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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED September 26, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 001-36414

iROBOT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**77-0259335**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

8 Crosby Drive
Bedford, MA 01730
(Address of principal executive offices, including zip code)

(781) 430-3000
(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	IRBT	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

The number of shares outstanding of the Registrant’s Common Stock as of October 24, 2020 was 28,127,338.

iROBOT CORPORATION
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 26, 2020
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PART I: FINANCIAL INFORMATION

PART II: OTHER INFORMATION

iROBOT CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)
(unaudited)

	September 26, 2020	December 28, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 297,206	$ 239,392
Short term investments	60,130	17,032
Accounts receivable, net	179,709	146,161
Inventory	218,134	157,347
Other current assets	52,525	34,285
Total current assets	807,704	594,217
Property and equipment, net	78,296	75,988
Operating lease right-of-use assets	45,186	47,478
Deferred tax assets	33,834	41,791
Goodwill	122,575	118,732
Intangible assets, net	10,146	12,352
Other assets	19,079	30,195
Total assets	$ 1,116,820	$ 920,753
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 162,346	$ 116,185
Accrued expenses	94,769	81,768
Deferred revenue and customer advances	7,858	4,549
Total current liabilities	264,973	202,502
Operating lease liabilities	51,897	54,928
Deferred tax liabilities	986	912
Other long-term liabilities	17,050	10,342
Total long-term liabilities	69,933	66,182
Total liabilities	334,906	268,684
Commitments and contingencies (Note 11)		
Preferred stock, 5,000 shares authorized and none outstanding	—	—
Common stock, $0.01 par value, 100,000 shares authorized; 28,120 and 28,352 shares issued and outstanding, respectively	281	284
Additional paid-in capital	194,628	196,455
Retained earnings	586,054	452,321
Accumulated other comprehensive income	951	3,009
Total stockholders' equity	781,914	652,069
Total liabilities and stockholders' equity	$ 1,116,820	$ 920,753

The accompanying notes are an integral part of the consolidated financial statements.

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Revenue	$ 413,145	$ 289,399	$ 885,563	$ 787,232
Cost of revenue:				
Cost of product revenue	214,079	149,463	429,060	403,392
Amortization of acquired intangible assets	225	3,095	1,695	9,283
Total cost of revenue	214,304	152,558	430,755	412,675
Gross profit	198,841	136,841	454,808	374,557
Operating expenses:				
Research and development	38,613	33,401	111,929	104,320
Selling and marketing	50,488	42,257	136,144	137,502
General and administrative	28,490	18,372	74,919	61,871
Amortization of acquired intangible assets	256	256	764	796
Total operating expenses	117,847	94,286	323,756	304,489
Operating income	80,994	42,555	131,052	70,068
Other income, net	42,240	900	41,837	3,713
Income before income taxes	123,234	43,455	172,889	73,781
Income tax expense	29,982	7,923	39,156	8,522
Net income	$ 93,252	$ 35,532	$ 133,733	$ 65,259
Net income per share:				
Basic	$ 3.33	$ 1.26	$ 4.76	$ 2.33
Diluted	$ 3.27	$ 1.24	$ 4.69	$ 2.27
Number of shares used in per share calculations:				
Basic	28,031	28,154	28,084	28,029
Diluted	28,539	28,650	28,502	28,759

The accompanying notes are an integral part of the consolidated financial statements.

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net income	$ 93,252	$ 35,532	$ 133,733	$ 65,259
Other comprehensive income (loss):				
Net foreign currency translation adjustments	5,600	(4,902)	6,864	(5,578)
Net unrealized (losses) gains on cash flow hedges, net of tax	(8,418)	8,175	(5,379)	11,437
Net gains on cash flow hedge reclassified into earnings, net of tax	(745)	(138)	(3,533)	(300)
Net unrealized (losses) gains on marketable securities, net of tax	(30)	36	(10)	244
Total comprehensive income	$ 89,659	$ 38,703	$ 131,675	$ 71,062

The accompanying notes are an integral part of the consolidated financial statements.

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Three Months Ended					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income ("AOCI")	Stockholders' Equity
	Shares	Value				
Balance at June 27, 2020	27,998	$ 280	$ 184,436	$ 492,802	$ 4,544	$ 682,062
Issuance of common stock under employee stock plans	10	—	358			358
Vesting of restricted stock units	113	1	(1)			—
Stock-based compensation			9,843			9,843
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(1)	—	(29)			(29)
Other comprehensive loss					(3,593)	(3,593)
Directors' deferred compensation			21			21
Net income				93,252		93,252
Balance at September 26, 2020	28,120	$ 281	$ 194,628	$ 586,054	$ 951	$ 781,914

	Nine Months Ended					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income ("AOCI")	Stockholders' Equity
	Shares	Value				
Balance at December 28, 2019	28,352	$ 284	$ 196,455	$ 452,321	$ 3,009	$ 652,069
Issuance of common stock under employee stock plans	122	1	4,047			4,048
Vesting of restricted stock units	356	3	(3)			—
Stock-based compensation			20,904			20,904
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(46)		(1,845)			(1,845)
Other comprehensive loss					(2,058)	(2,058)
Directors' deferred compensation			63			63
Stock repurchases	(664)	(7)	(24,993)			(25,000)
Net income				133,733		133,733
Balance at September 26, 2020	28,120	$ 281	$ 194,628	$ 586,054	$ 951	$ 781,914

The accompanying notes are an integral part of the consolidated financial statements.

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Three Months Ended					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) ("AOCI")	Stockholders' Equity
	Shares	Value				
Balance at June 29, 2019	28,123	$ 281	$ 184,663	$ 396,748	$ (2,116)	$ 579,576
Issuance of common stock under employee stock plans	9	—	301			301
Vesting of restricted stock units	113	1	(1)			—
Stock-based compensation			4,284			4,284
Other comprehensive income					3,171	3,171
Directors' deferred compensation			21			21
Net Income				35,532		35,532
Balance at September 28, 2019	28,245	$ 282	$ 189,268	$ 432,280	$ 1,055	$ 622,885

	Nine Months Ended					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) ("AOCI")	Stockholders' Equity
	Shares	Value				
Balance at December 29, 2018	27,788	$ 278	$ 172,771	$ 367,021	$ (4,748)	$ 535,322
Issuance of common stock under employee stock plans	125	1	4,980			4,981
Vesting of restricted stock units	391	4	(4)			—
Stock-based compensation			18,742			18,742
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(59)	(1)	(7,276)			(7,277)
Other comprehensive income					5,803	5,803
Directors' deferred compensation			55			55
Net Income				65,259		65,259
Balance at September 28, 2019	28,245	$ 282	$ 189,268	$ 432,280	$ 1,055	$ 622,885

The accompanying notes are an integral part of the consolidated financial statements.

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended	
	September 26, 2020	September 28, 2019
Cash flows from operating activities:		
Net income	$ 133,733	$ 65,259
Adjustments to reconcile net income to net cash provided by (used in) operating activities, net of the effects of acquisition:		
Depreciation and amortization	25,705	27,744
Gain on equity investment	(43,480)	—
Stock-based compensation	20,904	18,742
Deferred income taxes, net	10,939	(5,873)
Other	4,785	4,687
Changes in operating assets and liabilities — (use) source		
Accounts receivable	(32,572)	(10,948)
Inventory	(61,006)	(83,863)
Other assets	(20,718)	(8,155)
Accounts payable	46,098	(27,256)
Accrued expenses and other liabilities	12,358	(11,916)
Net cash provided by (used in) operating activities	96,746	(31,579)
Cash flows from investing activities:		
Additions of property and equipment	(25,031)	(27,080)
Change in other assets	(3,729)	(5,336)
Cash paid for business acquisition, net of cash acquired	—	(2,817)
Sales and maturities of investments	10,500	9,380
Net cash used in investing activities	(18,260)	(25,853)
Cash flows from financing activities:		
Proceeds from employee stock plans	4,048	4,981
Income tax withholding payment associated with restricted stock vesting	(1,845)	(7,277)
Stock repurchases	(25,000)	—
Net cash used in financing activities	(22,797)	(2,296)
Effect of exchange rate changes on cash and cash equivalents	2,125	(103)
Net increase (decrease) in cash and cash equivalents	57,814	(59,831)
Cash and cash equivalents, at beginning of period	239,392	130,373
Cash and cash equivalents, at end of period	$ 297,206	$ 70,542

The accompanying notes are an integral part of the consolidated financial statements.

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Description of Business

iRobot Corporation ("iRobot" or the "Company") designs and builds robots that empower people to do more both inside and outside of the home. iRobot's consumer robots help people find smarter ways to clean and accomplish more in their daily lives. The Company's portfolio of solutions features proprietary technologies for the connected home and advanced concepts in cleaning, mapping and navigation, human-robot interaction and physical solutions. Leveraging this portfolio, our engineers are building an ecosystem of robots to empower the smart home. The Company’s revenue is primarily generated from product sales through a variety of distribution channels, including chain stores and other national retailers, through the Company's own website and app, dedicated e-commerce websites, the online arms of traditional retailers, and through value-added distributors and resellers worldwide.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include those of iRobot and its subsidiaries, after elimination of all intercompany balances and transactions. iRobot has prepared the accompanying unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP").

In the opinion of management, all adjustments necessary to the unaudited interim consolidated financial statements have been made to state fairly the Company's financial position. Interim results are not necessarily indicative of results for the full fiscal year or any future periods. The information included in this Form 10-Q should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in its Annual Report on Form 10-K for the fiscal year ended December 28, 2019, filed with the Securities and Exchange Commission on February 13, 2020.

The Company operates and reports using a 52-53 week fiscal year ending on the Saturday closest to December 31. Accordingly, the Company’s fiscal quarters end on the Saturday that falls closest to the last day of the third month of each quarter.

Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, "Measurement of Credit Losses on Financial Instruments," which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments. The Company adopted the standard effective December 29, 2019 which resulted in no adjustment to the allowance for credit losses upon adoption. See the description of the Company’s "Credit Losses" accounting policy below.

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement: Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement." The amendment modifies disclosure requirements related to fair value measurement. The Company adopted this standard effective December 29, 2019 which did not have a material impact on the Company's consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software." The new standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The Company adopted the standard using the prospective method effective December 29, 2019 which did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Standards

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes - Simplifying the Accounting for Income Taxes." The ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles as well as clarifying and amending existing guidance to improve consistent application. The amendments to this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. Depending on the amendment, adoption may be applied on the retrospective, modified retrospective or prospective basis. The Company intends to adopt the ASU effective January 3, 2021, and is currently evaluating the impact to the consolidated financial statements.

