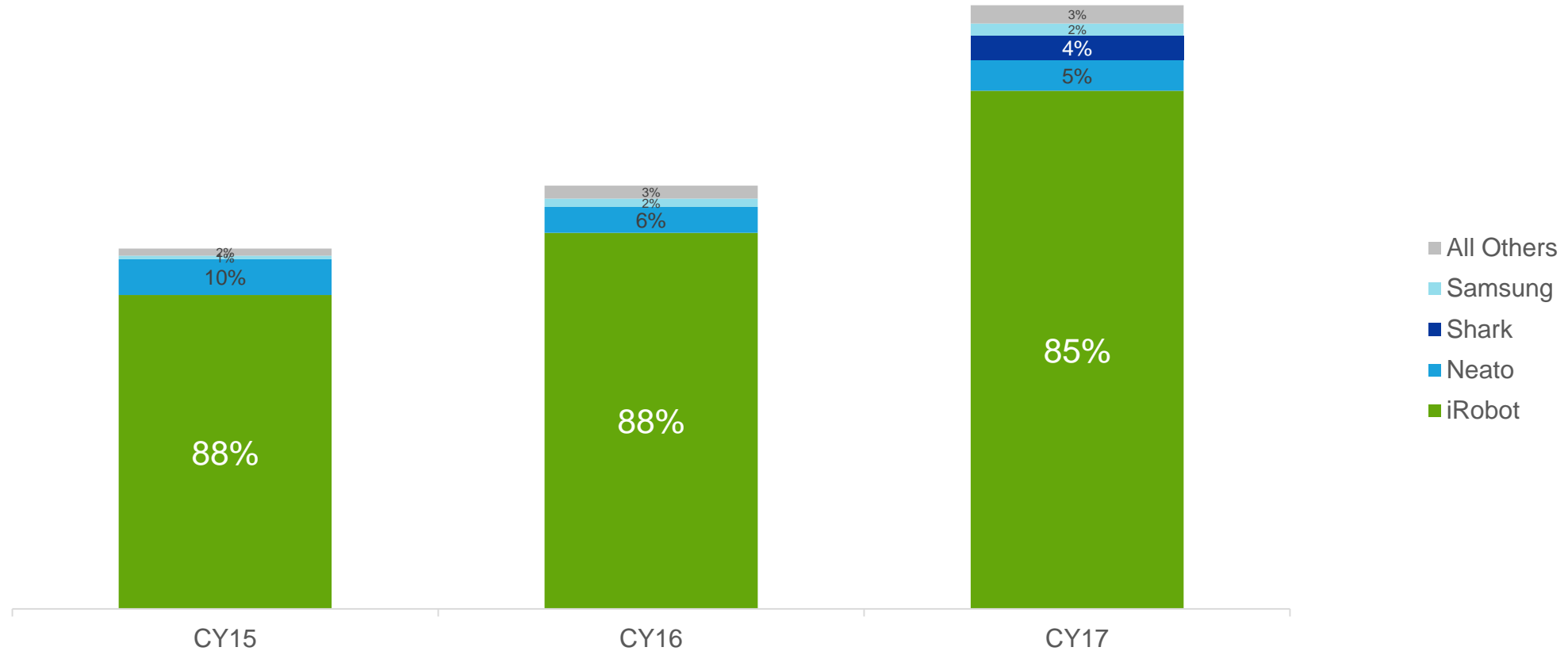
## New & Expanded Competition



## Retailer Investment

# iRobot Roomba Driving Segment Growth

## US \$ Segment Share



# 2017 U.S. Growth Drivers: Products

Driving Technology Down Through Product Lines

Roomba® 980



Roomba® 960



Roomba® 890



Roomba® 690



# 2017 U.S. Growth Drivers: Technology

## Advanced Mapping & App Capabilities



# 2017 U.S. Growth Drivers: Integration

## Smart Home Integration



# 2017 U.S. Growth Drivers: Retail Engagement

## Increase in Media Investments



 **2.3B**  
media impressions



## Maintained National Promotion Cadence



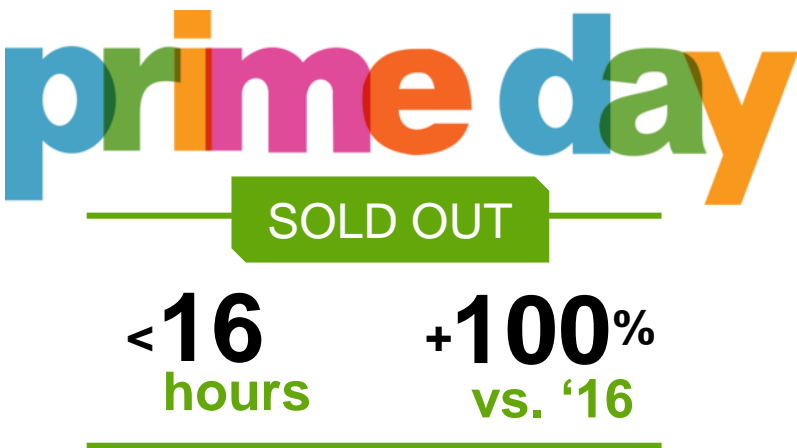
Targeted Distribution Expansion



