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 28, 2024

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 ☒ No ☐

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 ☒ No ☐

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. ☐

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

The number of shares outstanding of the Registrant's Common Stock as of October 25, 2024 was 30,558,808.

iROBOT CORPORATION
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 28, 2024
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iROBOT CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)
(unaudited)

	September 28, 2024	December 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 99,447	$ 185,121
Restricted cash	41,082	—
Accounts receivable, net	101,326	79,387
Inventory	149,156	152,469
Other current assets	32,774	48,513
Total current assets	423,785	465,490
Property and equipment, net	25,405	40,395
Operating lease right-of-use assets	15,137	19,642
Deferred tax assets	9,093	8,512
Goodwill	175,928	175,105
Intangible assets, net	3,635	5,044
Other assets	16,932	19,510
Total assets	$ 669,915	$ 733,698
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 195,133	$ 178,318
Accrued expenses	88,384	97,999
Deferred revenue and customer advances	9,121	10,830
Total current liabilities	292,638	287,147
Term loan	186,713	201,501
Operating lease liabilities	22,892	27,609
Other long-term liabilities	17,510	20,954
Total long-term liabilities	227,115	250,064
Total liabilities	519,753	537,211
Commitments and contingencies (Note 12)		
Preferred stock, 5,000 shares authorized and none outstanding	—	—
Common stock, $0.01 par value, 100,000 shares authorized; 30,559 and 27,964 shares issued and outstanding, respectively	306	280
Additional paid-in capital	326,394	290,755
Accumulated deficit	(173,705)	(105,295)
Accumulated other comprehensive (loss) income	(2,833)	10,747
Total stockholders' equity	150,162	196,487
Total liabilities and stockholders' equity	$ 669,915	$ 733,698

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

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

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Revenue	$ 193,435	$ 186,176	$ 509,811	$ 583,036
Cost of revenue:				
Cost of product revenue	131,058	137,888	383,865	443,932
Amortization of acquired intangible assets	—	292	—	864
Total cost of revenue	131,058	138,180	383,865	444,796
Gross profit	62,377	47,996	125,946	138,240
Operating expenses:				
Research and development	19,630	37,336	76,739	116,576
Selling and marketing	29,270	41,558	98,966	139,630
General and administrative	3,232	28,270	(33,552)	85,116
Restructuring and other	1,922	152	24,298	8,236
Amortization of acquired intangible assets	1,066	174	1,405	529
Total operating expenses	55,120	107,490	167,856	350,087
Operating income (loss)	7,257	(59,494)	(41,910)	(211,847)
Other expense, net	(12,548)	(19,113)	(24,583)	(24,217)
Loss before income taxes	(5,291)	(78,607)	(66,493)	(236,064)
Income tax expense	1,080	598	1,917	5,053
Net loss	$ (6,371)	$ (79,205)	$ (68,410)	$ (241,117)
Net loss per share				
Basic	$ (0.21)	$ (2.86)	$ (2.34)	$ (8.73)
Diluted	$ (0.21)	$ (2.86)	$ (2.34)	$ (8.73)
Number of shares used in per share calculations:				
Basic	30,348	27,738	29,276	27,608
Diluted	30,348	27,738	29,276	27,608

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

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

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net loss	$ (6,371)	$ (79,205)	$ (68,410)	$ (241,117)
Other comprehensive loss, net of tax:				
Net foreign currency translation adjustments	9,773	(3,014)	1,678	615
Net unrealized gains on cash flow hedges	—	5,105	3,213	7,077
Net gains on cash flow hedge reclassified into earnings	(3,519)	(5,568)	(11,827)	(14,249)
Change in fair value of term loan due to instrument-specific credit risk	(5,523)	881	(6,644)	881
Total comprehensive loss	$ (5,640)	$ (81,801)	$ (81,990)	$ (246,793)

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

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

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss ("AOCI")	Total Stockholders' Equity
	Shares	Value				
Balance at June 29, 2024	30,077	$ 301	$ 319,673	$ (167,334)	$ (3,564)	$ 149,076
Vesting of restricted stock units	300	3	(3)			—
Stock-based compensation			5,480			5,480
CEO transition costs related to stock-based awards			(143)			(143)
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(4)	—	(28)			(28)
Issuance of common stock, net of issuance costs	186	2	1,415			1,417
Other comprehensive income					731	731
Net loss				(6,371)		(6,371)
Balance at September 28, 2024	30,559	$ 306	$ 326,394	$ (173,705)	$ (2,833)	$ 150,162

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss) ("AOCI")	Total Stockholders' Equity
	Shares	Value				
Balance at December 30, 2023	27,964	$ 280	$ 290,755	$ (105,295)	$ 10,747	$ 196,487
Vesting of restricted stock units	747	7	(7)			—
Stock-based compensation			17,937			17,937
CEO transition costs related to stock-based awards			(1,140)			(1,140)
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(49)	—	(491)			(491)
Issuance of common stock, net of issuance costs	1,897	19	19,340			19,359
Other comprehensive loss					(13,580)	(13,580)
Net loss				(68,410)		(68,410)
Balance at September 28, 2024	30,559	$ 306	$ 326,394	$ (173,705)	$ (2,833)	$ 150,162

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income ("AOCI")	Total Stockholders' Equity
	Shares	Value				
Balance at July 1, 2023	27,696	$ 277	$ 272,190	$ 37,503	$ 15,449	$ 325,419
Vesting of restricted stock units	172	2	(2)			—
Stock-based compensation			9,375			9,375
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(3)	—	(105)			(105)
Other comprehensive loss					(2,596)	(2,596)
Net loss				(79,205)		(79,205)
Balance at September 30, 2023	27,865	$ 279	$ 281,458	$ (41,702)	$ 12,853	$ 252,888

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income ("AOCI")	Total Stockholders' Equity
	Shares	Value				
Balance at December 31, 2022	27,423	$ 274	$ 257,498	$ 199,415	$ 18,529	$ 475,716
Issuance of common stock under employee stock plans	9	—	9			9
Vesting of restricted stock units	479	5	(5)			—
Stock-based compensation			25,880			25,880
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(46)	—	(1,924)			(1,924)
Other comprehensive loss					(5,676)	(5,676)
Net loss				(241,117)		(241,117)
Balance at September 30, 2023	27,865	$ 279	$ 281,458	$ (41,702)	$ 12,853	$ 252,888