From time to time, new accounting pronouncements are issued by FASB that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that recently issued standards, which are not yet effective, will not have a material impact on the Company’s consolidated financial statements upon adoption.

Impact of COVID-19

The global pandemic related to the novel coronavirus ("COVID-19") has resulted in significant economic disruption. The pandemic and associated actions and measures implemented by governments around the world to slow the spread of COVID-19 have altered macroeconomic conditions and created recession-like environments around the world. These dynamics had an adverse impact on the Company's financial and operating results during the first quarter of 2020. At the same time, mandated orders to "shelter-in-place" and other social distancing measures have directly and indirectly affected sales and supply chain activities.

During the second quarter of 2020, the Company observed increased demand as maintaining a clean home took on greater prominence during the pandemic with sell-through momentum building globally. The favorable demand environment continued to strengthen in the third quarter of 2020 with stronger-than-anticipated retail orders and robust growth in direct-to-consumer sales. As the global pandemic situation remains dynamic and subject to rapid and possibly material changes, additional impacts may arise of which the Company is not currently aware. The nature and extent of such impacts will depend on future developments, which are still highly uncertain. The Company will continue to actively monitor the situation and may take further actions that alter the business operations as may be required by federal, state, local or foreign authorities, or that the Company determines are in the best interests of its employees, customers, and stockholders.

In light of the COVID-19 pandemic, the Company evaluated its assets for impairment, including strategic investments, goodwill and long-lived assets. The Company considered the current and expected future economic and market conditions and determined that no impairment existed as of September 26, 2020. However, the Company is unable to predict how long the pandemic will persist or the timing and speed of any economic recovery that may follow. Any measures that prolong shelter-in-place or restrict business activities are highly likely to be harmful to the consumer product retail industry in general, and consequently, to the Company's business.

Use of Estimates

The preparation of these financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses. These estimates and judgments include, but are not limited to, revenue recognition, including performance obligations, variable consideration and other obligations such as product returns and incentives; allowance for credit losses; warranty costs; valuation of goodwill and acquired intangible assets; valuation of financial instruments; evaluating loss contingencies; accounting for stock-based compensation including performance-based assessments; and accounting for income taxes and related valuation allowances. The Company bases these estimates and judgments on historical experience, market participant fair value considerations, projected future cash flows and various other factors that the Company believes are reasonable under the circumstances. Actual results may differ from the Company’s estimates.

Credit Losses

The Company is exposed to credit losses primarily through sales of its products. The Company assesses each customer's ability to pay by conducting a credit review which includes consideration of established credit ratings or an internal assessment of the customer's creditworthiness based on an analysis of their financial information when a credit rating is not available. The Company monitors the credit exposure through active review of customer balances. The Company's expected loss methodology for accounts receivable is developed using historical collection experience, current customer credit ratings, current and future economic and market conditions and a review of the current status of customers' account balances. Although the Company historically has not experienced significant credit losses as it relates to trade accounts receivable, the COVID-19 pandemic has caused uncertainty in some customer accounts. The Company recorded its estimate of credit losses, resulting in an increase to the reserve and bad debt expense, of $1.0 million and $5.5 million during the three and nine months ended September 26, 2020, respectively. As of September 26, 2020 and December 28, 2019, the Company had an allowance for credit losses of $6.5 million and $1.2 million, respectively.

The Company's exposure to credit losses may increase if its customers are adversely affected by changes in economic pressures or uncertainty associated with local or global economic recessions or other customer-specific factors. It is possible that there could be a material adverse impact to the carrying amount of accounts receivables if the liquidity of retailers, resellers and distributors continues to be impacted by disruptions related to the COVID-19 pandemic.

Tariff Refunds

On April 24, 2020, the Company was granted a temporary exclusion from Section 301 List 3 tariffs by the United States Trade Representative ("USTR"). This exclusion, as extended in August 2020, eliminates the 25% tariff on Roomba products imported from China until December 31, 2020 and entitled the Company to a refund of approximately $60.3 million in tariffs paid since the date the Section 301 List 3 tariffs were imposed. The Section 301 tariffs from which these products are now excluded were implemented at 10% beginning in September 2018 and increased to 25% in June 2019. While tariff refund claims are subject to the approval of U.S. Customs, the Company currently expects to recover the entire balance of $60.3 million within the next nine months. During the nine months ended September 26, 2020, the Company recognized approximately $40.0 million of refunds for tariffs paid in 2018 and 2019 as operating income (reduction to cost of product revenue). As of September 26, 2020, the Company had received $34.9 million of the tariff refund and the outstanding refund receivable was approximately $25.4 million which is recorded in other current assets on the consolidated balance sheet.

Strategic Investments

The Company holds non-marketable equity securities as part of its strategic investments portfolio. The Company classifies the majority of these securities as equity securities without readily determinable fair values and measures these investments at cost, less any impairment, adjusted for observable price changes. At September 26, 2020 and December 28, 2019, the Company's equity securities without readily determinable fair values and an equity method investment totaled $15.3 million and $21.0 million, respectively, and are included in other assets on the consolidated balance sheets.

On July 1, 2020, Teladoc Health, Inc. ("Teladoc") closed on its previously announced acquisition of InTouch Health, of which the Company held non-marketable equity securities. In exchange for its shares of InTouch Health, the Company received 0.2 million shares of Teladoc and recorded a gain of $38.6 million to other income, net during the three months ended September 26, 2020. The Teladoc shares received are subject to time based contractual sales restrictions which expire in January 2021. These shares are accounted for as marketable equity securities and measured at fair value with unrealized gains and losses recognized in other income, net at the end of each reporting period. As a result, the Company entered into an economic hedge in July 2020 to reduce the Company's exposure to stock price fluctuations during the restricted period. During the three months ended September 26, 2020, the Company recorded a net gain of $4.9 million from the remeasurements of Teladoc shares and related hedge. As of September 26, 2020, the shares in Teladoc were valued at $52.1 million and are recorded in short term investments on the consolidated balance sheet.

Net Income Per Share

Basic income per share is calculated using the Company's weighted-average outstanding common shares. Diluted income per share is calculated using the Company's weighted-average outstanding common shares including the dilutive effect of stock awards as determined under the treasury stock method.

The following table presents the calculation of both basic and diluted net income per share (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net income	$ 93,252	$ 35,532	$ 133,733	$ 65,259
Basic weighted-average common shares outstanding	28,031	28,154	28,084	28,029
Dilutive effect of employee stock awards	508	496	418	730
Diluted weighted-average common shares outstanding	28,539	28,650	28,502	28,759
Net income per share - Basic	$ 3.33	$ 1.26	$ 4.76	$ 2.33
Net income per share - Diluted	$ 3.27	$ 1.24	$ 4.69	$ 2.27

Employee stock awards representing approximately 0.1 million and 0.4 million shares of common stock for the three months ended September 26, 2020 and September 28, 2019, respectively, and approximately 0.2 million and 0.1 million shares of common stock for the nine months ended September 26, 2020 and September 28, 2019, respectively, were excluded from the computation of diluted earnings per share as their effect would have been antidilutive.

3. Revenue Recognition

The Company primarily derives its revenue from product sales. The Company sells products directly to consumers through on-line stores and indirectly through resellers and distributors. Revenue is recognized upon transfer of control of promised products or services to customers, generally as title and risk of loss passes, in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. Revenue is recognized only to the extent that it is probable that a significant reversal of revenue will not occur. Taxes collected from customers, which are subsequently remitted to governmental authorities, are excluded from revenue. Shipping and handling expenses are considered fulfillment activities and are expensed as incurred.

The Company's product portfolio includes various consumer robots, many of which are Wi-Fi connected. The consumer robots are generally highly dependent on, and interrelated with, the embedded software and cannot function without the software. As such, the consumer robots are accounted for as a single performance obligation, and the revenue is recognized at a point in time when the control is transferred to distributors, resellers or directly to end customers through on-line stores. For certain consumer robots with Wi-Fi capability ("connected robots"), each sale represents an arrangement with multiple promises consisting of the robot, an app, cloud services and potential future unspecified software upgrades. The Company has determined that the app, cloud services and potential future unspecified software upgrades represent one promised service to the customer to enhance the functionality and interaction with the robot (referred to collectively as "Cloud Services").

For contracts that contain multiple performance obligations, the transaction price is allocated to each performance obligation based on a relative standalone selling price ("SSP"). The SSP reflects the Company's best estimate of what the selling prices of performance obligations would be if they were sold regularly on a standalone basis. Revenue allocated to the robots is recognized at a point in time when control is transferred. Revenue allocated to the Cloud Services is deferred and recognized on a straight-line basis over the estimated period the software upgrades and services are expected to be provided. For contracts with a duration of greater than one year, the transaction price allocated to performance obligations that are unsatisfied as of September 26, 2020 is $7.3 million. The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less.

The Company's products generally carry a one-year or two-year limited warranty that promises customers that delivered products are as specified. The Company does not consider these assurance-type warranties as a separate performance obligation and therefore, the Company accounts for such warranties under ASC 460, "Guarantees."

The Company provides limited rights of returns for direct-to-consumer sales generated through its on-line stores and certain resellers and distributors. The Company records an allowance for product returns based on specific terms and conditions included in the customer agreements or based on historical experience and the Company's expectation of future returns. In addition, the Company may provide other credits or incentives which are accounted for as variable consideration when estimating the amount of revenue to recognize. Where appropriate, these estimates take into consideration relevant factors such as the Company's historical experience, current contractual requirements, specific known market events and forecasted inventory level in the channels. Overall, these reserves reflect the Company's best estimates, and the actual amounts of consideration ultimately received may differ from the Company's estimates. Returns and credits are estimated at contract inception and updated at the end of each reporting period as additional information becomes available and only to the extent that it is probable that a significant reversal of any incremental revenue will not occur. As of September 26, 2020, the Company has reserves for product returns of $51.5 million and other credits and incentives of $86.6 million. As of December 28, 2019, the Company had reserves for product returns of $55.2 million and other credits and incentives of $134.0 million. Revenue recognized during the three and nine months ended September 26, 2020 related to performance obligations satisfied in a prior period was not material.

