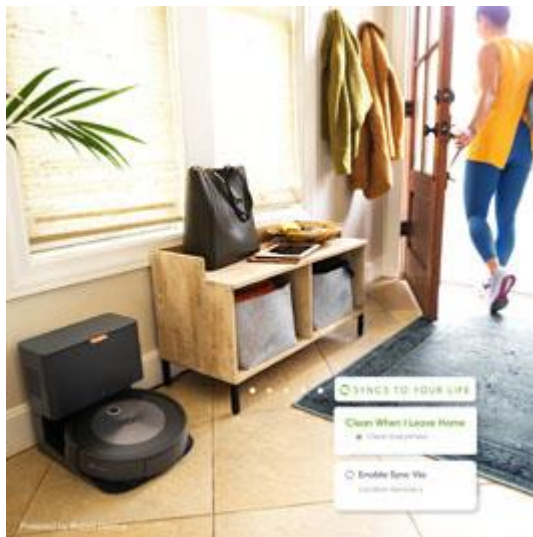


**iRobot Aeris Cleantec Acquisition Conference Call
Prepared Remarks**



November 18, 2021

iRobot Aeris Acquisition Conference Call

Operator:

Good day everyone and welcome to the iRobot Aeris acquisition conference call. This call is being recorded. At this time for opening remarks and introductions, I would like to turn the call over to Andrew Kramer of iRobot Investor Relations. Please go ahead.

Andrew:

Thank you operator, and good morning everybody. Joining me on today's call are iRobot Chairman & CEO Colin Angle and Executive Vice President and CFO Julie Zeiler.

Before I set the agenda for today's call, I will note that statements made on today's call that are not based on historical information are forward-looking statements made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995.

This conference call may contain expressed or implied forward-looking statements relating to the company's financial results, operations and performance, including; expectations regarding market conditions and the growth of the air purification market in general and the premium segment of that market in particular; the introduction of new products or new capabilities and features to our products; our expectations regarding the sales, marketing and operations synergies associated with the Aeris business; the future financial performance of the Aeris business and iRobot during the fourth quarter of 2021 and the full fiscal years 2022 and 2023; the future financial impact of our air purification products; and our view of the total addressable market for an expanded set of market opportunities.

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 the forward-looking statements. In

particular, the risks and uncertainties include those contained in our public filings with the Securities and Exchange Commission. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. iRobot undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or circumstances or otherwise.

For today's call, our agenda will be as follows. Colin will share his perspective on the strategic rationale behind today's news. Julie will review some of the high-level financial details in support of the transaction and its potential impact on the business going forward. Colin will conclude our commentary with some closing remarks. After that, we'll open the call for questions.

At this point, I'll turn the call over to Colin Angle.

Colin:

Good morning and thank you for joining us on relatively short notice. We are excited to discuss today's announcement that we have acquired Aeris Cleantech AG, a Swiss-based company that designs and sells a range of high-quality, high-performance air purifiers to consumers around the world. By acquiring the Aeris portfolio of premium air purifiers, we have taken a small but important step to help realize iRobot's vision to build the world's most thoughtful robotics and develop intelligent home innovations that make life better. I'd like to spend the next several minutes outlining our rationale for this acquisition.

Air purification is an attractive adjacent category for us to enter. The global residential air purification market was over \$3.4 billion in 2020 and is expected to nearly double to \$6.7 billion by 2027.¹ Based on our internal research, we expect that the premium segment of this category will grow faster than the broader market. This bright outlook is in part a byproduct of the pandemic, which has increased consumer awareness of the value of maintaining a cleaner, healthier home. Just as important, when we most recently surveyed our customers, they told us that air purification was the single most appealing adjacency. In fact, many customers already thought we participated in this product category.

Aeris is a great fit for iRobot. Like iRobot, Aeris was born out of technology developed at MIT when it was founded five years ago. The company's air brand of premium air purifiers help people improve air quality in their homes by quietly removing a wide range of pollutants, including allergens, smoke, odors and pet dander. Aeris' products are distinguished by their sophisticated design, quality craftsmanship, HEPA filtration, state-of-the-art engineering and software intelligence. As an engineer, what really stands out for me is that, based on an innovative design, their air purifiers simply move more air through a better filter quietly, effectively and efficiently.

¹ Grandview Research, Air Purifier Market Analysis 2020

Despite the obvious differences between the two companies' products, we share a similar philosophy for product design and competitive differentiation. Like iRobot in RVCs, Aeris is succeeding in the premium segment of a growth-oriented category by providing its customers with products that leverage the insights and technologies necessary to operate their products according to their unique, personalized needs and tastes. While Aeris' product development plans for 2022 would be compelling on their own, we are most excited about what our two companies will accomplish together.

We see tremendous potential to extend the AI, home understanding and other relevant technologies that power our Genius Home Intelligence Platform into air purification. As we noted on our Q3 results call last month, we see Genius as a fundamental building block to help us create a larger ecosystem as we enter new, adjacent robotic and smart home categories. By integrating elements of our Genius technology into the Aeris product portfolio, we expect to further extend our competitive differentiation in this category with air purification systems which will be unique for their intelligence and resulting performance.