# 2017 U.S. Growth Drivers: Merchandising



# 2017 U.S. Growth Drivers: Holidays



## Retailer TV Commercials Featuring iRobot



3B  
media impressions



# 2017 U.S. Segment Drivers



# U.S Competitive Landscape

20%\*

43%\*

2015

2016

2017

2018

**iRobot®**  
**neato**

**iRobot®**  
**neato**



**dyson**

**BLACK & DECKER®**

**SAMSUNG**

**iRobot®**  
**neato**



**dyson** **SAMSUNG**

**ECOVACS**  
ROBOTICS **Shark®**

**bOb**sweep

**more...**

Growth  
Competition  
Innovation & Technology  
Aggressive Positioning



# 2018 U.S. Growth Drivers

1

Proven U.S. Marketing Programs

2

Low Household Penetration

3

Accelerating RVC Category Growth

4

Product and Technology Leadership



***iRobot***

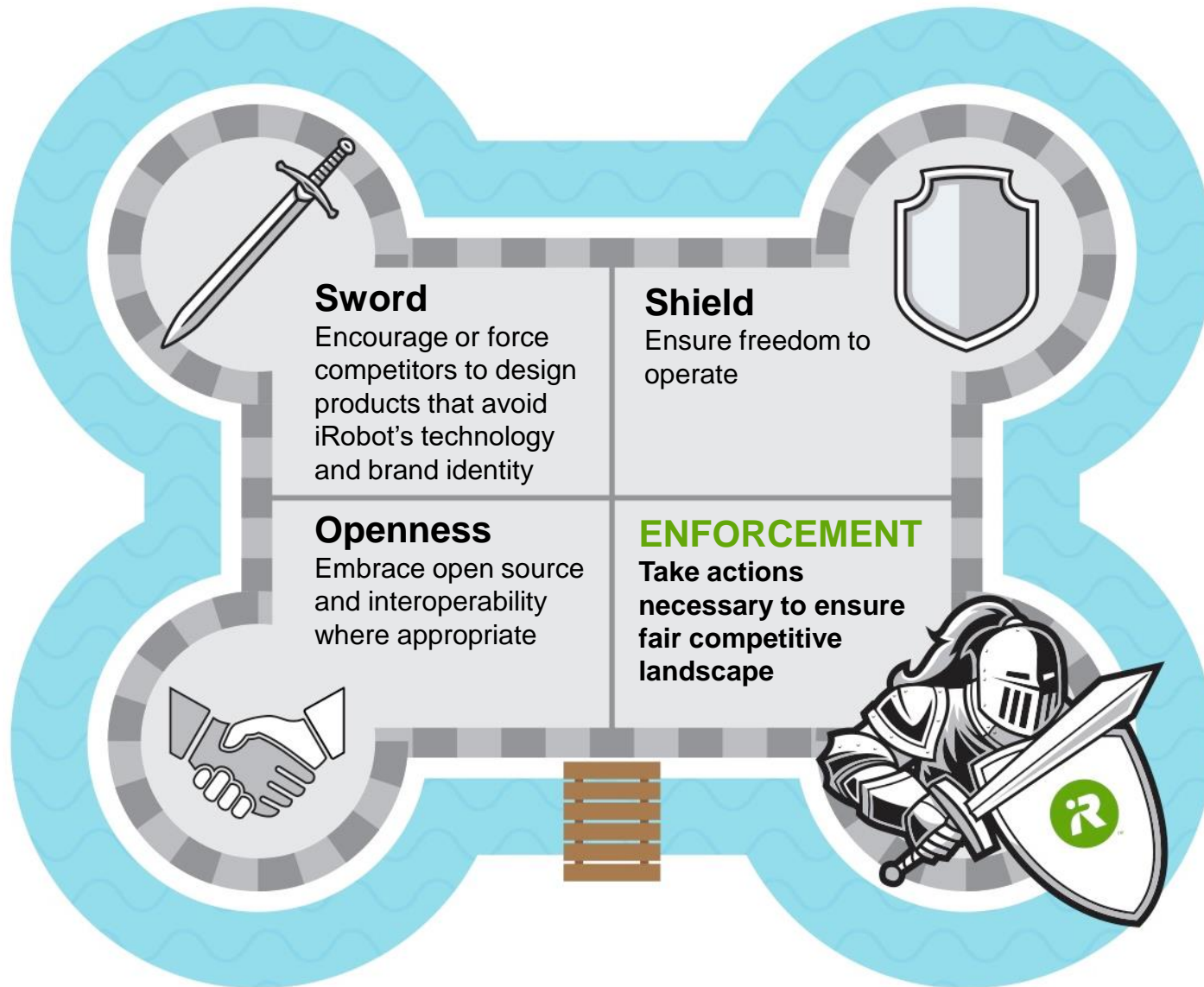
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Glen Weinstein