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 28, 2024	September 30, 2023
Cash flows from operating activities:		
Net loss	$ (68,410)	$ (241,117)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	16,912	21,367
Loss on equity investment	375	3,910
Stock-based compensation	17,937	25,880
Provision for inventory excess and obsolescence	11,800	1,740
Change in fair value of term loan	13,515	5,292
Debt issuance costs expensed under fair value option	529	11,837
Deferred income taxes, net	(651)	4,115
Other	(6,318)	(8,618)
Changes in operating assets and liabilities — (use) source		
Accounts receivable	(22,073)	(7,943)
Inventory	(10,539)	32,935
Other assets	15,598	12,544
Accounts payable	16,674	28,904
Accrued expenses and other liabilities	(15,825)	(4,483)
Net cash used in operating activities	(30,476)	(113,637)
Cash flows from investing activities:		
Additions of property and equipment	(118)	(3,132)
Purchase of investments	(56)	(213)
Net cash used in investing activities	(174)	(3,345)
Cash flows from financing activities:		
Proceeds from employee stock plans	—	9
Income tax withholding payment associated with restricted stock vesting	(491)	(1,924)
Proceeds from issuance of common stock, net of issuance costs	19,359	—
Repayment of term loan	(34,947)	—
Proceeds from term loan	—	200,000
Payment of debt issuance costs	(529)	(11,837)
Net cash (used in) provided by financing activities	(16,608)	186,248
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,251	4,193
Net (decrease) increase in cash, cash equivalents and restricted cash	(46,007)	73,459
Cash, cash equivalents and restricted cash, at beginning of period	187,887	117,949
Cash, cash equivalents and restricted cash, at end of period	$ 141,880	$ 191,408
Cash, cash equivalents and restricted cash, at end of period:		
Cash and cash equivalents	$ 99,447	$ 189,649
Restricted cash	41,082	—
Restricted cash, non-current (included in other assets)	1,351	1,759
Cash, cash equivalents and restricted cash, at end of period	$ 141,880	$ 191,408

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

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Nature of the Business

iRobot Corporation ("iRobot" or the "Company") designs, builds and sells robots and home innovations that make life better. The Company's portfolio of home robots and smart home devices features proprietary technologies for the connected home and advanced concepts in cleaning, mapping and navigation. iRobot's durable and high-performing robots are designed using the close integration of software, electronics and hardware. 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.

Termination of Merger Agreement

As previously disclosed, on August 4, 2022, the Company entered into an Agreement and Plan of Merger (the "Original Merger Agreement") with Amazon.com, Inc., a Delaware corporation ("Parent" or "Amazon"), and Martin Merger Sub, Inc., a Delaware corporation and an indirect wholly owned subsidiary of Amazon ("Merger Sub"), providing for, among other things, the merger of Merger Sub with and into iRobot, with the Company surviving the merger as a wholly owned subsidiary of Parent (the "Merger", and, together with the other transactions contemplated by the Merger Agreement (as defined below), the "Transactions"). On July 24, 2023, iRobot, Amazon and Merger Sub entered into an amendment to the Original Merger Agreement (the "Amendment", and the Original Merger Agreement, as amended and supplemented by the Amendment, the "Merger Agreement"). The Amendment adjusted the merger consideration to reflect the incurrence of the Term Loan (see Note 9, *Debt,* for additional information).

On January 28, 2024, the Company and Amazon mutually agreed to terminate the Merger Agreement and entered into a mutual termination agreement effective as of such date (the "Termination Agreement"). The termination of the Merger Agreement was approved by the Company's Board of Directors ("Board"). In accordance with the terms of the Termination Agreement, Amazon made a cash payment to the Company in the previously agreed amount of $94.0 million (the "Parent Termination Fee") on January 29, 2024. During the first quarter of fiscal 2024, as a result of the termination of the Merger Agreement and receipt of the Parent Termination Fee of $94.0 million from Amazon, the Company made a payment of $18.8 million for professional fees incurred in connection with the Transactions. In accordance with the terms of the Credit Agreement (as defined below), the Company applied $35.0 million to repay a portion of the Term Loan. The remaining $40.0 million of the Parent Termination Fee was set aside as restricted cash to be used for future repayments of the Term Loan subject to limited rights of the Company to utilize such amounts for the purchase of inventory. See Note 9, *Debt*, for additional information. The Parent Termination Fee received net of professional fees paid was $75.2 million and was recorded during the first quarter of fiscal 2024 as a benefit in general and administrative expenses on the consolidated statements of operations.

2. Summary of Significant Accounting Policies

Basis of Presentation and Foreign Currency Translation

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 addition, certain prior year amounts have been reclassified to conform to the current year presentation, including separate presentation of restructuring and other costs on the consolidated statements of operations. These reclassifications have no material effect on the reported financial results.

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 30, 2023, filed with the Securities and Exchange Commission on February 27, 2024.

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.

Liquidity

The accompanying unaudited consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

In the third quarter of fiscal 2024, the Company's performance continued to be impacted by lower orders from retailers and distributors largely resulting from a decline in consumer sentiment and increased pricing competition in the market. During the nine months ended September 28, 2024, the Company's revenue declined 12.6%, compared to the nine months ended September 30, 2023. The Company's operating loss of $41.9 million and operating cash outflows of $30.5 million for the nine months ended September 28, 2024 benefited from the one-time receipt of the Parent Termination Fee net of professional fees paid of $75.2 million during the first quarter of fiscal 2024. The Company's operating loss also includes the one-time benefit of $13.5 million related to an intellectual property litigation settlement ("Litigation Settlement") during the third quarter of fiscal 2024 with cash received subsequently in October. At September 28, 2024, the Company's cash and cash equivalents were $99.4 million. The Company also had $42.4 million in restricted cash. During the three months ended September 28, 2024, the Company elected to draw down $40.0 million of the restricted cash which was subsequently received in the fourth quarter of fiscal 2024. The cash will be used for the purchase of inventory and is required to be repaid within five months in accordance with the terms of the loan agreement. It will then be available again during the third quarter of 2025 for purchases of inventory.

Management has considered and assessed its ability to continue as a going concern for the one year from the date that the unaudited consolidated financial statements are issued. Management's assessment included the preparation of cash flow forecasts taking into account the restructuring actions and maintaining debt covenant compliance. On January 29, 2024, following the termination of the Merger Agreement, the Company announced an operational restructuring plan to more closely align its cost structure with near-term revenue expectations and drive profitability. The 2024 operational restructuring plan is structured to:

- achieve gross margin improvements through a focus on design-to-value and more beneficial terms with the Company's existing and new manufacturing partners;
- lower research and development expenditure by pausing work unrelated to the Company's core floorcare business and shifting to greater reliance on contract manufacturers as it relates to the lower-value commodity engineering work;
- return selling and marketing expenditures to a more normalized level, consistent with industry standards in the consumer products market, by centralizing resources on more limited geographies and consolidating marketing efforts for efficiencies; and
- further reduce headcount by approximately 350 employees, which represents approximately 31% of the Company's global workforce as of December 30, 2023.