Disaggregation of Revenue

The following table provides information about disaggregated revenue by geographical region (in thousands):

	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
United States	$ 206,276	$ 117,929	$ 428,389	$ 356,466
EMEA	114,477	93,688	252,184	251,150
Other	92,392	77,782	204,990	179,616
Total revenue	$ 413,145	$ 289,399	$ 885,563	$ 787,232

Contract Balances

The following table provides information about receivables and contract liabilities from contracts with customers (in thousands):

	September 26, 2020	December 28, 2019
Accounts receivable, net	$ 179,709	$ 146,161
Contract liabilities	12,063	6,991

The Company invoices customers based upon contractual billing schedules, and accounts receivable are recorded when the right to consideration becomes unconditional. Contract liabilities include deferred revenue associated with the Cloud Services as well as prepayments received from customers in advance of product shipments. The change in the opening and closing balances of the Company’s contract assets and contract liabilities primarily results from the timing difference between the Company’s performance and the customer’s payment. During the three months ended September 26, 2020 and September 28, 2019, the Company recognized $1.8 million and $1.7 million, respectively, of the contract liability balance as revenue upon transfer of the products or services to customers. During the nine months ended September 26, 2020 and September 28, 2019, the Company recognized $4.6 million and $5.8 million, respectively, of the contract liability balance as revenue upon transfer of the products or services to customers.

4. Leases

The Company's leasing arrangements primarily consist of operating leases for its facilities which include corporate, sales and marketing and research and development offices. For leases with terms greater than 12 months, the Company records the related right-of-use asset and lease obligation at the present value of lease payments over the term. The Company's leases typically include rental escalation clauses, renewal options and/or termination options that are factored into the determination of lease payments when appropriate. The Company does not separate lease and nonlease components of contracts and excludes all variable lease payments from the measurement of right-of-use assets and lease liabilities. The Company's variable lease payments generally include usage based nonlease components. The Company's lease agreements do not contain any residual value guarantees or restrictive covenants. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized on a straight-line basis over the lease term.

The Company's existing leases do not provide a readily determinable implicit rate. Therefore, the Company estimates its incremental borrowing rate to discount the lease payments based on information available at December 30, 2018 (date of initial application) or the lease commencement date for new leases post adoption. At September 26, 2020, the Company's weighted average discount rate was 3.56%, while the weighted average remaining lease term was 8.50 years.

The components of lease expense were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Operating lease cost	$ 2,287	$ 2,250	$ 6,932	$ 6,539
Variable lease cost	823	828	2,827	2,965
Total lease cost	$ 3,110	$ 3,078	$ 9,759	$ 9,504

Supplemental cash flow information related to leases was as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 2,750	$ 2,566	$ 7,516	$ 7,447
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	$ 744	$ 460	$ 2,310	$ 53,227

Maturities of operating lease liabilities were as follows as of September 26, 2020 (in thousands):

Remainder of 2020	$	1,613
2021		8,845
2022		8,564
2023		7,592
2024		6,535
Thereafter		35,017
Total minimum lease payments	$	68,166
Less: imputed interest		9,926
Present value of future minimum lease payments	$	58,240
Less: current portion of operating lease liabilities (Note 7)		6,343
Long-term lease liabilities	$	51,897

Financial Statement Impact of Adopting ASC 842

The Company adopted ASC 842 effective December 30, 2018 using the alternative transition method. Under this alternative transition method, a company is permitted to use its effective date as the date of initial application without restating comparative period financial statements. The Company elected the package of practical expedients permitted under the transition guidance, which allowed the Company to carryforward its historical assessments of (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. In addition, the Company elected the practical expedient to use hindsight in determining lease term. The adoption of the new standard resulted in the recognition of right-of-use assets and lease liabilities of approximately $52.8 million and $67.3 million, respectively. The standard did not materially impact the Company's consolidated income or cash flows.

5. Inventory

Inventory consists of the following (in thousands):

	September 26, 2020		December 28, 2019	
Raw materials	$	479	$	2,825
Finished goods		217,655		154,522
	$	218,134	$	157,347

6. Goodwill and Other Intangible Assets

The following table summarizes the activity in the carrying amount of goodwill for the nine months ended September 26, 2020 (in thousands):

Balance as of December 28, 2019	$	118,732
Effect of foreign currency translation		3,843
Balance as of September 26, 2020	$	122,575

Intangible assets consisted of the following (in thousands):

	September 26, 2020			December 28, 2019		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Completed technology	$ 28,100	$ 26,300	$ 1,800	$ 28,100	$ 24,605	$ 3,495
Tradename	100	100	—	100	100	—
Customer relationships	11,436	3,090	8,346	11,095	2,302	8,793
Reacquired distribution rights	33,100	33,100	—	31,680	31,680	—
Non-competition agreements	268	268	—	256	192	64
Total	$ 73,004	$ 62,858	$ 10,146	$ 71,231	$ 58,879	$ 12,352

Amortization expense related to acquired intangible assets was $0.5 million and $3.4 million for the three months ended September 26, 2020 and September 28, 2019, respectively. Amortization expense related to acquired intangible assets was $2.5 million and $10.1 million for the nine months ended September 26, 2020 and September 28, 2019, respectively.

The estimated future amortization expense related to current intangible assets in each of the five succeeding fiscal years is expected to be as follows (in thousands):

	Cost of Revenue	Operating Expenses	Total
Remainder of 2020	$ 225	$ 242	$ 467
2021	900	804	1,704
2022	675	804	1,479
2023	—	804	804
2024	—	804	804
Thereafter	—	4,888	4,888
Total	$ 1,800	$ 8,346	$ 10,146

7. Accrued Expenses

Accrued expenses consisted of the following at (in thousands):

	September 26, 2020	December 28, 2019
Accrued bonus	$ 23,575	$ 12,541
Accrued compensation and benefits	18,858	13,331
Accrued warranty	14,661	13,856
Accrued sales and other indirect taxes payable	10,239	12,440
Accrued federal and state income taxes	6,511	3,378
Current portion of operating lease liabilities	6,343	6,843
Accrued direct fulfillment costs	4,330	10,582
Accrued other	10,252	8,797
	$ 94,769	$ 81,768

8. Derivative Instruments

The Company operates internationally and, in the normal course of business, is exposed to fluctuations in foreign currency exchange rates. The foreign currency exposures typically arise from transactions denominated in currencies other than the functional currency of the Company's operations, primarily the British Pound, Canadian Dollar, Euro and Japanese Yen. The Company uses derivative instruments that are designated in cash flow hedge relationships to reduce or eliminate the effects of foreign exchange rate changes on sales. These contracts typically have maturities of thirty-seven months or less. At September 26, 2020 and December 28, 2019, the Company had outstanding cash flow hedges with a total notional value of $430.2 million and $424.6 million, respectively.

The Company also enters into economic hedges that are not designated as hedges from an accounting standpoint to reduce or eliminate the effects of foreign exchange rate changes typically related to short term trade receivables and payables. These contracts typically have maturities of twelve months or less. At September 26, 2020 and December 28, 2019, the Company had outstanding foreign currency economic hedges with a total notional value of $26.8 million and $58.4 million, respectively.

As described in Note 2, during July 2020, the Company entered into a forward sale contract as an economic hedge to reduce the Company's exposure to stock price fluctuations on its marketable equity securities. The contract has a maturity date of January 2021. At September 26, 2020, the total notional value of this economic hedge was $51.5 million.

The fair values of derivative instruments are as follows (in thousands):

		Fair Value	
	Classification	September 26, 2020	December 28, 2019
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts	Other current assets	$ 724	$ 1,855
Foreign currency forward contracts	Accrued expenses	1,177	297
Forward sale contract	Accrued expenses	626	—
Derivatives designated as cash flow hedges:			
Foreign currency forward contracts	Other current assets	$ 2,781	$ 4,347
Foreign currency forward contracts	Other assets	3,136	9,112
Foreign currency forward contracts	Accrued expenses	435	47
Foreign currency forward contracts	Long-term liabilities	3,689	414

Gains (losses) associated with derivative instruments not designated as hedging instruments are as follows (in thousands):

		Three Months Ended		Nine Months Ended	
	Classification	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Gain (loss) recognized in income	Other income, net	$ (2,232)	$ 852	$ (3,475)	$ 200

The following tables reflect the effect of derivatives designated as cash flow hedging (in thousands):

	Gain (loss) recognized in OCI on Derivative (1)			
	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Foreign currency forward contracts	$ (11,230)	$ 10,905	$ (7,177)	$ 15,254

(1) The amount represents the change in fair value of derivative contracts due to changes in spot rates.

	Gain (loss) recognized in earnings on cash flow hedging instruments			
	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
	Revenue		Revenue	
Consolidated statements of operations in which the effects of cash flow hedging instruments are recorded	$ 413,145	$ 289,399	$ 885,563	$ 787,232
Gain (loss) on cash flow hedging relationships:				
Foreign currency forward contracts:				
Amount of gain reclassified from AOCI into earnings	$ 993	$ 185	$ 4,711	$ 400

9. Fair Value Measurements

The Company’s financial assets and liabilities measured at fair value on a recurring basis were as follows (in thousands):

	Fair Value Measurements as of September 26, 2020		
	Level 1	Level 2 (1)	Level 3 (2)
Assets:			
Money market funds	$ 74,058	$ —	$ —
Marketable equity securities, $46,578 at cost (3)	52,106	—	—
Corporate bonds, $6,493 at cost (4)	—	6,524	—
Convertible notes	—	—	1,500
Derivative instruments (Note 8)	—	6,641	—
Total assets measured at fair value	$ 126,164	$ 13,165	$ 1,500
Liabilities:			
Derivative instruments (Note 8)	$ —	$ 5,927	$ —
Total liabilities measured at fair value	$ —	$ 5,927	$ —

	Fair Value Measurements as of December 28, 2019		
	Level 1	Level 2 (1)	Level 3 (2)
Assets:			
Corporate and government bonds, $17,016 at cost	$ —	$ 17,032	$ —
Derivative instruments (Note 8)	—	15,314	—
Total assets measured at fair value	$ —	$ 32,346	$ —
Liabilities:			
Derivative instruments (Note 8)	$ —	$ 758	$ —
Total liabilities measured at fair value	$ —	$ 758	$ —

(1) Level 2 fair value estimates are based on observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

(2) Level 3 fair value estimates are based on inputs that are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. Unobservable inputs used in the models are significant to the fair values of the assets and liabilities.