EVP & CLO

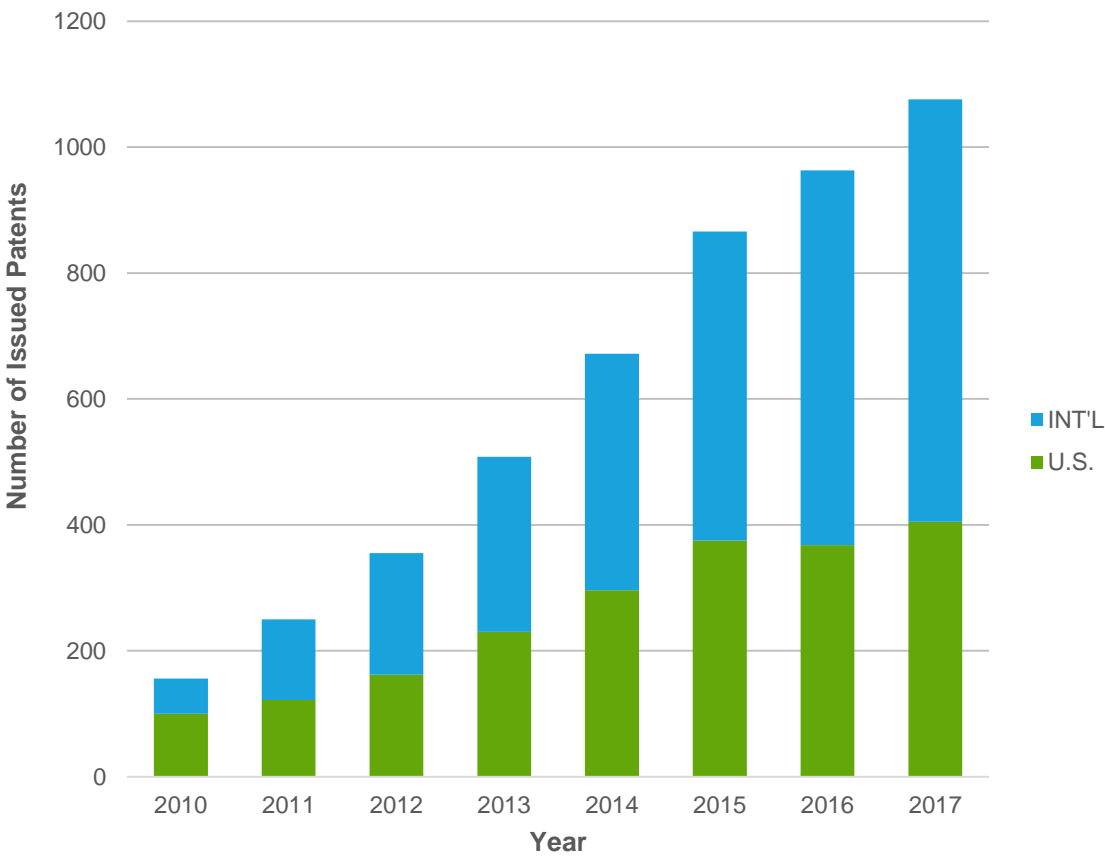


# IP Protection Strategy



# Patent Portfolio

## Growth of U.S. and Int'l Patent Portfolio



## Top Electronic Patent Powerhouses - 2017

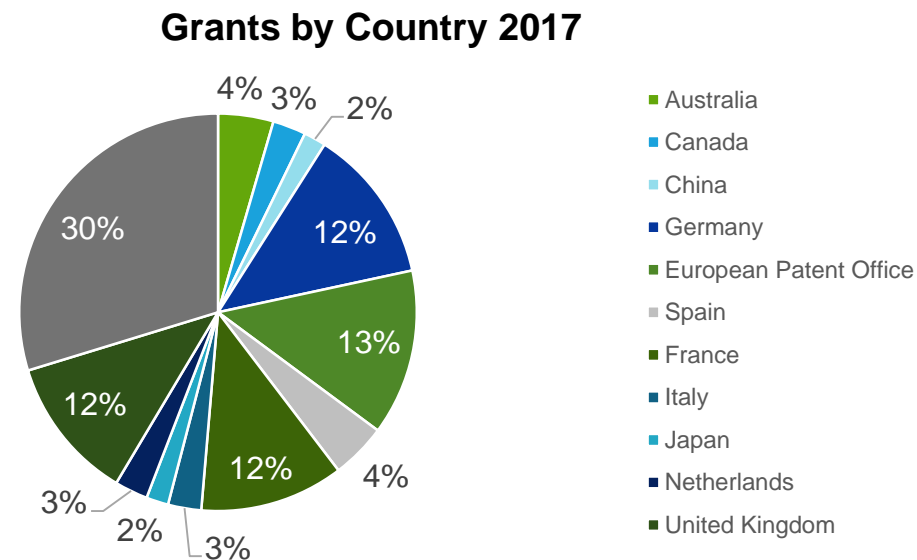
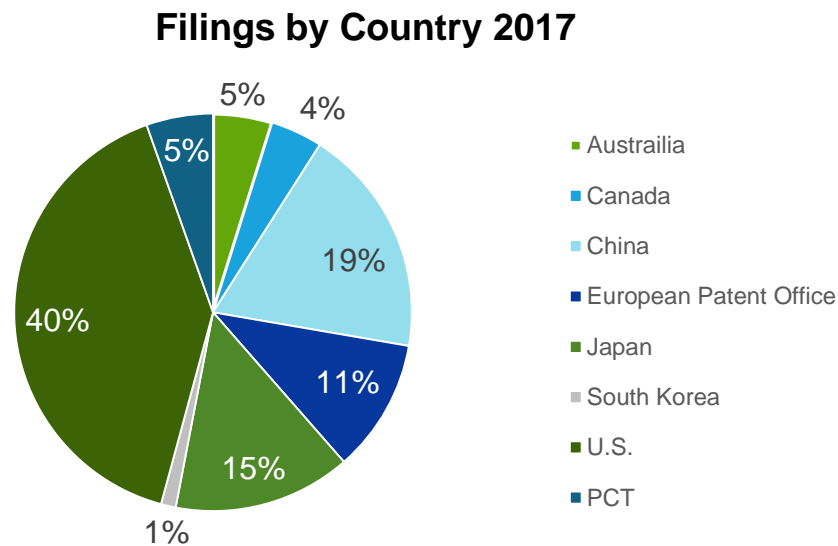
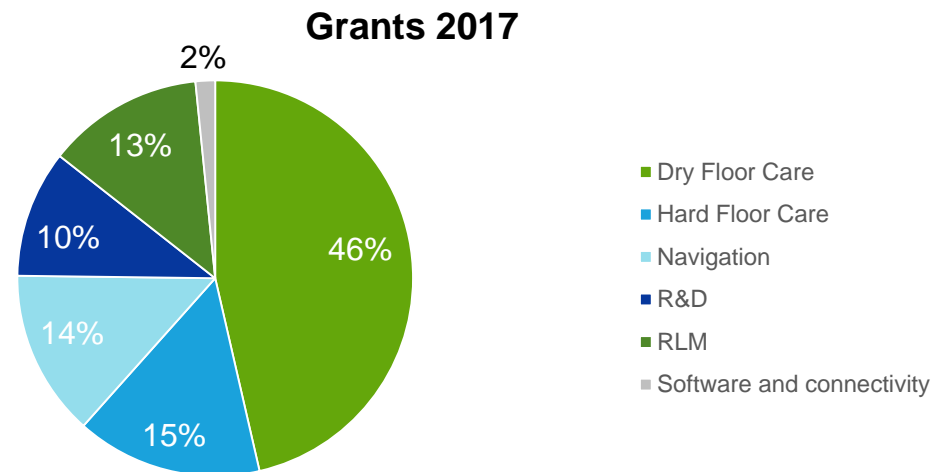
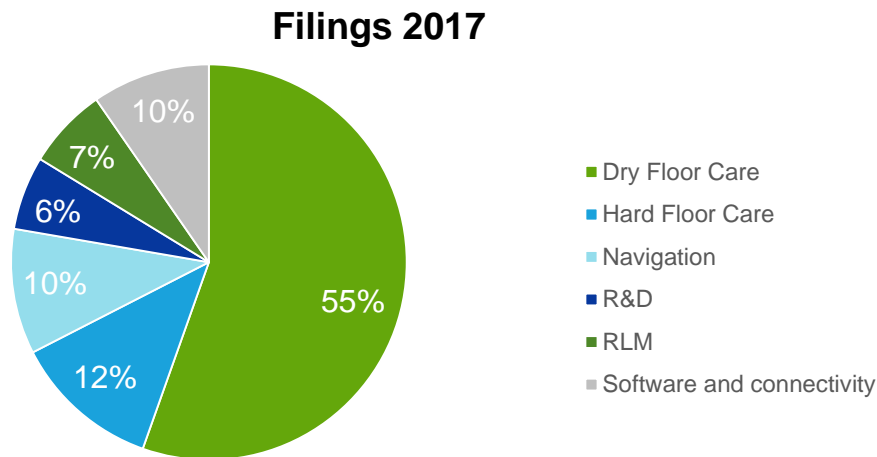
Rank	Company	Headquarters
1	Apple Inc.	U.S.
2	Sonos	U.S.
3	LG Electronics Inc.	South Korea
4	GoPro Inc.	U.S.
5	<b>Robot</b>	U.S.
6	Dolby Laboratories Inc.	U.S.
7	Sony Corp.	Japan
8	Canon Inc.	Japan
9	Koninklijke Philips NV	Netherlands
10	Hand Held Products Inc. (Honeywell)	U.S.