During the nine months ended September 28, 2024, the Company made significant progress in implementing its 2024 operational restructuring plan. The Company's total operating expenses declined $93.5 million, or 26.7%, which excludes the one-time benefits of $75.2 million related to the Parent Termination Fee and $13.5 million related to the Litigation Settlement, compared to the nine months ended September 30, 2023. Research and development expenses decreased $39.8 million, or 34.2%, while selling and marketing expenses decreased $40.7 million, or 29.1%, during the nine months ended September 28, 2024. Gross margin improved to 32.2% during the third quarter of fiscal 2024, compared to 25.8% during the third quarter of 2023. In addition to the reduction of its headcount, the Company entered into or amended three sublease agreements between fiscal 2022 and 2024 to sublease portions of its headquarters. iRobot expects these sublease agreements will generate $6.1 million in sublease cash payments in the future over the remaining lease terms. The Company expects to continue to right size its global real estate footprint through additional subleasing at its corporate headquarters and the elimination of offices in smaller, underperforming geographies. The Company continues to evaluate its cost structure, and in November 2024, as part of the ongoing restructuring plan, the Company announced an additional round of workforce reductions, totaling approximately 105 employees. Since the start of 2024 and including this new action, the Company has reduced its global workforce by approximately 50%.

Inventory has consumed a significant amount of cash and the Company continues to manage its inventory level carefully to ensure efficiency in its working capital. Days in inventory has improved from 161 days during the third quarter of fiscal 2023 to 104 days in the third quarter of fiscal 2024. The Company plans to continue to manage its inventory to a level that aligns with current run rates and seasonality of the business.

While management estimates such actions will be sufficient to allow it to maintain its debt covenant compliance, and its liquidity and operations in the ordinary course for at least 12 months from the issuance of these financial statements, there can be no assurance the Company will meet its debt covenant compliance and generate sufficient future cash flows from operations due to potential factors, including, but not limited to, further inflation, higher interest rates, ongoing recessionary conditions or continued reduced demand for the Company's products due to consumer sentiment or competition. If the Company is not successful in increasing demand for its products, or if macroeconomic conditions further constrain consumer demand, the Company may continue to experience adverse impacts to revenue and profitability. Additional actions within the Company's control to maintain its liquidity and operations include optimizing its production volumes with contract manufacturers by reducing inventory supply forecast for cancellable purchase orders, further reducing discretionary spending in all areas of the business and realigning resources through ongoing attrition without rehiring activity. In addition, the Company may need additional financing, including public or private equity or debt financing, to execute on its current or future business strategy, and additional financing may not be available or on terms favorable to the Company.

The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of these uncertainties.

Recently Issued Accounting Standards

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board 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.

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 revenue and expenses. These estimates and judgments, include but are not limited to, revenue recognition, including variable consideration and other obligations such as sales incentives and product returns; impairment of goodwill and long-lived assets; valuation of non-marketable equity investments; valuation of debt; inventory excess and obsolescence; loss on purchase commitments; loss contingencies; and accounting for income taxes and related valuation allowances. The Company bases its estimates and assumptions on historical experience, market participant fair value considerations, projected future cash flows, current economic conditions, and various other factors that the Company believes are reasonable under the circumstances. Actual results and outcomes may differ from the Company's estimates and assumptions.

Cash, Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with maturity of three months or less at the time of purchase to be cash and cash equivalents. The Company's restricted cash balance totaled $42.4 million as of September 28, 2024, $41.1 million of which was set aside for future repayment of the Term Loan subject to limited rights of the Company to utilize such amounts for the purchase of inventory. During the three months ended September 28, 2024, the Company elected to draw down $40.0 million of the restricted cash, which was subsequently received in the fourth quarter of fiscal 2024 and will be used for the purchase of inventory. See Note 9, *Debt*, for additional information. The remaining $1.4 million of restricted cash is used as collateral for the Company's credit card program and to secure the outstanding letters of credit and is included in other assets on the consolidated balance sheet.

Allowance for Credit Losses

The Company maintains an allowance for credit losses for accounts receivable using an expected loss model that requires the use of forward-looking information to calculate credit loss estimate. The expected loss methodology is developed through consideration of factors including, but not limited to, historical collection experience, current customer credit ratings, customer concentrations, current and future economic and market conditions and age of the receivable. The Company reviews and adjusts the allowance for credit losses on a quarterly basis. Accounts receivable balances are written off against the allowance when the Company determines that the balances are not recoverable. At September 28, 2024 and December 30, 2023, the Company had an allowance for credit losses of $2.7 million.

Inventory

Inventory primarily consists of finished goods and, to a lesser extent, components, which are purchased from contract manufacturers. Inventory is stated at the lower of cost or net realizable value with cost being determined using the standard cost method, which approximates actual costs determined on the first-in, first-out basis. Inventory costs primarily consist of materials, inbound freight, import duties and other handling fees. The Company writes down its inventory for estimated obsolescence or excess inventory based upon assumptions around market conditions and estimates of future demand including consideration of product life cycle status, product development plans and current sales levels. Inventory write-downs and losses on purchase commitments are recorded in cost of revenue. Net realizable value is the estimated selling price less estimated costs of completion, disposal and transportation. Adjustments to reduce inventory to net realizable value are recognized in cost of revenue and have not been significant for the periods presented.

During the second quarter of fiscal 2024, the Company finalized its 2025 product roadmap as part of its transition to a new contract manufacturing paradigm. As a result, the Company evaluated its component inventory on-hand and non-cancelable purchase commitments with its contract manufacturers and suppliers and recorded a charge totaling $18.4 million in cost of product revenue in the second quarter of fiscal 2024. This charge included a $10.3 million non-cash reserve for obsolete or excess component inventory and a $8.1 million charge for losses on non-cancellable purchase commitments.