Aeris is still in the earliest stages of its growth and will benefit from iRobot's extensive global network of retailers and distributors, strong brand and marketing expertise. Aeris is on track this year to more than double its 2020 revenue of \$8 million. As we execute on our innovation and go-to-market strategies, our commercial teams across North America, EMEA and the Asia Pacific region are confident that they can expand the number of retailers and distributors that sell our air purifier products. Just as important, we plan to market the Aeris products directly to our growing base of more than 12.5 million connected customers.

Cross-selling and up-selling air purifiers to our connected customers fits perfectly into our strategy to drive existing customer revenue growth and improve our profitability over the coming years. Over the past 18 months, we've made substantial investments in our people, processes and technology infrastructure to deliver a world-class online buying experience and put the right offers in front of the right customers at the right time.

Looking at the retail and DTC sales synergies, we are optimistic that air purification will be a \$150 million in annual revenue product category for iRobot within the next several years while also helping improve the long-term profit profile of our company.

To make that happen, we plan to prioritize marketing investments in 2022 that will rebrand the Aeris products and build broader consumer awareness for them. As we begin to integrate Aeris into our organization, we plan to begin selling air purification directly on our website, app and other digital channels during the second half of next year. We also expect to advance initiatives aimed at optimizing manufacturing synergies, lowering overall production costs and driving logistics efficiencies. We expect that the investments we make to drive growth in combination with a range of supply chain initiatives will enable this transaction to be accretive to our earnings in 2023.

In summary, we are excited to welcome the Aeris team into the iRobot family. This transaction accomplishes a number of important objectives:

- It supports our product diversification ambitions and expands our total addressable market.
- It presents us with substantial opportunities to innovate in ways that will elevate our value proposition to consumers worldwide.
- It creates significant sales synergies by leveraging our existing retail distribution channels and marketing capabilities to bring the Aeris products to a wider range of consumers around the globe.
 - Related to this, it enables us to provide our expansive, expanding connected customer base with another compelling reason to transact directly with us.
- Finally, as we execute on our go-to-market, innovation and integration plans, it will help us drive solid revenue growth and convert it into better profitability, strong earnings growth and robust cash generation over the coming years.

At this point, I will pass the call over to Julie for some additional color on the financial parameters of the deal and our financial expectations for it going forward. Julie?

Julie:

Thank you Colin. As Colin discussed, this is an exciting milestone that enables iRobot to enter a natural, growth-oriented adjacency with a strong set of premium products.

In terms of the transaction details, we acquired Aeris for an initial cash payment of just over \$70 million with a modest potential earn out that is contingent on achieving certain financial targets next year.

As Colin alluded to, Aeris is still quite small. With the transaction completed, all 30+ Aeris employees have already joined iRobot including the firm's co-founders who will lead our newly created air purification product operations group that includes engineering, product management and design. With only 6 weeks left until the end of the quarter, we expect Aeris will contribute less than \$3 million to our Q4 revenue with an operating loss of less than \$2 million primarily as a result of elevated sales and marketing costs during the holiday season.

As we plan for 2022, we are optimistic that revenue from our air purification products will at least double Aeris' full-year 2021 revenue of less than \$20 million. From a profitability perspective, we expect that the Aeris business will be modestly dilutive to iRobot's full-year 2022 earnings as we invest the resources necessary to rebrand these products and sell them directly on our website as well as to retailers and distribution partners around the world. As we execute on these plans, we anticipate improved operating performance from this product category during the second half of next year and that this transaction will be accretive to our full-year 2023 earnings as we build further top-line momentum.

That concludes my comments. I will turn it over to Colin before we open the call to questions.

Colin:

Thank you Julie.

This acquisition is a very exciting step forward into the smart home marketplace and further crystalizes our vision for iRobot. The guiding north star for iRobot has always been about using our technology to empower people to do more. Accordingly, we moved forward focused on building the world's most thoughtful robotics and intelligent home innovations to make life better. Ultimately, we believe our products and services will help people live longer and more independently in their homes. To make that happen, the smart home must be:

- **M**aintained
- **E**fficient
- **S**ecure and
- **H**ealthy

This M.E.S.H. acronym helps illustrate how we are now thinking about adjacent product categories that may be attractive for iRobot as we move forward. Our core floor cleaning robots, Roomba and Braava, support maintenance. Adding the Aeris air purification products extends iRobot into home health. The myriad of product categories that support a M.E.S.H. home is a 10x multiplier to our TAM, increasing it from \$20+ billion for floor care to well over \$200 billion. In addition to pursuing partnerships and M&A to enter new markets, we are realigning our engineering resources in ways that help us drive innovation and move into new categories. We will plan to share more insight about our vision, strategy, products, go-to-market, operations and updated financial profile when we host our Investor Day on December 9. In the meantime, we are happy to answer questions about this transaction during Q&A. That concludes our comments. Operator, we will take questions now.