Source: IEEE 2017 Patent Power (Dec. 2017)

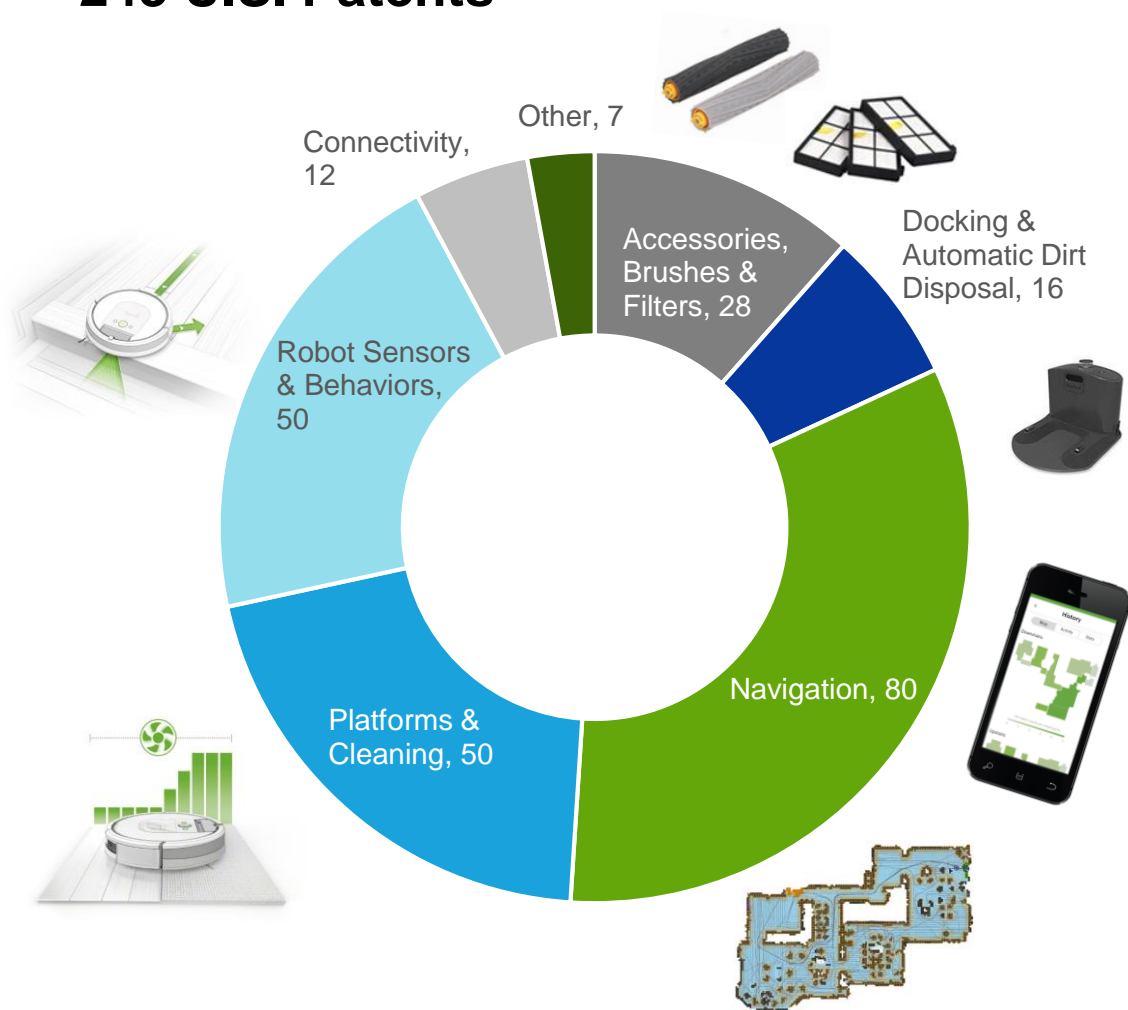


# Patent Portfolio






















# Roomba Portfolio

## 243 U.S. Patents



## 436 International Patents

Tier			
1			123
2			125
			
3			117
			
			
			