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 in orderly transactions for identical or similar investments of the same issuer. These investments are valued using significant unobservable inputs or data in an inactive market and the valuation requires the Company's judgment due to the absence of market prices and inherent lack of liquidity. The Company monitors non-marketable equity investments for impairment indicators, such as deterioration in the investee's financial condition and business forecasts and lower valuations in recent or proposed financings. The estimated fair value is based on quantitative and qualitative factors including, but not limited to, subsequent financing activities by the investee and projected discounted cash flows. The Company performs an assessment on a quarterly basis to assess whether triggering events for impairment exist and to identify any observable price changes. Changes in fair value of non-marketable equity investments are recorded in other expense, net on the consolidated statements of operations. At September 28, 2024 and December 30, 2023, the Company's equity securities without readily determinable fair values totaled $11.1 million and $11.4 million, respectively, and are included in other assets on the consolidated balance sheets.

Net Loss Per Share

Basic loss per share is calculated using the Company's weighted-average outstanding common shares. Diluted loss 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 loss per share (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net loss	$ (6,371)	$ (79,205)	$ (68,410)	$ (241,117)
Weighted-average shares outstanding	30,348	27,738	29,276	27,608
Basic and diluted loss per share	$ (0.21)	$ (2.86)	$ (2.34)	$ (8.73)

Employee stock awards representing approximately 2.8 million and 0.8 million shares of Common Stock for the three months ended September 28, 2024 and September 30, 2023, respectively, and approximately 2.9 million and 0.9 million shares for the nine months ended September 28, 2024 and September 30, 2023, 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 the sale of consumer robots and accessories. The Company sells products directly to consumers through online stores and indirectly through resellers and distributors. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. Revenue is allocated to distinct performance obligations and is recognized net of allowances for returns and other credits and incentives. Revenue is recognized only to the extent that it is probable that a significant reversal of revenue will not occur and when collection is considered probable. 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.

Frequently, the Company's contracts with customers contain multiple promised goods or services. Such contracts may include any of the following, the consumer robot, downloadable app, cloud services, accessories on demand, potential future unspecified software upgrades and extended warranties. For these contracts, the Company accounts for the promises separately as individual performance obligations if they are distinct. Performance obligations are considered distinct if they are both capable of being distinct and distinct within the context of the contract. In determining whether performance obligations meet the criteria for being distinct, the Company considers a number of factors, such as the degree of interrelation and interdependence between obligations, and whether or not the good or service significantly modifies or transforms another good or service in the contract.

The Company allocates revenue to all distinct performance obligations based on their relative stand-alone selling prices ("SSPs"). When available, the Company uses observable prices to determine SSPs. When observable prices are not available, SSPs are established that reflect the Company's best estimates of what the selling prices of the performance obligations would be if they were sold regularly on a stand-alone basis. The Company's process for estimating SSPs without observable prices considers multiple factors that may vary depending upon the facts and circumstances related to each performance obligation including market data or the estimated cost of providing the products or services. The transaction price allocated to the robot is recognized as revenue at a point in time when control is transferred, generally as title and risk of loss pass, and when collection is considered probable. The transaction price allocated to services and support is deferred and recognized over their service periods. For contracts with a duration of greater than one year, the transaction price allocated to performance obligations that are unsatisfied as of September 28, 2024 and December 30, 2023 was $13.6 million and $18.4 million, respectively.

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 Accounting Standards Codification ("ASC") 460, "Guarantees." For contracts with the right to upgrade to a new product after a specified period of time, the Company accounts for this trade-in right as a guarantee obligation under ASC 460. The total transaction price is reduced by the full amount of the trade-in right's fair value and the remaining transaction price is allocated between the performance obligations within the contract.

The Company provides limited rights of returns for direct-to-consumer sales generated through its online 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 the time of sale and updated at the end of each reporting period as additional information becomes available. As of September 28, 2024, the Company had reserves for product returns of $16.3 million and other credits and incentives of $58.3 million. As of December 30, 2023, the Company had reserves for product returns of $24.6 million and other credits and incentives of $95.3 million. The Company regularly evaluates the adequacy of its estimates for product returns and other credits and incentives. Future market conditions and product transitions may require the Company to take action to change such programs and related estimates. When the variables used to estimate these reserves change, or if actual results differ significantly from the estimates, the Company increases or reduces revenue to reflect the impact. During the three and nine months ended September 28, 2024 and September 30, 2023, changes to these estimates related to performance obligations satisfied in prior periods were 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 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
United States	$ 105,137	$ 85,781	$ 258,398	$ 288,725
EMEA	45,902	51,861	130,884	149,421
Japan	27,718	34,713	83,254	110,186
Other	14,678	13,821	37,275	34,704
Total revenue	$ 193,435	$ 186,176	$ 509,811	$ 583,036

Contract Balances

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

	September 28, 2024	December 30, 2023
Accounts receivable, net	$ 100,266	$ 77,112
Contract liabilities	14,635	18,702

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 services and extended warranty plans as well as prepayments received from customers in advance of the satisfaction of its performance obligations. During the three months ended September 28, 2024 and September 30, 2023, the Company recognized $5.1 million and $4.5 million, respectively, of the contract liability balance as revenue upon transfer of the products or services to customers. During the nine months ended September 28, 2024 and September 30, 2023, the Company recognized $8.9 million and $11.3 million, respectively, of the contract liability balance as revenue upon transfer of the products or services to customers.

4. Restructuring and Other Charges

During the three months ended September 28, 2024 and September 30, 2023, the Company recorded restructuring and other charges of $1.9 million and $0.2 million, respectively, in the consolidated statements of operations. During the nine months ended September 28, 2024 and September 30, 2023, the Company recorded restructuring and other charges of $24.3 million and $8.2 million, respectively, in the consolidated statements of operations.

The components of restructuring and other charges were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Cash restructuring charges:				
Severance and other personnel costs	$ 998	$ 69	$ 17,198	$ 3,602
Other restructuring costs	454	83	3,439	4,634
CEO transition costs	534	—	2,053	—
Total cash charges	1,986	152	22,690	8,236
Non-cash charges:				
Asset write offs	79	—	2,828	—
CEO transition costs related to stock-based awards	(143)	—	(1,220)	—
Total non-cash charges	(64)	—	1,608	—
Total restructuring and other charges	$ 1,922	$ 152	$ 24,298	$ 8,236

On January 29, 2024, following the termination of the Merger Agreement, the Company announced an operational restructuring plan which includes a reduction in headcount. As of September 28, 2024, approximately 340 employees have been notified, with $1.0 million and $17.2 million of restructuring cost recorded during the three and nine months ended September 28, 2024, respectively. These charges consist primarily of employee termination benefits including severance, payroll taxes and other benefits.