(3) The related unrealized gain recorded in Other income, net was $5.5 million for the three months ended September 26, 2020. Marketable equity securities are included in short term investments on the consolidated balance sheet.

(4) As of September 26, 2020, the Company’s investments had maturity dates ranging from November 2020 to March 2021.

The following table provides a summary of changes in fair value of our Level 3 investment for the nine months ended September 26, 2020 (in thousands):

Balance as of December 28, 2019	$ —
Investment in convertible notes	1,500
Balance as of September 26, 2020	$ 1,500

10. Stockholders' Equity

Share Repurchase Activity

The Company's Board of Directors approved a stock repurchase program authorizing up to $200.0 million in share repurchases from time to time until September 2021. On March 10, 2020, the Company entered into a Rule 10b5-1 plan to repurchase $25.0 million of common stock in the aggregate beginning March 13, 2020 and ending April 30, 2020. The Company repurchased 663,602 shares of its common stock at an average price of $37.65, totaling $25.0 million in March 2020.

11. Commitments and Contingencies

Legal Proceedings

From time to time and in the ordinary course of business, the Company is subject to various claims, charges and litigation. The outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to us, which could materially affect our financial condition or results of operations. For the following litigation matters, a liability is not probable or the amount cannot be reasonably estimated and therefore accruals have not been made.

On October 24, 2019, purported Company shareholder Miramar Firefighters' Pension Fund filed a putative class action in the U.S. District Court for the Southern District of New York against the Company and certain of its directors and officers, captioned Miramar Firefighters' Pension Fund v. iRobot Corporation, et al., No. 1:19-cv-09837. The case has been transferred to the U.S. District Court for the District of Massachusetts. A similar case captioned Campbell v. iRobot Corporation, et al., No. 1:19-cv-12483 was also filed in the U.S. District Court for the Southern District of New York and subsequently transferred to the U.S. District Court for the District of Massachusetts. On January 24, 2020, the Court consolidated the Miramar and Campbell cases (the consolidated cases together, the "Securities Class Action") and appointed a lead plaintiff and lead plaintiff's Counsel. On April 3, 2020, the plaintiff filed an amended complaint alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder based on allegedly false and misleading statements and omissions concerning the impact of competition and Section 301 tariffs on the Company's financial performance, and the Company has filed a motion to dismiss the case. A hearing was held on the Company's motion to dismiss on September 17, 2020, and the Company is currently awaiting a ruling on its motion to dismiss.

On December 20, 2019, purported Company shareholders David Katz and Thomas Wightman, derivatively on behalf of iRobot Corporation, filed a complaint in the U.S. District Court for Southern District of New York against the Company and certain of its directors and officers, captioned David Katz and Thomas Wightman, on behalf of iRobot Corporation v. iRobot Corporation, et al., No. 1:19-cv-11692. The complaint alleges breaches of fiduciary duties, unjust enrichment, violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 thereunder based on allegedly false and misleading statements and omissions concerning the Company's acquisitions of Sales on Demand Corporation and Robopolis SAS and the Company's subsequent financial performance. The complaint seeks, among other things, unspecified compensatory damages, including interest, in connection with the Company's allegedly inflated stock price, attorneys' fees and costs, and unspecified equitable/injunctive relief. This case has been transferred to the U.S. District Court for the District of Massachusetts. Similarly, additional derivative litigations -- namely: Robert Truman, on behalf of iRobot Corporation v. iRobot Corporation, et al., No. 1:20-cv-10034; Alexa Ruhfass, on behalf of iRobot Corporation v. iRobot Corporation, et al., No. 1:20-cv-10133; and William Tasco, derivatively on behalf of iRobot Corporation v. iRobot Corporation, et al., No. 1:20-cv-10253 - were filed in the U.S. District Court for the District of Massachusetts. All of these cases have been consolidated in a case captioned as In re iRobot Corporation Derivative litigation, No. 1:20-cv-10034, and have been stayed pending a ruling on the motion to dismiss in the Securities Class Action.

Outstanding Purchase Orders

At September 26, 2020, the Company had outstanding purchase orders aggregating approximately $301.3 million. The purchase orders, the majority of which are with the Company's contract manufacturers for the purchase of inventory in the normal course of business, are for manufacturing and non-manufacturing related goods and services, and are generally cancellable without penalty. In circumstances where the Company has determined that it has financial exposure associated with any of these commitments, the Company records a liability in the period in which that exposure is identified.

Guarantees and Indemnification Obligations

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to these agreements, the Company indemnifies and agrees to reimburse the indemnified party for losses incurred by the indemnified party, generally the Company's customers, in connection with any patent, copyright, trade secret or other proprietary right infringement claim by any third party. The term of these indemnification agreements is generally perpetual any time after execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal.

Accordingly, the Company has no liabilities recorded for these agreements as of September 26, 2020 and December 28, 2019, respectively.

Warranty

The Company provides warranties on most products and has established a reserve for warranty obligations based on estimated warranty costs. The reserve is included as part of accrued expenses (Note 7) in the accompanying consolidated balance sheets.

Activity related to the warranty accrual was as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Balance at beginning of period	$ 13,769	$ 11,970	$ 13,856	$ 11,964
Provision	5,525	3,484	13,395	8,817
Warranty usage	(4,633)	(3,082)	(12,590)	(8,409)
Balance at end of period	$ 14,661	$ 12,372	$ 14,661	$ 12,372

12. Income Taxes

The Company’s effective income tax rate for the three months ended September 26, 2020 and September 28, 2019, was 24.3% and 18.2%, respectively. The increase in the effective income tax rate was primarily due to the jurisdictional profit mix and the impact of valuation allowances.

The Company’s effective income tax rate for the nine months ended September 26, 2020 and September 28, 2019, was 22.6% and 11.6%, respectively. The increase in the effective income tax rate was primarily due to the recognition of tax expense associated with stock-based compensation compared to a tax benefit for the prior period.

The Company's effective income tax rate of 24.3% and 22.6% for the three and nine months ended September 26, 2020 differed from the federal statutory tax rate of 21% primarily due to the jurisdictional mix of earnings and the recognition of valuation allowances during the period.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 pandemic. The Company continues to evaluate the impact of the CARES Act, but at present does not expect the CARES Act to result in any material income tax benefit.

13. Industry Segment, Geographic Information and Significant Customers

The Company operates as one operating segment. The Company's consumer robots products are offered to consumers through a variety of distribution channels, including chain stores and other national retailers, through the Company's own website and app, dedicated e-commerce websites, the online arms of traditional retailers, and through value-added distributors and resellers worldwide.

Significant Customers

For the three months ended September 26, 2020 and September 28, 2019, the Company generated 26.6% and 29.6% of total revenue, respectively, from one of its retailers (Amazon).

For the nine months ended September 26, 2020 and September 28, 2019, the Company generated 26.4% and 25.0% of total revenue, respectively, from one of its retailers (Amazon).

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The information contained in this section has been derived from our consolidated financial statements and should be read together with our consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, or the Exchange Act, and are subject to the "safe harbor" created by those sections. In particular, statements contained in this Quarterly Report on Form 10-Q that are not historical facts, including, but not limited to statements concerning the impact of cost reduction actions and potential savings, new product sales, our direct-to-consumer sales channel, product development and offerings, our consumer robots, our competition, our strategy, our market position, the impact of tariffs, the recognition and timing of tariff refunds, whether we are able to obtain an extension to our tariff exclusion and the length of extension granted, the impact of COVID-19 on our business, our supply chain, market acceptance of our products, seasonal factors, revenue recognition, the impact of new accounting standards, credit losses, our profits, growth of our revenues, composition of our revenues, our cost of revenues, units shipped, average selling prices, operating expenses, selling and marketing expenses, general and administrative expenses, research and development expenses, compensation costs, our projected income tax rate, our credit and letter of credit facilities and expected use thereof, our valuations of investments, valuation and composition of our stock-based awards, and liquidity, constitute forward-looking statements and are made under these safe harbor provisions. Some of the forward-looking statements can be identified by the use of forward-looking terms such as "believes," "expects," "may," "will," "should," "could," "seek," "intends," "plans," "estimates," "anticipates," or other comparable terms. Forward-looking statements involve inherent risks and uncertainties, which could cause actual results to differ materially from those in the forward-looking statements. We urge you to consider the risks and uncertainties discussed in greater detail under the heading "Risk Factors" in this Quarterly Report on Form 10-Q and in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 28, 2019 in evaluating our forward-looking statements. We have no plans to update our forward-looking statements to reflect events or circumstances after the date of this report. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made.

Overview

iRobot is a leading consumer robot company that designs and builds robots that empower people to do more both inside and outside of the home. Our consumer robots help people find smarter ways to clean and accomplish more in their daily lives. Our portfolio of solutions features proprietary technologies for the connected home and advanced concepts in cleaning, mapping and navigation, human-robot interaction and physical solutions. Leveraging this portfolio, our engineers are building an ecosystem of robots to empower the smart home. For more than 25 years, we have been a pioneer in the robotics and consumer products industries. We sell our robots through a variety of distribution channels, including chain stores and other national retailers, through our own website and app, dedicated e-commerce websites, the online arms of traditional retailers, and through value-added distributors and resellers worldwide.

As of September 26, 2020, we had 1,159 full-time employees. We have developed expertise in the disciplines necessary to design, build, sell and support durable, high-performance and cost-effective robots through the close integration of software, electronics and hardware. Our core technologies serve as reusable building blocks that we adapt and expand to create next-generation robotic platforms. We believe that this approach accelerates the time to market, while also reducing the costs and risk associated with product development. Our significant expertise in consumer needs, robot design, engineering and smart home technologies and trends positions us to capitalize on the growth we expect in the market for robot-based consumer products.

Our continued success depends upon our ability to respond to a number of challenges in the consumer robots market. We believe the most significant of these include increasing competition and our ability to successfully develop and introduce products and product enhancements into both new and existing markets. Furthermore, we believe that our efforts to cost-optimize our products and diversify our contract manufacturing and broader supply chain will continue to play an important role in maintaining competitive product pricing, reducing supply-chain risk and limiting China-related tariff exposure, among other factors that impact our financial condition and results of operations.