			
4			71
			



# Enforcement

## Overview of 2017 IP Litigation

### Respondents

#### N.A. Brands

- Black & Decker
- Bobsweep
- Bissell
- Hoover

#### Chinese Brands

- iLife

#### OEMS

- Suzhou RealPower
- Matsutek
- SSSIT

### Patents

#### Goal

Utilize a set of patents with broad coverage of multiple features on the infringing products

- U.S. 7,155,308  
IR Cliff Detection
- U.S. 9,038,233  
Spinning sidebrush
- U.S. 8,474,090  
Wheel biasing
- U.S. 8,600,553  
Light touch
- U.S. 6,809,490  
Multi-mode
- U.S. 9,486,942  
Mobile phone scheduling

### ITC

#### Timeline

April 2017

Filed ITC and district court actions

October 2017

Markman hearing

March 2018

Hearing

June 2018

Initial determination

October 2018

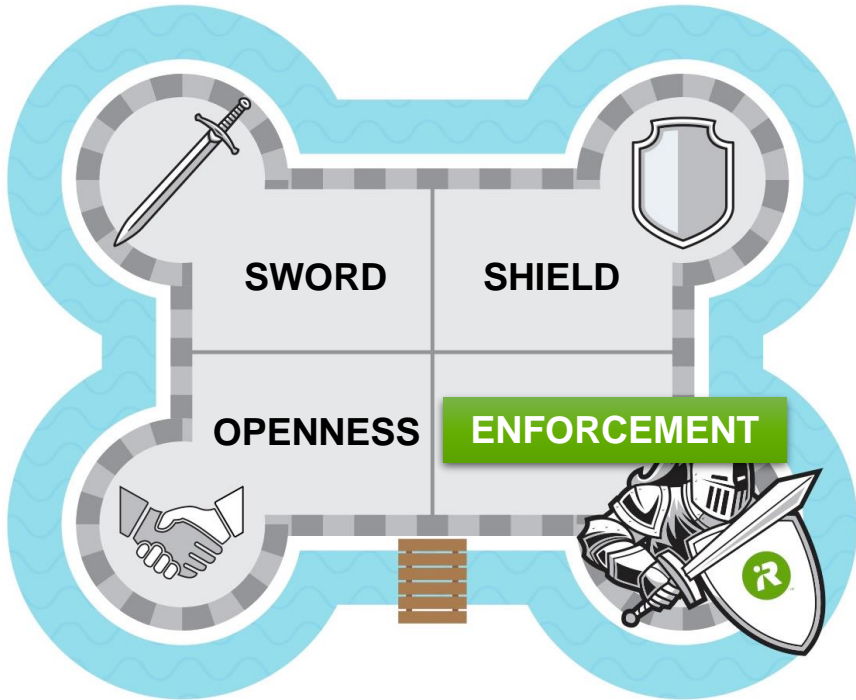
Final determination

Note: District court actions are all stayed



# Enforcement

## Success



### Focus of Litigation:

bOb sweep

ILIFE®



Xrobot

### Settlement:



**iRobot®**

**05**

**Alison Dean**

**CFO**



# Our Strategy

Consistently deliver on our financial commitments.....

- Global revenue growth
- Strong and stable gross margins
- Disciplined investment in innovation and brand leadership
- Operating Income expansion
- Healthy cash flow generation

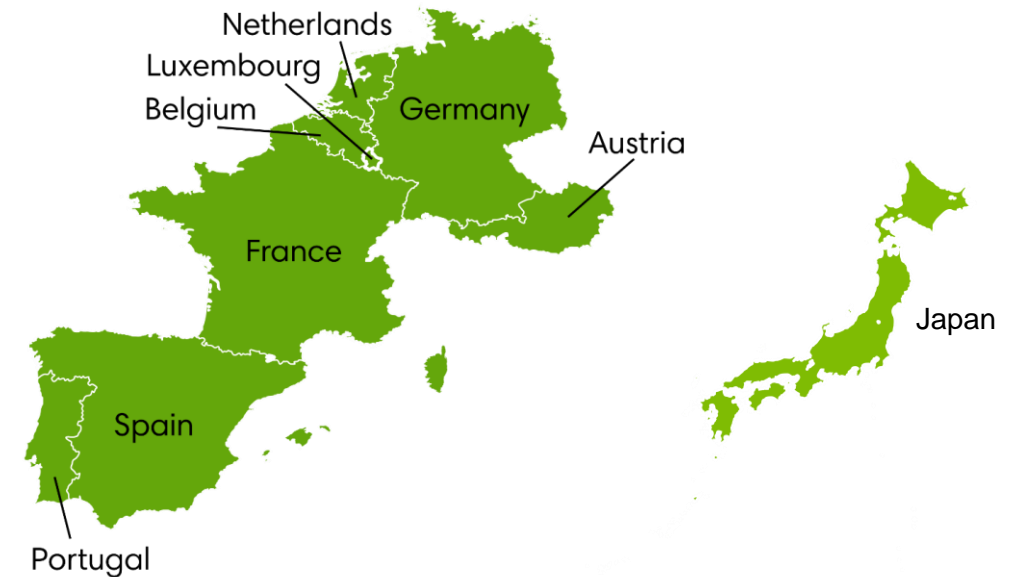
....while aggressively pursuing our market opportunity

Creating long term, sustainable shareholder value



# iRobot's Strategic Transformation

- Divested Defense business (early 2016)
- Discontinued Remote Presence
- Aligned company on consumer/home focused strategy
- Extend Direct Go-to-Market model through acquisition
  - Japan – SODC acquisition
  - Western Europe – Robopolis acquisition