In addition, the operational restructuring plan includes actions to pause work unrelated to the Company's core floorcare business and, as a result, during the nine months ended September 28, 2024, the Company recorded restructuring costs of $4.9 million. These charges typically consist of write-offs on certain fixed assets as well as material liabilities at contract manufacturers due to discontinuation of programs.

In conjunction with the termination of the Merger Agreement, Colin Angle, the Company's then-Chief Executive Officer, stepped down as an officer of the Company and from his position as chairman of the Board effective January 28, 2024. The Board appointed Glen D. Weinstein, the Company's then Executive Vice President and Chief Legal Officer, as Interim Chief Executive Officer while a search was conducted for a permanent CEO. On May 6, 2024, the Company appointed Gary S. Cohen as the Company's Chief Executive Officer. Gary S. Cohen succeeded Glen D. Weinstein as the principal executive officer of the Company. Glen D. Weinstein provided transition services as a Company employee during the transition period. CEO transition costs represent costs incurred for CEO search fees and charges associated with the transition-related agreements with Colin Angle and Glen D. Weinstein which include compensation during the transition period as well as adjustments for modification of stock-based awards.

The following table presents a roll-forward of cash restructuring-related liabilities, which is included within accounts payable and accrued expenses in the consolidated balance sheet (in thousands):

	Severance and other personnel costs	Other restructuring costs	CEO transition costs	Total
Balance as of December 30, 2023	$ —	$ —	$ —	$ —
Charges	17,198	3,439	2,053	22,690
Cash payments	(16,109)	(1,284)	(1,411)	(18,804)
Balance as September 28, 2024	$ 1,089	$ 2,155	$ 642	$ 3,886

The Company expects the people-related balance to be paid within the fourth quarter of 2024, and the remaining balance to be paid within fiscal 2025.

5. 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 and equipment under various non-cancelable lease arrangements. The operating leases expire at various dates through 2030. The Company currently has three sublease agreements for space at its headquarters. At September 28, 2024, the Company's weighted average discount rate was 4.46%, while the weighted average remaining lease term was 5.37 years.

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

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Operating lease cost	$ 1,043	$ 1,359	$ 3,604	$ 4,827
Variable lease cost	716	646	2,669	2,374
Sublease income	(535)	(495)	(1,526)	(819)
Right-of-use asset impairment	167	—	1,034	3,048
Net lease cost	$ 1,391	$ 1,510	$ 5,781	$ 9,430

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

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 1,853	$ 1,815	$ 5,095	$ 6,092
Right-of-use assets obtained in exchange for operating lease liabilities (non-cash)	$ —	$ —	$ 811	$ 683
Right-of-use asset reductions related to operating lease modifications (non-cash)	$ —	$ —	$ (1,883)	$ —

Maturities of operating lease liabilities and sublease payments were as follows as of September 28, 2024 (in thousands):

	Operating Lease Payments	Sublease Payments	Net
Remainder of 2024	$ 976	$ (343)	$ 633
2025	5,853	(1,003)	4,850
2026	5,907	(1,033)	4,874
2027	5,315	(1,064)	4,251
2028	5,474	(1,096)	4,378
Thereafter	7,574	(1,513)	6,061
Total minimum lease payments	$ 31,099	$ (6,052)	$ 25,047
Less: imputed interest	3,768		
Present value of future minimum lease payments	$ 27,331		
Less: current portion of operating lease liabilities (Note 8)	4,439		
Long-term lease liabilities	$ 22,892		

6. Fair Value Measurements

Fair Value Measurements - Recurring Basis

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 28, 2024		
	Level 1	Level 2	Level 3
Assets:			
Money market funds	$ 30,324	$ —	$ —
Restricted cash (Note 2)	41,082	—	—
Restricted cash, non-current (Note 2)	1,351	—	—
Total assets measured at fair value	$ 72,757	$ —	$ —
Liabilities:			
Term loan (unpaid principal of $178,308) (Note 9)	$ —	$ —	$ 186,713
Derivative instruments (Note 10)	—	82	—
Total liabilities measured at fair value	$ —	$ 82	$ 186,713

	Fair Value Measurements as of December 30, 2023		
	Level 1	Level 2	Level 3
Assets:			
Money market funds	$ 117,652	$ —	$ —
Restricted cash, current	1,000	—	—
Restricted cash, non-current (Note 2)	1,766	—	—
Derivative instruments (Note 10)	—	3,999	—
Total assets measured at fair value	$ 120,418	$ 3,999	$ —
Liabilities:			
Term loan (unpaid principal of $200,000) (Note 9)	$ —	$ —	$ 201,501
Derivative instruments (Note 10)	—	7,643	—
Total liabilities measured at fair value	$ —	$ 7,643	$ 201,501

The following table provides a summary of changes in fair value of our Level 3 instrument for the nine months ended September 28, 2024 (in thousands):

Balance as of December 30, 2023	$ 201,501
Repayment	(34,947)
Change in fair value	20,159
Balance as of September 28, 2024	$ 186,713

As discussed further in Note 9 to the consolidated financial statements, the Company elected to recognize the Term Loan under the fair value option. The fair value of the Term Loan as of September 28, 2024 has been determined based on a discounted cash flow model, which represents Level 3 measurements. Fair value was estimated using probability-weighted scenarios which include assumptions that are highly subjective and require judgment regarding significant matters, such as the amount and timing of future cash flows, expected interest rate volatility and the discount rate. The use of different assumptions could have a material effect on the fair value estimates.

Fair Value Measurements - Nonrecurring Basis

The Company measures the fair value of certain assets on a nonrecurring basis when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. During the second quarter of fiscal 2024, as a result of the execution of an amendment to one of its sublease agreements, the Company determined that indicators of impairment existed related to the long-lived assets associated with the subleased space. The right-of-use asset was measured and written down to fair value on a nonrecurring basis as a result of impairment. The fair value measurement was determined using a discounted cash flow method with unobservable inputs and was classified within Level 3 of the fair value hierarchy. The Company recognized an impairment charge of $0.9 million related to the right-of-use asset and recorded it as a non-cash restructuring and other charge on its consolidated statement of operations in the second quarter of fiscal 2024. The fair value of the remaining right-of-use asset was $0.9 million.