During the first quarter of 2020, the global pandemic related to the novel coronavirus ("COVID-19") presented significant challenges and adversely impacted our business and operating results. The pandemic directly and indirectly disrupted certain sales and supply chain activities and impacted our ability to address those challenges during the first quarter, which resulted in first-quarter revenue and a net loss per share that was below our original targets. In light of the adverse impact of COVID-19 on our business and on macroeconomic conditions domestically and internationally, along with the uncertainty associated with a potential recovery, we implemented cost-reduction actions in April 2020 that were aimed at generating net savings of approximately $30.0 million in 2020 while enabling us to accelerate investment in key initiatives. Our actions taken during the second quarter of 2020 included reducing our workforce by approximately 5%, furloughing retail-facing marketing staff in Europe, reducing hiring plans, suspending go-to-market and development plans for our Terra robot mower and curtailing working media spending. During the nine months ended September 26, 2020, we recorded a restructuring charge totaling $2.1 million primarily associated with severance costs arising from the workforce reduction. During the second quarter of 2020, we observed increased demand for our robots as maintaining a clean home took on greater prominence during the pandemic with sell-through momentum building globally with revenue substantially outperforming our plans at the start of the quarter. The favorable demand environment continued to strengthen in the third quarter of 2020 with stronger-than-anticipated retail orders and robust growth in our direct-to-consumer sales. While the improved business momentum, particularly in the U.S., has resulted in a meaningfully better outlook for 2020, the economic environment remains highly uncertain and consumer spending for the upcoming holiday season is difficult to predict. As a result, it is challenging for us to forecast the full impact of COVID-19 on our operations, liquidity and financial results. Accordingly, current results and financial condition discussed herein may not be indicative of future operating results and trends. Refer to "Risk Factors" for further discussion of the impact of the COVID-19 pandemic on our business.

In April 2020, we were granted a temporary exclusion from Section 301 List 3 tariffs by the United States Trade Representative ("USTR"). This exclusion, as extended in August 2020, eliminates the 25% tariff on Roomba products imported from China until December 31, 2020 and entitles us to a refund of approximately $60.3 million in tariffs paid since the date the Section 301 List 3 tariffs were imposed. During the nine months ended September 26, 2020, we recognized approximately $40.0 million of refunds for tariffs paid in 2018 and 2019 as a benefit to cost of product revenue, which contributed to our strong gross margin during the period. As of September 26, 2020, we have received $34.9 million of the tariff refund and the outstanding refund receivable was approximately $25.4 million which is recorded in other current assets on the consolidated balance sheet. There is currently no process to apply for a further extension nor any formal indication from the U.S. government that any such exclusion extensions will be considered. If the exclusion is not extended past December 31, 2020, the 25% tariff will be reinstated, and we expect this incremental cost will dampen our gross profit in 2021. To diversify our manufacturing and help offset the adverse financial impact on our business of the 25% tariff, we are focused on scaling the manufacture of our products in Malaysia. We began this initiative last year with the goal of being capable of manufacturing broadly and at scale in Malaysia by the end of 2021.

iRobot has continued to advance innovation and bring new products to market in recent quarters. In August 2020, we launched iRobot Genius Home Intelligence Platform, a powerful AI-based robot platform that includes an expansive range of digital features and experiences for our line of Wi-Fi connected floor cleaning robots. The iRobot Genius gives users greater personalization and control over their cleaning robots. In September 2020, we launched Roomba i3 and i3+ in North America. The Roomba i3 offers intelligent navigation, a 3-Stage Cleaning System and personalized cleaning available with iRobot Genius while the Roomba i3+ also includes the self-emptying capability of Clean Base. We believe that the i3 and i3+ will play an important role in continuing to help shift our product mix up into the mid and premium tiers.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses. These estimates and judgments include, but are not limited to, revenue recognition including performance obligations, variable consideration and other obligations such as product returns and incentives; allowance for credit losses; warranty costs; valuation of goodwill and acquired intangible assets; evaluating loss contingencies; accounting for stock-based compensation including performance-based assessments; and accounting for income taxes and related valuation allowances. We base these estimates and judgments on historical experience, market participant fair value considerations, projected future cash flows and various other factors that we believe are reasonable under the circumstances. Actual results may differ from our estimates. Additional information about these critical accounting policies may be found in the "Management’s Discussion and Analysis of Financial Condition and Results of Operations" section included in our Annual Report on Form 10-K for the fiscal year ended December 28, 2019.

Effective December 29, 2019, we adopted the new credit losses standard under Accounting Standards Codification 326. The new standard did not result in an adjustment upon adoption. Although we historically have not experienced significant credit losses as it relates to trade accounts receivable, the COVID-19 pandemic has caused uncertainty in some customer accounts. As a result, we recorded our estimate of credit losses, resulting in an increase to the reserve and bad debt expense of $1.0 million and $5.5 million during the three and nine months ended September 26, 2020, respectively. As of September 26, 2020, we had an allowance for credit losses of $6.5 million. We have updated our accounting policy in Note 2 of the consolidated financial statements.

Overview of Results of Operations

The following table sets forth our results of operations as a percentage of revenue:

	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue:				
Cost of product revenue	51.8	51.6	48.5	51.2
Amortization of acquired intangible assets	0.1	1.1	0.1	1.2
Total cost of revenue	51.9	52.7	48.6	52.4
Gross profit	48.1	47.3	51.4	47.6
Operating expenses:				
Research and development	9.3	11.5	12.6	13.2
Selling and marketing	12.2	14.6	15.4	17.5
General and administrative	6.9	6.4	8.5	7.9
Amortization of acquired intangible assets	0.1	0.1	0.1	0.1
Total operating expenses	28.5	32.6	36.6	38.7
Operating income	19.6	14.7	14.8	8.9
Other income, net	10.2	0.3	4.7	0.5
Income before income taxes	29.8	15.0	19.5	9.4
Income tax expense	7.2	2.7	4.4	1.1
Net income	22.6 %	12.3 %	15.1 %	8.3 %

Comparison of Three and Nine Months Ended September 26, 2020 and September 28, 2019

Revenue

	Three Months Ended				Nine Months Ended			
	September 26, 2020	September 28, 2019	Dollar Change	Percent Change	September 26, 2020	September 28, 2019	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
Revenue	$ 413,145	$ 289,399	$ 123,746	42.8 %	$ 885,563	$ 787,232	$ 98,331	12.5 %

Revenue for the three months ended September 26, 2020 increased $123.7 million to $413.1 million, or 42.8%, compared to $289.4 million for the three months ended September 28, 2019. The $123.7 million increase in revenue was primarily attributable to a 36.0% increase in units shipped for the three months ended September 26, 2020 compared to the three months ended September 28, 2019. The demand for our robots continued to increase substantially as maintaining a clean home took on greater prominence during the pandemic. Sell through momentum continued to build globally in the third quarter, resulting in stronger-than-anticipated retail orders and robust growth in our direct-to-consumer sales. In the three months ended September 26, 2020, domestic revenue increased $88.3 million, or 74.9%, while international revenue increased $35.4 million, or 20.6%.

Revenue for the nine months ended September 26, 2020 increased $98.3 million to $885.6 million, or 12.5%, compared to $787.2 million for the nine months ended September 28, 2019. Although the initial impact of the COVID-19 pandemic on our sales and manufacturing supply chain activities during the first quarter of 2020 resulted in a revenue decline, demand for our robots increased substantially during the second and third quarters of 2020 as maintaining a clean home took on greater prominence during the pandemic with sell-through momentum building globally. Units shipped increased 7.1% for the nine months ended September 26, 2020 compared to the nine months ended September 28, 2019. In the nine months ended September 26, 2020, domestic revenue increased $71.9 million, or 20.2%, and international revenue increased $26.4 million, or 6.1%, as compared to the nine months ended September 28, 2019.

Cost of Product Revenue

	Three Months Ended				Nine Months Ended			
	September 26, 2020	September 28, 2019	Dollar Change	Percent Change	September 26, 2020	September 28, 2019	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
Cost of product revenue	$ 214,079	$ 149,463	$ 64,616	43.2 %	$ 429,060	$ 403,392	$ 25,668	6.4 %
As a percentage of revenue	51.8 %	51.6 %			48.5 %	51.2 %		

Cost of product revenue increased to $214.1 million in the three months ended September 26, 2020, compared to $149.5 million in the three months ended September 28, 2019. The $64.6 million increase in cost of product revenue is primarily due to the 42.8% increase in revenue.

Cost of product revenue increased to $429.1 million in the nine months ended September 26, 2020, compared to $403.4 million in the nine months ended September 28, 2019. The $25.7 million increase in cost of product revenue is primarily due to the 12.5% increase in revenue as well as increases in warranty and rework costs, offset by the recognition of the tariff refunds of approximately $40.0 million for tariffs paid in 2018 and 2019. On April 24, 2020, we were granted a temporary exclusion, as extended in August 2020, from Section 301 List 3 tariffs by the United States Trade Representative, which temporarily eliminates the 25% tariff on Roomba products imported from China until December 31, 2020.

Gross Profit

	Three Months Ended				Nine Months Ended			
	September 26, 2020	September 28, 2019	Dollar Change	Percent Change	September 26, 2020	September 28, 2019	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
Gross profit	$ 198,841	$ 136,841	$ 62,000	45.3 %	$ 454,808	$ 374,557	$ 80,251	21.4 %
Gross margin	48.1 %	47.3 %			51.4 %	47.6 %		

Gross margin increased to 48.1% in the three months ended September 26, 2020 compared to 47.3% in the three months ended September 28, 2019. The slight increase in gross margin is due to higher revenue and lack of tariff expense, mostly offset by changes in pricing and promotional activity during the three months ended September 26, 2020 compared to the three months ended September 28, 2019.

Gross margin increased to 51.4% in the nine months ended September 26, 2020 compared to 47.6% in the nine months ended September 28, 2019. The increase in gross margin is primarily related to the recognition of the tariff refunds of $40.0 million for tariffs paid in 2018 and 2019 as a benefit to cost of product revenue, partially offset by changes in pricing and promotional activity during the nine months ended September 26, 2020 compared to the nine months ended September 28, 2019.