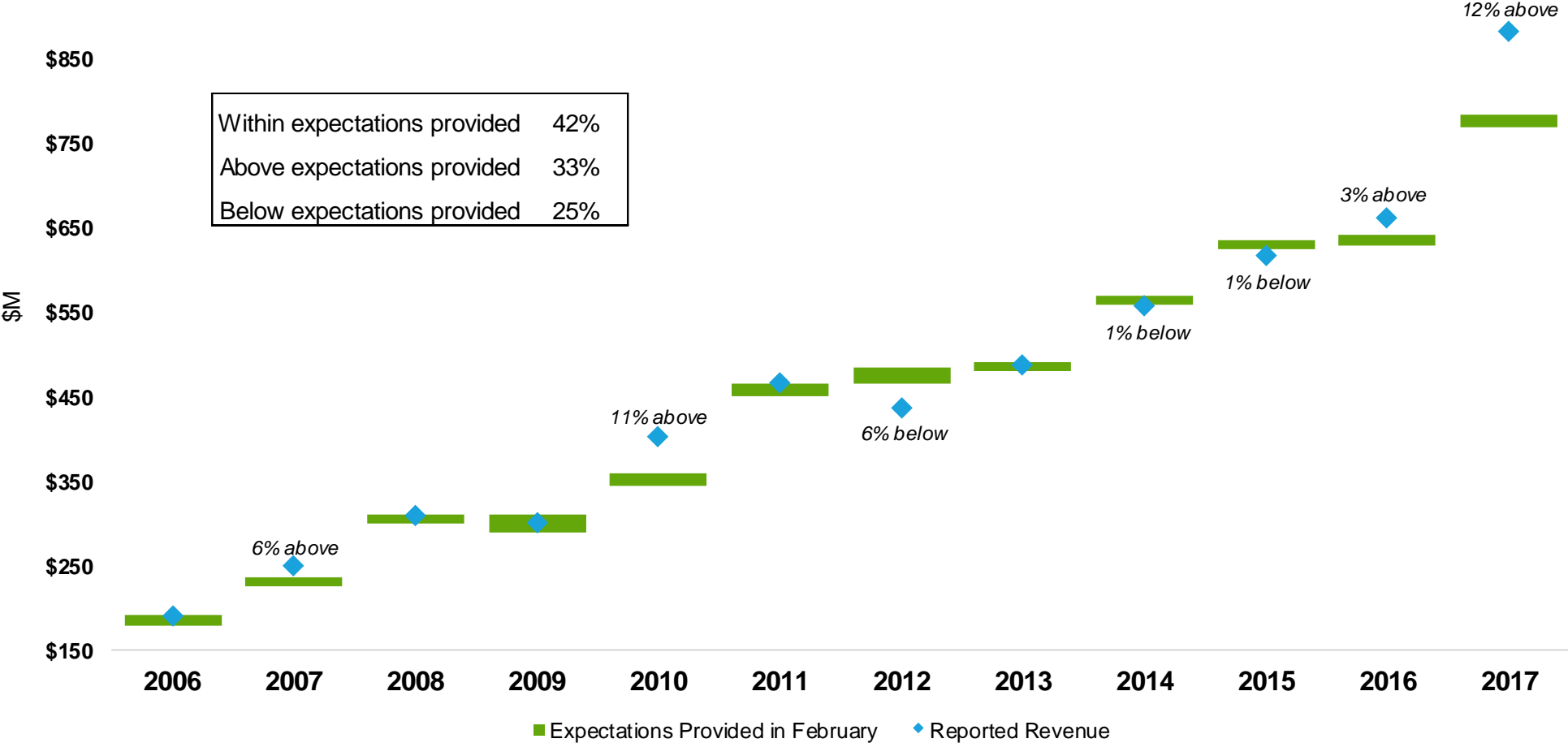
# Delivered Strong Financial Performance

\$M, excluding EPS	FY15	FY16	FY17
Revenue	617	661	884
Revenue Growth	11%	7%	34%
<b>Consumer Revenue Growth</b>	<b>10%</b>	<b>17%</b>	<b>35%</b>
<b>GM%</b>	<b>47%</b>	<b>48%</b>	<b>49%</b>
OPEX % of Revenue	37%	40%	41%
Operating Income	61	58	73
Operating Income %	10%	9%	8%
EPS	1.47	1.48	1.77
EPS before Tax Reform			2.18

Execution against financial commitments while undergoing significant strategic change

# Historical results reflect consistent execution over time

Reported Revenue vs Expectations Provided in February



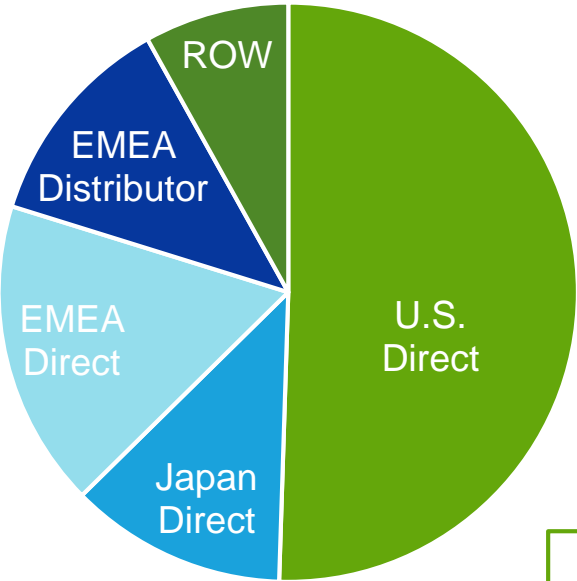
- Publicly traded company beginning in 2006
- 2017 expectations included SODC acquisition impact but not Robopolis impact