7. Goodwill and Other Intangible Assets

The following table summarizes the activity in the carrying amount of goodwill and intangible assets for the nine months ended September 28, 2024 (in thousands):

	Goodwill	Intangible assets
Balance as of December 30, 2023	$ 175,105	$ 5,044
Amortization	—	(1,405)
Effect of foreign currency translation	823	(4)
Balance as of September 28, 2024	$ 175,928	$ 3,635

8. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	September 28, 2024	December 30, 2023
Accrued warranty	$ 19,067	$ 24,625
Accrued returns and sales incentives	17,758	12,897
Accrued compensation and benefits	14,289	13,593
Accrued manufacturing and logistics cost	12,211	5,462
Accrued taxes payable	4,721	8,927
Current portion of operating lease liabilities	4,439	5,216
Accrued interest	3,895	4,498
Accrued restructuring and other	3,571	1,894
Derivative liability	82	7,276
Accrued merger related liabilities	—	4,721
Accrued other	8,351	8,890
	$ 88,384	$ 97,999

9. Debt

Term Loan

On July 24, 2023, the Company entered into a Credit Agreement (the "Credit Agreement") by and among the Company, as borrower, each lender from time to time party thereto and TCG Senior Funding L.L.C., an affiliate of The Carlyle Group, as administrative agent and collateral agent, providing for a $200.0 million senior secured term loan credit facility (the "Term Loan"). Total proceeds from the Term Loan were $188.2 million, net of $11.8 million of debt issuance costs. The Term Loan matures on July 24, 2026.

The Term Loan bears interest at a rate per annum equal to, at the Company's option, (i) a rate based on term SOFR plus a credit spread adjustment plus a 9.00% spread or (ii) a rate based on the base rate plus a rate adjustment plus an 8.00% spread. A portion of each spread equal to 2.5% is paid in kind by capitalizing such option into principal of the Term Loan. In the event of repayment, prepayment or acceleration of all or any portion of the Term Loan, the Company is required to pay to the lenders an additional amount which represents a minimum guaranteed return on the Term Loan that ranges between 1.30x and 1.75x of the principal in accordance with the provisions within the Credit Agreement. The minimum guaranteed return range is based on the date on which it is paid. The Credit Agreement provides for mandatory prepayments of borrowings under certain circumstances, including non-ordinary course asset sales and incurrence of other indebtedness, subject to customary exceptions.

The Credit Agreement contains customary affirmative covenants, including financial statement reporting requirements and delivery of compliance certificates. The Credit Agreement also contains customary negative covenants that limit the Company's and its subsidiaries' ability to, among other things, grant or incur liens, incur additional indebtedness, make certain restricted investments or payments, including payment of dividends on its capital stock and payments on certain permitted indebtedness, enter into certain mergers and acquisitions or engage in certain asset sales, subject in each case to certain exceptions. In addition, the Credit Agreement contains a financial covenant that the Company will not permit its consolidated core assets (comprising cash, accounts receivable and inventory), measured on the last day of each fiscal month, to be less than

$250.0 million which amount is subject to increase or decrease upon certain triggers related to the payment or non-payment of any termination fees under the Amended Merger Agreement (or fees in lieu of such termination fees) and the occurrence or non-occurrence of the Merger.

During the first quarter of 2024, as a result of the termination of the Merger Agreement and receipt of the Parent Termination Fee of $94.0 million from Amazon on January 29, 2024, $35.0 million of such Parent Termination Fee was used immediately to repay a portion of the Term Loan, and $40.0 million of the Parent Termination Fee has been set aside in a restricted account to be used for future repayments of the Term Loan subject to limited rights of the Company to utilize such amounts for the purchase of inventory in the third quarters of fiscal 2024 and 2025. The $35.0 million repayment was applied to the principal, interest and the 1.4x minimum guaranteed return, reducing the principal balance of the loan to $176.1 million. With the termination of the Merger Agreement and the $35.0 million repayment, the applicable minimum guaranteed return ranges between 1.4x and 1.7x of the principal and the consolidated core assets financial covenant is reduced to $200.0 million. To access the $40.0 million of restricted cash for inventory purchases, on the day of such election, the Company must certify to its lenders that the Company has pro forma consolidated core assets of $275.0 million and no default or event of default under the Credit Agreement. During the three months ended September 28, 2024, the Company elected to draw down $40.0 million of the restricted cash, which was subsequently received in the fourth quarter of fiscal 2024. As of September 28, 2024, the Company was in compliance with the covenants under the Term Loan.

The Credit Agreement also contains customary events of default (subject to certain exceptions, thresholds and grace periods), such as the failure to pay obligations when due, breach of certain covenants, including the financial covenant, cross-default or cross-acceleration of certain indebtedness, bankruptcy-related defaults, judgment defaults, and the occurrence of certain change of control events involving the Company. The occurrence of an event of default may result in the termination of the Credit Agreement and acceleration of repayment obligations with respect to any outstanding loans or letters of credit under the Term Loan.

The obligations under the Term Loan are guaranteed by the Company and certain of its subsidiaries located in the United States, United Kingdom, Japan, France and Spain. In addition, the obligations under the Term Loan are secured by a first priority lien on substantially all tangible and intangible property of the Company and the guarantors and pledges of the equity of certain subsidiaries, in each case subject to certain exceptions, limitations and exclusions from the collateral.

Upon issuance, the Company elected to account for the Term Loan under the fair value option. The primary reason for electing the fair value option is for simplification and cost-benefit considerations of accounting for the Term Loan at fair value in its entirety versus bifurcation of the embedded features. The fair value of the Term Loan was determined using a discounted cash flow model which represents Level 3 measurements. The significant assumptions used in the discounted cash flow model include the amount and timing of future cash flows, expected interest rate volatility and the discount rate.

Under the fair value election, debt issuance costs are expensed as incurred, and debt liability is subsequently valued at fair market value, including paid in kind interest, during each reporting period until its settlement.

The Company's outstanding debt as of September 28, 2024 was as follows (in thousands):

	Classification	September 28, 2024
Term Loan at fair value at December 30, 2023		$ 201,501
Repayment		(34,947)
Change in fair value of term loan due to instrument-specific credit risk	Other comprehensive income	6,644
Remaining changes in fair value	Other expense, net	13,515
Term Loan at fair value as of September 28, 2024		$ 186,713

During the three and nine months ended September 28, 2024, the Company recorded $5.4 million and $16.2 million, respectively, of interest expense in other expense, net on the consolidated statements of operations related to the quarterly cash interest, $3.9 million of which is unpaid and included in accrued expenses on the consolidated balance sheet as of September 28, 2024.