We anticipate our 2020 fourth-quarter gross margin will decrease slightly from that of the third quarter due to promotional programs planned with retailers during the holiday season. There is currently no process to apply for a further extension nor any formal indication from the U.S. government that any such exclusion extensions will be considered. If the exclusion is not extended past December 31, 2020, the 25% tariff will be reinstated, and we expect this incremental cost will dampen our gross profit in 2021. To diversify our manufacturing and help offset the adverse financial impact on our business of the 25% tariff, we are focused on scaling the manufacture of our products in Malaysia. We began this initiative last year with the goal of being capable of manufacturing broadly and at scale in Malaysia by the end of 2021.

Research and Development

	Three Months Ended				Nine Months Ended			
	September 26, 2020	September 28, 2019	Dollar Change	Percent Change	September 26, 2020	September 28, 2019	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
Research and development	$ 38,613	$ 33,401	$ 5,212	15.6 %	$ 111,929	$ 104,320	$ 7,609	7.3 %
As a percentage of revenue	9.3 %	11.5 %			12.6 %	13.2 %		

Research and development expenses increased $5.2 million, or 15.6%, to $38.6 million (9.3% of revenue) in the three months ended September 26, 2020 from $33.4 million (11.5% of revenue) in the three months ended September 28, 2019. This increase is primarily due to a $5.3 million increase in people-related costs mostly attributable to higher performance-based stock-based compensation and short-term incentive compensation costs.

Research and development expenses increased $7.6 million, or 7.3%, to $111.9 million (12.6% of revenue) in the nine months ended September 26, 2020 from $104.3 million (13.2% of revenue) in the nine months ended September 28, 2019. This increase is primarily due to a $5.5 million increase in people-related costs, mostly attributable to higher performance-based stock-based compensation and short-term incentive compensation costs, as well as $1.7 million of restructuring charges associated with the reduction in workforce during the second quarter of 2020.

Selling and Marketing

	Three Months Ended				Nine Months Ended			
	September 26, 2020	September 28, 2019	Dollar Change	Percent Change	September 26, 2020	September 28, 2019	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
Selling and marketing	$ 50,488	$ 42,257	$ 8,231	19.5 %	$ 136,144	$ 137,502	$ (1,358)	(1.0)%
As a percentage of revenue	12.2 %	14.6 %			15.4 %	17.5 %		

Selling and marketing expenses increased $8.2 million, or 19.5%, to $50.5 million (12.2% of revenue) in the three months ended September 26, 2020 from $42.3 million (14.6% of revenue) in the three months ended September 28, 2019. This increase was primarily attributable to a $5.5 million increase in marketing activities to support the new product launch in North America and to build our direct-to consumer sales channel, as well as a $2.4 million increase in people-related costs mostly related to higher short-term incentive compensation costs.

Selling and marketing expenses decreased $1.4 million, or 1.0%, to $136.1 million (15.4% of revenue) in the nine months ended September 26, 2020 from $137.5 million (17.5% of revenue) in the nine months ended September 28, 2019. This decrease was primarily attributable to delayed implementation of certain marketing activities as a result of the pandemic resulting in a decrease of $3.3 million year over year, offset by a $1.9 million increase in people-related costs resulting from higher incentive compensation costs.

We expect selling and marketing costs will increase during the fourth quarter of 2020, which is consistent with historical trending as we accelerate working media to drive demand around the holiday season.

General and Administrative

	Three Months Ended				Nine Months Ended			
	September 26, 2020	September 28, 2019	Dollar Change	Percent Change	September 26, 2020	September 28, 2019	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
General and administrative	$ 28,490	$ 18,372	$ 10,118	55.1 %	$ 74,919	$ 61,871	$ 13,048	21.1 %
As a percentage of revenue	6.9 %	6.4 %			8.5 %	7.9 %		

General and administrative expenses increased $10.1 million, or 55.1%, to $28.5 million (6.9% of revenue) in the three months ended September 26, 2020 from $18.4 million (6.4% of revenue) in the three months ended September 28, 2019. This increase is primarily due to higher performance-based stock-based compensation and short-term incentive compensation costs of $8.8 million, as well as increases in legal fees of $1.9 million driven by higher intellectual property litigation costs, and the allowance for credit losses of $1.0 million associated with the uncertainty of collection from certain customer accounts resulting from the pandemic.

General and administrative expenses increased $13.0 million, or 21.1%, to $74.9 million (8.5% of revenue) in the nine months ended September 26, 2020 from $61.9 million (7.9% of revenue) in the nine months ended September 28, 2019. This increase is primarily due to higher performance-based stock-based compensation and short-term incentive compensation costs of $6.5 million, as well as increases in the allowance for credit losses of $5.5 million associated with the uncertainty of collection from certain customer accounts resulting from the pandemic, and legal fees of $4.3 million, driven by higher intellectual property litigation costs.

Amortization of Acquired Intangible Assets

	Three Months Ended				Nine Months Ended			
	September 26, 2020	September 28, 2019	Dollar Change	Percent Change	September 26, 2020	September 28, 2019	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
Cost of revenue	$ 225	$ 3,095	$ (2,870)	(92.7)%	$ 1,695	$ 9,283	$ (7,588)	(81.7)%
Operating expense	256	256	—	— %	764	796	(32)	(4.0)%
Total amortization expense	$ 481	$ 3,351	$ (2,870)	(85.6)%	$ 2,459	$ 10,079	$ (7,620)	(75.6)%
As a percentage of revenue	0.1 %	1.2 %			0.3 %	1.3 %		

The decrease in amortization of acquired intangible assets in the three and nine months ended September 26, 2020 as compared to the three and nine months ended September 28, 2019, was primarily related to the reacquired distribution rights intangible asset which was fully amortized in the fourth quarter of 2019.

Other Income, Net

	Three Months Ended				Nine Months Ended			
	September 26, 2020	September 28, 2019	Dollar Change	Percent Change	September 26, 2020	September 28, 2019	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
Other income, net	$ 42,240	$ 900	$ 41,340	4,593.3 %	$ 41,837	$ 3,713	$ 38,124	1,026.8 %
As a percentage of revenue	10.2 %	0.3 %			4.7 %	0.5 %		

Other income, net, amounted to $42.2 million and $0.9 million for the three months ended September 26, 2020 and September 28, 2019, respectively. Other income, net includes interest income, interest expense, foreign currency gains (losses) as well as gains (losses) from strategic investments. The primary driver of the changes for the three and nine months ended September 26, 2020 compared to the three and nine months ended September 28, 2019 was the gains associated with our InTouch Health investment when Teladoc Health, Inc., or Teladoc, acquired InTouch Health and exchanged our shares of InTouch Health for shares of Teladoc during the third quarter of 2020.

Income Tax Expense

	Three Months Ended				Nine Months Ended			
	September 26, 2020	September 28, 2019	Dollar Change	Percent Change	September 26, 2020	September 28, 2019	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
Income tax expense	$ 29,982	$ 7,923	$ 22,059	278.4 %	$ 39,156	$ 8,522	$ 30,634	359.5 %
Effective income tax rate	24.3 %	18.2 %			22.6 %	11.6 %		

We recorded an income tax expense of $30.0 million and $7.9 million for the three months ended September 26, 2020 and September 28, 2019, respectively. The $30.0 million income tax expense for the three months ended September 26, 2020 resulted in an effective income tax rate of 24.3%. The $7.9 million income tax expense for the three months ended September 28, 2019 resulted in an effective income tax rate of 18.2%. The increase in the effective income tax rate was primarily due to the jurisdictional profit mix and the impact of valuation allowances.

We recorded an income tax expense of $39.2 million and $8.5 million for the nine months ended September 26, 2020 and September 28, 2019, respectively. The $39.2 million income tax expense for the nine months ended September 26, 2020 resulted in an effective income tax rate of 22.6%. The $8.5 million income tax expense for the nine months ended September 28, 2019 resulted in an effective income tax rate of 11.6%. The increase in the effective income tax rate was primarily due to the recognition of tax expense associated with stock-based compensation compared to a tax benefit for the prior period.

Our effective income tax rate of 24.3% and 22.6% for three and nine months ended September 26, 2020 differed from the federal statutory tax rate of 21% primarily due to the jurisdictional mix of earnings and the recognition of valuation allowances during the period.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 pandemic. We continue to evaluate the impact of the CARES Act, but at present do not expect the CARES Act to result in any material income tax benefit.

Liquidity and Capital Resources

At September 26, 2020, our principal sources of liquidity were cash and cash equivalents totaling $297.2 million and short-term investments of $60.1 million. Our working capital was $542.7 million as of September 26, 2020, compared to $364.2 million as of September 28, 2019.

We manufacture and distribute our products through contract manufacturers and third-party logistics providers. We believe this approach gives us the advantages of relatively low capital investment and significant flexibility in scheduling production and managing inventory levels. By leasing our office facilities, we also minimize the cash needed for expansion although we invest periodically in upgrading these facilities, a portion of which investment will be reimbursed by the landlords of these facilities. Accordingly, our capital spending is generally limited to machinery and tooling, leasehold improvements, business applications software and computer and equipment. In the three months ended September 26, 2020 and September 28, 2019, we spent $25.0 million and $27.1 million, respectively, on capital expenditures.

Our strategy for delivering consumer products to our distributors and retail customers gives us the flexibility to provide container shipments directly from our contract manufacturers in Southern China and Malaysia to our customers and, alternatively, allows our distributors and certain retail customers to take possession of product on a domestic basis. Accordingly, our inventory consists of goods shipped to our third-party logistics providers for the fulfillment of distributor, retail and direct-to-consumer sales. Our contract manufacturers are also responsible for purchasing and stocking components required for the production of our products, and they typically invoice us when the finished goods are shipped.

As a result of the COVID-19 pandemic, we have taken, and are continuing to take, certain actions to increase liquidity and strengthen our financial position. We implemented cost-reduction actions in April 2020 that are aimed at generating net savings of approximately $30.0 million in 2020 while enabling us to accelerate investment in key initiatives. Our actions taken during the second quarter of 2020 included reducing our workforce by approximately 5%, furloughing retail-facing marketing staff in Europe, reducing hiring plans, suspending go-to-market and development plans for our Terra robot mower and curtailing working media spending. On April 24, 2020, we were granted a temporary exclusion from Section 301 List 3 tariffs by the United States Trade Representative. This exclusion, as extended in August 2020, temporarily eliminates the 25% tariff on Roomba products imported from China until December 31, 2020 and entitles us to a refund of approximately $60.3 million in tariffs paid since the date the Section 301 List 3 tariffs were imposed. During the nine months ended September 26, 2020, we recognized $40.0 million of refunds for tariffs paid in 2018 and 2019 as a benefit to cost of product revenue. As of

September 26, 2020, we have received $34.9 million in cash associated with our tariff refunds from the U.S. government. We expect to receive the remaining refunds within the next nine months, subject to the timing of releases from U.S. Customs.