February expectations represent our best view of risks & opportunities

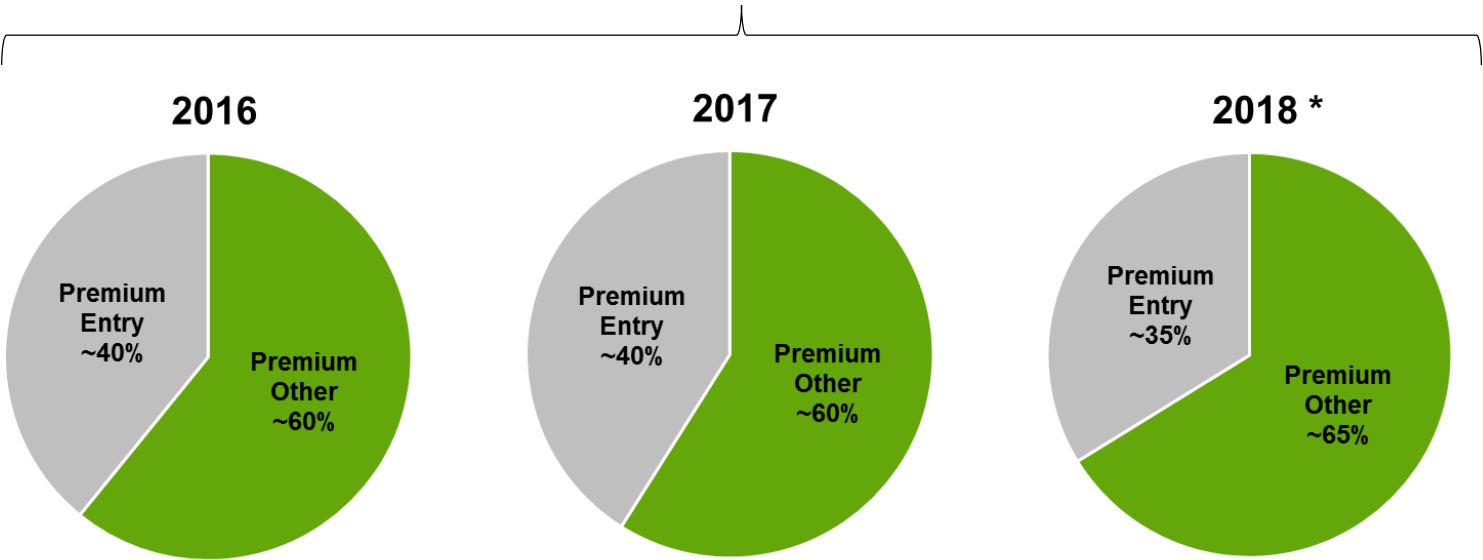


# 2018 Revenue Profile

2018 \* Total Revenue by Region



Roomba Revenue Mix



Roomba is the main revenue driver (units)

Braava revenue growth continues

ASP increase in Japan and Direct EMEA countries due to forward integration

20-25% of revenue expected from new products

Revenue growth remains very strong across the globe

\*Based on expectations provided 2/7/18



# 2018 Expectations: Key Messages

\$M	FY17 Actual	FY18 Expectations *
Revenue	884	1,050 - 1,080
YoY Growth	34%	19% - 22%
Gross Margin	49%	50% - 51%
R&D	13%	13%
S&M	18%	19% - 20%
G&A	10%	9%
OI	8%	8% - 9%

Strong global growth continues

Gross Margin expansion from acquisitions delivered

Maintain investment in innovation and product development

Full year cost of acquired businesses and continued investment to create awareness & adoption and support new product launches

Leverage G&A globally

Plan assumes reinvesting incremental margin to drive critical 2018 launches and future growth initiatives

# Capital Allocation Strategy

R&D			
Core		Emerging	Future
Organic	Lower Risk	Medium Risk	Higher Risk
	Significant Revenue and Profit Contribution	Market Validation	Exploration
Target R&D Investment: 65% - 70%		20% - 25%	5% - 10%
Inorganic	← Acquisitions →		
	← iRobot Ventures →		

Regular review to address industry and market evolution and company requirements

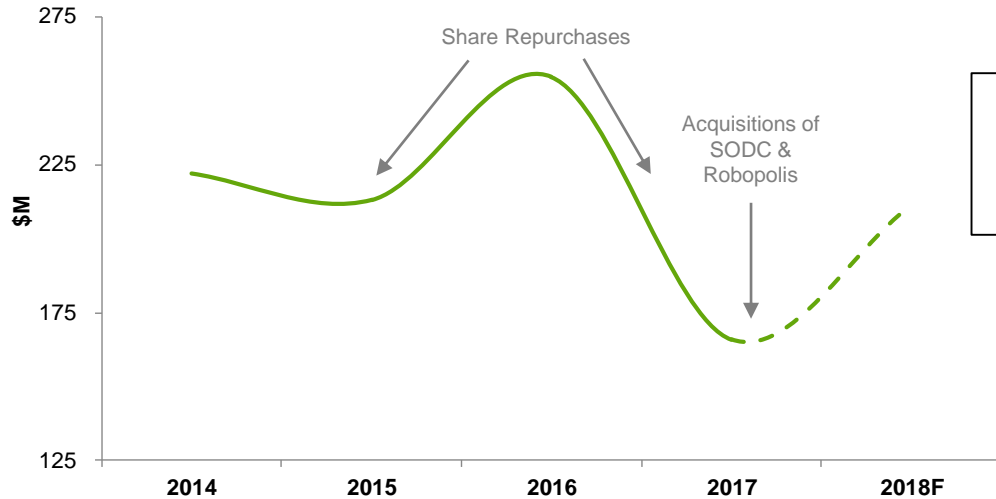


# Tax Reform: Impact in 2017 and 2018

	FY17 Actual	FY18 Estimate
Federal Tax Rate	35%	21%
SEC 199 Deduction	(8%)	
State Tax	3%	~3%
Foreign Rate Differential	(1%)	~3%
Other	5%	
<b>Natural Tax Rate</b>	<b>34%</b>	<b>25 - 27%</b>
Discrete Items:		
Stock Comp Windfall	(15%)	
Remeasurement of DTA	12%	
Provisional Repatriation Toll Charge	4%	
Other	(1%)	
<b>Effective Tax Rate</b>	<b>33%</b>	<b>25 - 27%</b>