10. Derivative Instruments and Hedging Activities

The Company historically entered into derivative instruments that were designated as cash flow hedges to reduce its exposure to foreign currency exchange risk in sales. These contracts had a maturity of three years or less. During the first quarters of 2024 and 2023, the Company terminated foreign currency forward contracts with a notional value of $102.9 million and $151.7 million, respectively, resulting in net cash proceeds of $2.7 million and a net cash payment of $2.5 million, respectively, which were recognized within cash used in operating activities in the consolidated statements of cash flows. Amounts previously recorded in AOCI were frozen at the time of termination, and will be recognized in earnings when the original forecasted transaction occurs. At September 28, 2024, the Company had no outstanding cash flow hedges. As of December 30, 2023, the Company had outstanding cash flow hedges with a total notional value of $114.4 million.

The Company enters into economic hedges that are not designated as hedges from an accounting standpoint to reduce foreign currency exchange risks related to short term trade receivables and payables. These contracts typically have maturities of approximately one month. At September 28, 2024 and December 30, 2023, the Company had outstanding foreign currency economic hedges with a total notional value of $11.9 million and $252.0 million, respectively.

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

		Fair Value	
	Classification	September 28, 2024	December 30, 2023
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts	Other current assets	$ —	$ 2,929
Foreign currency forward contracts	Accrued expenses	82	4,586
Derivatives designated as cash flow hedges:			
Foreign currency forward contracts	Other current assets	$ —	$ 1,070
Foreign currency forward contracts	Accrued expenses	—	2,690
Foreign currency forward contracts	Long-term liabilities	—	367

(Losses) gains associated with derivative instruments not designated as hedging instruments were as follows (in thousands):

		Three Months Ended		Nine Months Ended	
	Classification	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
(Loss) gain recognized in income	Other expense, net	$ (494)	$ 2,151	$ 853	$ 3,418

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

	Gain recognized in OCI on Derivative (1)			
	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Foreign currency forward contracts	$ —	$ 5,105	$ 3,213	$ 7,077

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

	Gain recognized in earnings on cash flow hedging instruments			
	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
	Revenue		Revenue	
Consolidated statements of operations in which the effects of cash flow hedging instruments are recorded	$ 193,435	$ 186,176	$ 509,811	$ 583,036
Gain on cash flow hedging relationships:				
Foreign currency forward contracts:				
Amount of gain reclassified from AOCI into earnings	$ 3,519	$ 5,568	$ 11,827	$ 14,249

11. Stockholders' Equity

ATM Equity Offering

In February 2024, the Company entered into an ATM Equity Offering Sales Agreement (the "ATM Agreement") with BofA Securities, Inc. ("BofA") pursuant to which the Company may offer and sell, from time to time, at the Company's option, up to an aggregate of $100.0 million in shares of Common Stock through BofA, as sales agent, in an "at the market" offering. The shares will be offered and sold pursuant to an effective automatic shelf registration statement on Form S-3, which was originally filed with the Securities and Exchange Commission on February 27, 2024. BofA will receive a commission up to 3.00% of the aggregate gross sales proceeds of any Common Stock sold through BofA under the ATM Agreement.

During the three and nine months ended September 28, 2024, the Company sold an aggregate of 0.2 million and 1.9 million shares under the ATM Agreement, respectively, and received net proceeds of $1.4 million and $19.4 million, respectively. The issuance costs incurred in connection with the offering were $0.1 million and $1.1 million during the three and nine months ended September 28, 2024, respectively. As of September 28, 2024, $79.6 million remained available for further sale under the ATM Agreement.

12. 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 matter, a liability is not probable or the amount cannot be reasonably estimated and therefore accruals have not been made.

On March 8, 2024, purported Company shareholder Dylan Das filed a putative class action in the U.S. District Court for the District of New Jersey against the Company and certain of its officers, captioned Dylan Das v. iRobot Corporation, et al., No. 2:24-cv-02138. The parties have agreed to transfer the case to the U.S. District Court for the District of Massachusetts. An amended complaint was filed on July 19, 2024. On September 3, 2024, the Company filed a motion to dismiss ("Motion to Dismiss"). The complaint alleges violations of Sections 10(b), 14(a) and 20(a) of the Securities Exchange Act of 1934, as amended and Rule 10b-5 thereunder based on allegedly false and misleading statements and omissions concerning the likelihood of regulatory approval of the Merger and its impact on the Company's 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. Given the uncertainty of litigation, the preliminary stage of the case, and the legal standards that must be met for, among other things, class certification and success on the merits, the Company cannot estimate the reasonably possible loss or range of loss, if any, that may result from this action. On June 8, 2024, purported Company shareholder Anthony Wren filed a shareholder derivative complaint in the U.S. District Court for the District of Massachusetts against the Company, certain of its current and former members of the board of directors, and certain of its officers, captioned Anthony Wren, derivatively on behalf of iRobot Corp. v. iRobot Corporation, et al., No. 1:24-cv-11498. The parties filed a stipulation staying this action until final resolution on the Motion to Dismiss.

Commitments to Suppliers

The Company utilizes contract manufacturers to build its products and some of its accessories. These contract manufacturers manage the supply of components, capacity and resources to build products based on a forecasted production plan, which typically covers a rolling 12-month period. During the normal course of business, and in order to ensure adequate supply, the Company enters into purchase commitments with contract manufacturers and suppliers. In certain instances, these purchase commitments allow the Company the option to cancel, reschedule and/or adjust the supply requirements based on its business needs for a period of time before the order is due to be fulfilled. In some instances, these purchase commitments are not cancellable in the event of a change in demand or other circumstances, such as where the contract manufacturer and/or supplier has built products, semi-finished products or procured and/or ordered unique, iRobot-specific designs, and/or specific non-cancellable, non-returnable components based on the provided forecasts. If the Company cancels all or part of the orders, or materially reduces forecasted orders, in certain circumstances the Company may be liable to its contract manufacturers and/or suppliers for the cost of the excess components purchased by its contract manufacturers based on the forecasted production plan and the purchase terms of its component suppliers. During the second quarter of fiscal 2024, the Company finalized its 2025 product roadmap as part of its transition to a new contract manufacturing paradigm. As a result, the Company evaluated its component inventory on-hand and non-cancelable purchase commitments with its contract manufacturers and suppliers and recorded a charge totaling $18.4 million in cost of product revenue in the second quarter of fiscal 2024. This charge included a $10.3 million non-cash reserve for obsolete or excess component inventory and a $8.1 million charge for losses on non-cancellable purchase commitments. The loss on purchase commitments is included in accrued manufacturing and logistics cost on the consolidated balance sheets (Note 8).

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 had no liabilities recorded for these agreements as of September 28, 2024 and December 30, 2023, 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 8) in the accompanying consolidated balance sheets.