Cash provided by operating activities

Net cash provided by operating activities for the nine months ended September 26, 2020 was $96.7 million, of which the principal components were our net income of $133.7 million and non-cash charges of $18.9 million, partially offset by cash outflow of $55.8 million from increases in working capital. The increase in working capital was mainly driven by an increase in inventory of $61.0 million in advance of the holiday season and inventory associated with the launch of Roomba i3 and i3+ during the third quarter of 2020.

Cash used in investing activities

Net cash used in investing activities for the nine months ended September 26, 2020 was $18.3 million. During the nine months ended September 26, 2020, we invested $25.0 million in the purchase of property and equipment, including machinery and tooling for new products and manufacturing expansion in Malaysia. In addition, we made strategic investments of $3.7 million, while proceeds from the sales and maturities of marketable securities amounted to $10.5 million.

Cash used in financing activities

Net cash used in financing activities for the nine months ended September 26, 2020 was $22.8 million, which primarily reflects the repurchase of 663,602 shares of our common stock for $25.0 million under our stock repurchase program in March 2020.

Working Capital Facilities

Credit Facility

In June 2018, we entered into a new agreement with Bank of America, N.A., increasing the amount of our unsecured revolving line of credit from $75.0 million to $150.0 million and extending the term of the credit facility to June 2023. As of September 26, 2020, we had no outstanding borrowings under our revolving credit facility. The revolving line of credit is available to fund working capital and other corporate purposes. The interest on loans under our credit facility accrues, at our election, at either (1) LIBOR plus a margin, currently equal to 1.0%, based on our ratio of indebtedness to Adjusted EBITDA (the "Eurodollar Rate"), or (2) the lender’s base rate. The lender’s base rate is equal to the highest of (1) the federal funds rate plus 0.5%, (2) the lender’s prime rate and (3) the Eurodollar Rate plus 1.0%. In the event that LIBOR is discontinued as expected in 2021, we expect the interest rates for our debt following such event will be based on either alternate base rates or agreed upon replacement rates. While we do not expect a LIBOR discontinuation would affect our ability to borrow or maintain already outstanding borrowings, it could result in higher interest rates.

The credit facility contains customary terms and conditions for credit facilities of this type, including restrictions on our ability to incur or guarantee additional indebtedness, create liens, enter into transactions with affiliates, make loans or investments, sell assets, pay dividends or make distributions on, or repurchase, our stock, and consolidate or merge with other entities. In addition, we are required to meet certain financial covenants customary with this type of agreement, including maintaining a maximum ratio of indebtedness to Adjusted EBITDA and a minimum specified interest coverage ratio.

The credit facility contains customary events of default, including for payment defaults, breaches of representations, breaches of affirmative or negative covenants, cross defaults to other material indebtedness, bankruptcy and failure to discharge certain judgments. If a default occurs and is not cured within any applicable cure period or is not waived, our obligations under the credit facility may be accelerated.

As of September 26, 2020, we were in compliance with all covenants under the revolving credit facility.

Lines of Credit

We have an unsecured letter of credit facility with Bank of America, N.A., available to fund letters of credit up to an aggregate outstanding amount of $5.0 million. As of September 26, 2020, we had letters of credit outstanding of $0.7 million under our letter of credit facility and other lines of credit with Bank of America, N.A.

We have an unsecured guarantee line of credit with Mizuho, Bank Ltd., available to fund import tax payments up to an aggregate outstanding amount of 220.0 million Japanese Yen. As of September 26, 2020, we had no outstanding balance under the guarantee line of credit.

Working Capital and Capital Expenditure Needs

We currently have no material cash commitments, except for normal recurring trade payables, expense accruals, capital expenditures and operating leases, all of which we anticipate funding through working capital and funds provided by operating activities. We believe our outsourced approach to manufacturing provides us with flexibility in both managing inventory levels and financing our inventory. We believe our existing cash and cash equivalents, short-term investments, and funds available through our credit facility will be sufficient to meet our working capital and capital expenditure needs over at least the next twelve months. In the event our revenue plan does not meet our expectations, we may eliminate or curtail expenditures to mitigate the impact on our working capital. Our future capital requirements will depend on many factors, including our rate of revenue growth or decline, the expansion or contraction of our marketing and sales activities, the timing and extent of spending to support product development efforts, the timing of introductions of new products and enhancements to existing products, the acquisition of new capabilities or technologies, the continuing market acceptance of our products and services, and the impact of COVID-19 on our business. Moreover, to the extent existing cash and cash equivalents, short-term investments, cash from operations, and cash from short-term borrowing are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing. As part of our business strategy, we may consider additional acquisitions of companies, technologies and products, which could also require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

Contractual Obligations

The disclosure of our contractual obligations and commitments is set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations - Contractual Obligations" in our Annual Report on Form 10-K for the year ended December 28, 2019. Our principal commitments generally consist of obligations under our credit facility, leases for office space and minimum contractual obligations. Other obligations consist of primarily of subscription services. There have been no material changes in our contractual obligations and commitments since December 28, 2019.

Off-Balance Sheet Arrangements

As of September 26, 2020, we had no off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

Recently Adopted Accounting Pronouncements

See Note 2 to the Consolidated Financial Statements for a discussion of recently adopted accounting pronouncements.

Recently Issued Accounting Pronouncements

See Note 2 to the Consolidated Financial Statements for a discussion of recently issued accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Exchange Rate Sensitivity

Our international revenue and expenses are denominated in multiple currencies, including British Pounds, Canadian Dollars, Chinese Renminbi, Euros and Japanese Yen. As such, we have exposure to adverse changes in exchange rates associated with the revenue and operating expenses of our foreign operations. Any fluctuations in other currencies will have minimal direct impact on our international revenue.

In addition to international business conducted in foreign currencies, we have international revenue denominated in U.S. dollars. As the U.S. dollar strengthens or weakens against other currencies, our international distributors may be impacted, which could affect their profitability and our ability to maintain current pricing levels on our international consumer products.

We regularly monitor the forecast of non-U.S. dollar revenue and expenses and the level of non-U.S. dollar monetary asset and liability balances to determine if any actions, including possibly entering into foreign currency contracts should be taken to minimize the impact of fluctuating exchange rates on our results of operations. Periodically, we enter into forward exchange contracts to hedge against foreign currency fluctuations. These contracts may or may not be designated as cash flow hedges for accounting purposes. We use cash flow hedges primarily to reduce the effects of foreign exchange rate changes on sales in Euros and Japanese Yen. At September 26, 2020 and December 28, 2019, we had outstanding cash flow hedges with a total notional value of $430.2 million and $424.6 million, respectively.

We also enter into economic hedges that are not designated as hedges from an accounting standpoint to reduce or eliminate the effects of foreign exchange rate changes typically related to short term trade receivables and payables. These contracts have maturities of twelve months or less. At September 26, 2020 and December 28, 2019, we had outstanding economic hedges with a total notional value of $26.8 million and $58.4 million, respectively.

At September 26, 2020, assuming all other variables are constant, if the U.S. Dollar weakened or strengthened by 10%, the fair market value of our foreign currency contracts would increase or decrease by approximately $47.4 million.

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective at a reasonable assurance level in ensuring that information required to be disclosed by us in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms; and (ii) accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely discussions regarding required disclosure. We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

This information is included in Note 11, Commitments and Contingencies, in the accompanying notes to the unaudited consolidated financial statements and is incorporated herein by reference from Item 1 of Part I.

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this report, the risks and uncertainties that we believe are most important for you to consider are discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 28, 2019, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not presently known to us, which we currently deem immaterial or which are similar to those faced by other companies in our industry or business in general, may also impair our business operations. There are no material changes to the Risk Factors described in our Annual Report on Form 10-K for the year ended December 28, 2019, other than as set forth below:

Our business has been, and will continue to be, adversely affected by the ongoing coronavirus pandemic.

The outbreak of the novel coronavirus has evolved into a global pandemic. The coronavirus has already directly and indirectly impacted our business and operating results but the full extent of its impact will depend on future developments that are uncertain and cannot be accurately predicted, including new information that may emerge concerning the coronavirus and the actions to contain the coronavirus or treat its impact, among others. The ultimate impact of the current pandemic, or any other health epidemic, is highly uncertain and subject to change not only with the spread of the disease, but also with the scope and timing of governmental, regulatory, fiscal, monetary and public health responses.

As the coronavirus continues to spread, our business operations could be further disrupted or delayed. The pandemic has already resulted in, and may continue to result in, work stoppages, slowdowns and delays, travel restrictions, event cancellation, and other factors that cause an increase in costs or order cancellations, reductions or delays. For example, our manufacturing supply chain has been and may continue to be adversely affected with production delays or limited manufacturing volumes associated with factory shutdowns or reduced numbers of workers or working hours in the factories, limits on component supplies and diminished capability to implement engineering and design changes in a timely manner. Specifically, travel restrictions have prevented, and may continue to prevent, significant progress in supply chain diversification efforts in Malaysia, which may have a material impact on our ability to mitigate in the impact of certain tariffs. In addition, quarantines, stay at home orders and other travel limitations (whether voluntary or required) impede our employees' ability to efficiently conduct research and development activities or oversee manufacturing activities, which has, and may continue to, slow innovation, lead to higher costs or both. For example, we have already experienced an increase in air freight costs and a delay in our supply chain diversification efforts. Further, if the spread of the coronavirus pandemic continues and our operations continue to be adversely impacted, we risk a delay, default, violation and/or non-compliance under existing agreements.

The spread of the coronavirus, which has caused a broad impact globally, including restrictions on travel and quarantine policies put into place by businesses and governments, has had and may continue to have a material economic effect on our business. For example, the pandemic and related measures taken to limit the spread of disease has resulted in higher unemployment and greater economic uncertainty, which may adversely affect consumer purchasing behavior. Further, retail store closures, whether temporary or permanent, as well as limited operating hours and restrictions on foot traffic and maximum capacities in stores may continue to adversely affect sales of our products. Certain retailers, who we rely on for a significant portion of our revenue, have begun, and may continue, to unilaterally stretch payables to us that may increase our accounts receivable, strain our liquidity, and increase the likelihood of our failure to collect on product previously sold.