# Balance Sheet & Cash Flow

## Cash Trends



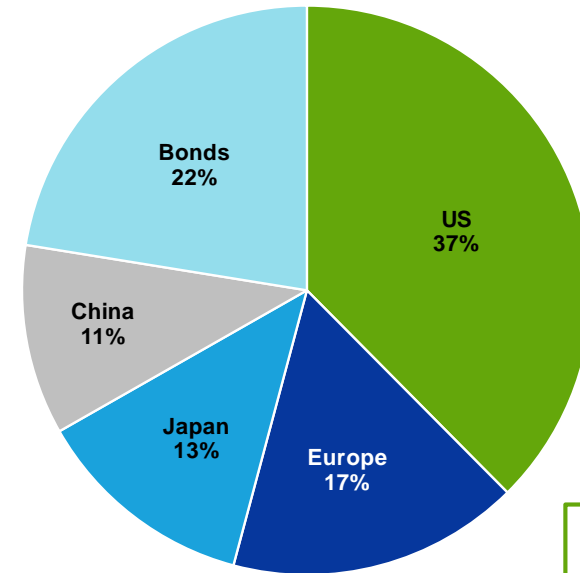
### Primary Uses

Acquisitions  
**Share Repurchases**  
 Capital Investment  
 iRobot Ventures

Company effectively generated and invested cash and returned excess to shareholders.

Note: Cash includes cash, cash equivalents, and short term investments

## YE-17 Cash Profile

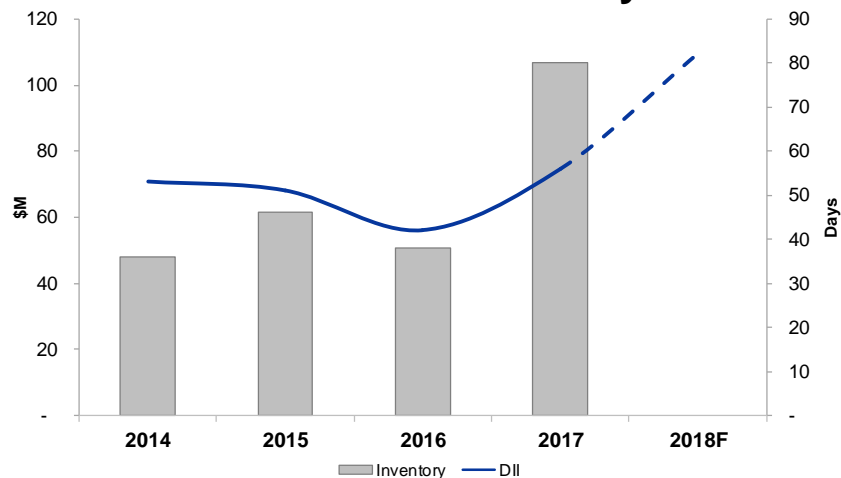


### Additional Capacity

- \$75M revolver
- \$125M accordion

Cash generation expands globally.

## Inventory

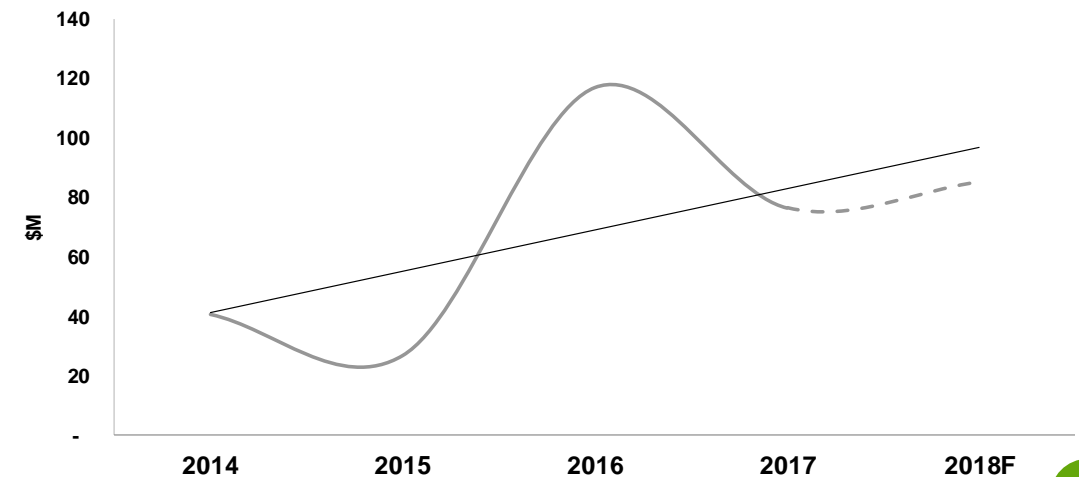


### Inventory Optimization

- Warehousing strategy & logistics optimization underway

International go-to-market strategy requires higher on hand inventory.

## Operating Cash Flow



# Financial Targets

\$M, excluding EPS	FY17 Actual	FY18 Expectations Provided *	FY19 / FY20 LTFM Targets
Revenue	884	1,050 - 1,080	~ 20%
YoY Growth	34%	19% - 22%	
Gross Margin %	49%	50%- 51%	50%
Operating Income %	8%	8% - 9%	Growing to 10%
EPS	1.77	2.10 - 2.35	NA

Strong revenue growth expected through 2020 with increasing operating income

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Low Household Penetration

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Accelerating Global RVC Category Growth

4

Product and Technology Leadership



# Thank You

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***iRobot®***