While the potential economic impact and the duration of the pandemic may be difficult to assess or predict, it has already caused, and is likely to result in further, significant disruption of global financial markets. In addition, a recession, depression or other sustained adverse market event resulting from the spread of the coronavirus could materially and adversely affect our business, our access to needed capital and liquidity, and the value of our common stock. We do not yet know the full extent of potential delays or impacts on our business, our industry or the global economy as a whole. Additionally, while significant efforts are underway to slow the spread of the disease, increase testing and develop vaccines and therapeutics, it is unclear when or whether progress in any of those areas will translate into an economic recovery that will restore consumer confidence and accelerate consumer spending. Accordingly, given that the potential of these effects of the current pandemic on our operations has been and will likely continue to be material, we will continue to monitor the situation closely.

If we experience a disaster or other business continuity problem, we may not be able to recover successfully, which could cause material financial loss, loss of human capital, regulatory actions, reputational harm, or legal liability.

If we experience a local or regional disaster or other business continuity problem, such as an earthquake, terrorist attack, pandemic or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. As we grow our operations in new geographic regions, the potential for particular types of natural or man-made disasters, political, economic or infrastructure instabilities, or other country- or region-specific business continuity risks increases. For example, the COVID-19 pandemic has disrupted and will continue to disrupt our supply chain and manufacturers, resulting in a disruption in manufacturing our products as further discussed in the risk factors entitled "*We depend on a limited number of manufacturers, and our reputation and results of operations would be harmed if these manufacturers fail to meet our requirements*" below and "*Our business has been, and will continue to be, adversely affected by the ongoing coronavirus pandemic" above*.

Significant developments from the recent and potential changes in U.S. trade policies have had, and may continue to have, a material adverse effect on our business, financial condition and results of operations.

The U.S. government has indicated its intent to alter its approach to international trade policy and in some cases to renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements and treaties with foreign countries. Effective September 24, 2018, the U.S. government implemented a 10% tariff on certain goods imported from China, which include the majority of those imported by the Company. These tariffs were increased to 25% on May 10, 2019 and were slated to further increase to 30% in October 2019 until a last-minute interim deal was reached between the United States and China. Although the United States and China signed a new trade agreement in January 2020, most of the previously-implemented tariffs on goods imported from China remain in place (including the tariffs described above), and uncertainty remains as to the short-term and long-term future of economic relations between the United States and China.

From September 2018 until April 2020, our Roomba products were subject to Section 301 tariffs. From September 2018 through March 28, 2020, we paid an aggregate of $57.2 million in Section 301 tariffs on our Roomba products. On April 24, 2020, we were granted a temporary exclusion from Section 301 List 3 tariffs by the United States Trade Representative. This exclusion, as extended in August 2020, eliminates the 25% tariff on Roomba products until December 31, 2020 and entitles us to a refund of $60.3 million in tariffs paid since the date the Section 301 List 3 tariffs were imposed. However, the 25% Section 301 tariff on our products imported from China will apply to our Roomba products starting January 1, 2021 absent a further extension of the exclusion by the United States Trade Representative. There is currently no process to apply for a further extension nor any formal indication from the U.S. government that any such exclusion extensions will be considered. Although we have begun relocating a meaningful portion of our supply chain from China to Malaysia, if we do not have an exclusion from the Section 301 tariffs, we will again experience a lowering of our margin on products sold and pricing pressures on our products. The already-implemented, and any additional or increased, tariffs have caused and may in the future cause us to further increase prices to our customers which we believe has reduced, and in the future may reduce, demand for our products.

These tariffs, and other governmental action relating to international trade agreements or policies, have directly or indirectly adversely impacted demand for our products, our costs, customers, suppliers, distributors, resellers and/or the U.S. economy or certain sectors thereof and, as a result, have adversely impacted, and we expect will continue to adversely impact, our business, financial condition and results of operations. It remains unclear what the U.S. or foreign governments will or will not do with respect to tariffs, international trade agreements and policies on a short-term or long-term basis. We cannot predict future trade policy or the terms of any renegotiated trade agreements and their impacts on our business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to further adversely impact demand for our products, our costs, our customers, our suppliers, and the U.S. economy, which in turn could further adversely impact our business, financial condition and results of operations.

In response to international trade policy, as well as other risks associated with concentrated manufacturing in China, we have begun relocating a meaningful portion of our supply chain from China to Malaysia. Such relocation activities increase costs and risks associated with establishing new manufacturing facilities.

We depend on a limited number of manufacturers, and our reputation and results of operations would be harmed if these manufacturers fail to meet our requirements.

We depend on a limited number of manufacturers, employing a dual-source strategy to mitigate potential manufacturing disruptions, and we have safety stock strategies for low-volume products that are not dual sourced. The majority of our contract manufacturing locations for our robots are currently located in China and we added additional manufacturing capacity in Malaysia in late 2019, where we have ramped up, and expect to continue to ramp up production in 2020. These manufacturers manage the supply chain for all of the raw materials and provide all facilities and labor required to manufacture our products. If these companies were to terminate their arrangements with us or fail to provide the required capacity and quality on a timely basis, there would be a disruption in manufacturing our products until replacement contract manufacturing services could be obtained or volume transferred to an alternative manufacturing partner, each of which is a costly and time-consuming process. We cannot assure you that we would be able to establish alternative manufacturing arrangements on acceptable terms or in a timely manner.

We are dependent on a limited number of suppliers for various components used in our products, and we may from time to time have sole source suppliers. The cost, quality and availability of these components are essential to the successful production and sale of our products. We are subject to the risk of, and have already experienced, industry-wide shortages, price fluctuations and long lead times in the supply of these components and other materials, which risk may be increased as a result of COVID-19. If the supply of these components were to be delayed or constrained, or if one or more of our main suppliers were to go out of business, alternative sources or suppliers may not be available on acceptable terms or at all. In the event that any of our suppliers were to discontinue production of our key product components, developing alternate sources of supply for these components would be time consuming, difficult and costly. In the event we are unable to obtain components in sufficient quantities on a timely basis and on commercially reasonable terms, our ability to sell our products in order to meet market demand would be affected and could materially and adversely affect our brand, image, business prospects, financial condition and operating results.

Our reliance on these contract manufacturers involves certain risks, including the following:

- lack of direct control over production capacity and delivery schedules;
- lack of direct control over quality assurance, manufacturing yields and production costs;
- lack of enforceable contractual provisions over the production and costs of consumer products;
- risk of loss of inventory while in transit;
- risks associated with international commerce, including unexpected changes in legal and regulatory requirements, changes in tariffs and trade policies, risks associated with the protection of intellectual property and political and economic instability; and
- risks that our attempts to add additional manufacturing resources may be significantly delayed and thereby create disruptions in production of our products.

Any interruption in the manufacture of our products would be likely to result in delays in shipment, lost sales and revenue and damage to our reputation in the market, all of which would harm our business and results of operations. In addition, because our purchase contracts with suppliers are typically denominated in U.S. dollars, changes in currency exchange rates may impact our suppliers who operate in local currency, which may cause our suppliers to seek price concessions on future orders.

If we are not successful in expanding our direct-to-consumer sales channel by driving consumer traffic and consumer purchases through our website, our business and results of operations could be harmed.

We are currently investing in our direct-to-consumer sales channel, primarily through our website and mobile app, and our future growth relies in part on our ability to attract consumers to this channel, which requires significant expenditures in marketing, software development and infrastructure. If we are unable to drive traffic to, and increase sales through, our website and mobile app, our business and results of operations could be harmed. The success of direct-to-consumer sales is subject to risks associated with e-commerce, many of which are outside of our control. Our inability to adequately respond to these risks and uncertainties or to successfully maintain and expand our direct-to-consumer business via our website may have an adverse impact on our results of operations.

Item 5. Other Information

10b5-1 Trading Plans

Our policy governing transactions in our securities by our directors, officers, and employees permits our officers, directors, funds affiliated with our directors, and certain other persons to enter into trading plans complying with Rule 10b5-l under the Exchange Act. We have been advised that certain of our officers and directors (including Colin Angle, Chief Executive Officer, and Glen Weinstein, EVP and Chief Legal Officer, as well as Mohamad Ali, Deborah Ellinger, Elisha Finney, Rueybin Kao, and Andrew Miller, each a director of the Company) have entered into trading plans (each a "Plan" and collectively, the "Plans") covering periods after the date of this Quarterly Report on Form 10-Q in accordance with Rule 10b5-l and our policy governing transactions in our securities. Generally, under these trading plans, the individual relinquishes control over the transactions once the trading plan is put into place. Accordingly, sales under these plans may occur at any time, including possibly before, simultaneously with, or immediately after significant events involving the Company.

We anticipate that, as permitted by Rule 10b5-1 and our policy governing transactions in our securities, some or all of our officers, directors and employees may establish trading plans in the future. We intend to disclose the names of our executive officers and directors who establish a trading plan in compliance with Rule 10b5-1 and the requirements of our policy governing transactions in our securities in our future quarterly and annual reports on Form 10-Q and 10-K filed with the Securities and Exchange Commission. We undertake no obligation to update or revise the information provided herein.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description
31.1*	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
31.2*	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
32.1**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)

* Filed herewith
** Furnished herewith

SIGNATURES

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 thereunto duly authorized.

iROBOT CORPORATION

Date: October 29, 2020	By:	/s/ Julie Zeiler
		Julie Zeiler
		Executive Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

Exhibit 31.1

Certifications

I, Colin M. Angle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of iRobot Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2020

/s/ COLIN M. ANGLE

Colin M. Angle
Chairman of the Board and Chief Executive Officer

Exhibit 31.2

Certifications

I, Julie Zeiler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of iRobot Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2020

/s/ JULIE ZEILER

Julie Zeiler
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of iRobot Corporation (the "Company") for the period ended September 26, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Colin M. Angle, the Chief Executive Officer of the Company and Julie Zeiler, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being provided pursuant to 18 U.S.C. 1350 and is not to be deemed a part of the Report, nor is it to be deemed to be "filed" for any purpose whatsoever.

Date: October 29, 2020	/s/ COLIN M. ANGLE
	Colin M. Angle Chairman of the Board and Chief Executive Officer
Date: October 29, 2020	/s/ JULIE ZEILER
	Julie Zeiler Chief Financial Officer