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

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Balance at beginning of period	$ 19,765	$ 23,935	$ 24,625	$ 27,379
Provision	3,994	2,869	10,039	11,229
Warranty claims	(4,692)	(4,484)	(15,597)	(16,288)
Balance at end of period	$ 19,067	$ 22,320	$ 19,067	$ 22,320

13. Income Taxes

The Company's interim provision for income taxes is determined using an estimate of the annual effective tax rate. The Company records any changes affecting the estimated annual effective tax rate in the interim period in which the change occurs. The Company also records the tax effects of certain discrete items, including tax effects of changes in a valuation allowance, during the interim period in which they occur.

The Company has assessed, on a jurisdictional basis, the realization of its net deferred tax assets, including the ability to carry back net operating losses, the existence of taxable temporary differences, the availability of tax planning strategies and available sources of future taxable income. The Company has concluded that a valuation allowance on its U.S. net deferred tax assets continues to be appropriate. In addition, valuation allowances were established in certain foreign jurisdictions during fiscal 2023 considering cumulative taxable losses in recent years and uncertainty with respect to future taxable income. A valuation allowance is a non-cash charge, and does not limit the Company’s ability to utilize its deferred tax assets, including its ability to utilize tax loss and credit carryforward amounts, against future taxable income. The amount of the deferred tax assets considered realizable, and the associated valuation allowance, could be adjusted in a future period if estimates of future taxable income change or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as projections for future growth.

For the three months ended September 28, 2024 and September 30, 2023, the Company recorded an income tax expense of $1.1 million and $0.6 million, respectively. The Company's effective income tax rates were (20.4)% and (0.8)% for the three months ended September 28, 2024 and September 30, 2023, respectively. The Company's effective income tax rate differed from the federal statutory tax rate of 21% primarily driven by the impact of the valuation allowance against the Company's U.S. and certain foreign net deferred tax assets.

For the nine months ended September 28, 2024 and September 30, 2023, the Company recorded an income tax expense of $1.9 million and $5.1 million, respectively. The Company's effective income tax rates were (2.9)% and (2.1)% for the nine months ended September 28, 2024 and September 30, 2023, respectively. The Company's effective income tax rate differed from the federal statutory tax rate of 21% primarily driven by the impact of the valuation allowance against the Company's U.S. and certain foreign net deferred tax assets.

14. Industry Segment, Geographic Information and Significant Customers

The Company operates as one operating segment. The Company's consumer robots 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 28, 2024 and September 30, 2023, the Company generated 32.6% and 22.4%, respectively, of total revenue from one of its retailers.

For the nine months ended September 28, 2024 and September 30, 2023, the Company generated 27.1% and 26.8%, respectively, of total revenue from one of its retailers.

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 Exchange Act of 1934, as amended (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 our future results of operations and financial position, business strategy, plans and objectives of management for future operations, new product sales, plans for product development and offerings, launches and manufacturing, ability to address consumer needs, the expansion of our addressable market, factors for differentiation of our products, our consumer robots, our competition, our strategy, our market position, market acceptance of our products, revenue recognition, our profits, growth of our revenues, composition of our revenues, our cost of revenues, units shipped, average selling prices, the impact of promotional activity and tariffs, operating expenses, selling and marketing expenses, general and administrative expenses, research and development expenses, and compensation costs, our credit and letter of credit facilities, seasonal factors, efforts to refine value proposition and related results, efforts to mitigate supply chain challenges, plans for the production of robots, strategic alliances, product integration plans, liquidity and the impact of cost-control measures and cost savings related to such activities, and implementation of our operational restructuring plan 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 and negative forms of such 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 1, "Item 1A. Risk Factors" in our Quarterly Reports on Form 10-Q for the periods ended March 30, 2024 and June 29, 2024 and Part 1, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 30, 2023 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 global consumer robot company that designs and builds robots that empower people to do more. With over 30 years of artificial intelligence ("AI") and advanced robotics experience, we are focused on building thoughtful robots and developing intelligent home innovations that help make life better for millions of people around the world. iRobot's portfolio of home robots and smart home devices features proprietary technologies for the connected home and advanced concepts in cleaning, mapping and navigation. Leveraging this portfolio, we plan to add new capabilities and expand our offerings to help consumers make their homes easier to maintain, more efficient, more secure and healthier places to live.

Since our founding in 1990, we have developed the expertise necessary to design, build, sell and support durable, high-performance and cost-effective robots through the close integration of software, electronics and hardware. Following the introduction of the Roomba robotic vacuum cleaner in 2002, we have sold over 50 million consumer robots worldwide to become a global, market-leading consumer robotics innovator with a strong presence in a number of major geographic regions worldwide. 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, time and other risks associated with product development. These capabilities are amplified by iRobot OS. The software intelligence of iRobot OS powers our portfolio of connected robotic floorcare products, enabling an expanding range of new features and thoughtful digital experiences that improve overall cleaning performance, personalization and control. By leveraging our considerable expertise and ongoing investment in AI, home understanding and machine vision technologies, iRobot OS provides consumers with greater control over where, when and how our robots work, simple integration with other smart home devices, thoughtful recommendations to further enhance the cleaning experience, and the ability to share and transfer home knowledge across multiple iRobot robots. We believe that the capabilities within iRobot OS will help support our long-term vision of building out a larger ecosystem that encompasses a broader range of robots. We believe that our significant expertise in robot design, engineering, and smart home technologies and targeted focus on understanding and addressing consumer needs, positions us well to expand our total addressable market and capitalize on the anticipated growth in a wider range of robotic and smart home categories over time.

During the first quarter of fiscal 2024, we launched the Roomba Combo Essential robot which replaces Roomba 600 Series with an added mopping function, more suction power, longer battery life and intelligent iRobot OS automations. This robot makes the 2-in-1 cleaning experience more accessible to customers given the lower price point. The Roomba Combo Essential robot is available in North America and EMEA and became available in APAC beginning in the second quarter of fiscal 2024. In addition, the Roomba Vac Essential was launched in North America as the vacuum-only version. These are the first products to benefit from our new contract manufacturing paradigm, taking advantage of their mature supply chains, expertise in design-for-manufacturing, and flexibility in component selection. In July 2024, we introduced the Roomba Combo 10 Max Robot + AutoWash dock, an advanced robot vacuum and mop which brings independent cleaning to a new level. The robot is engineered to powerfully vacuum and mop multiple floor types while the dock automatically refills and recharges the robot, washes and dries the mopping pad, empties debris, and self-cleans. This robot is our first entry into the fast-growing market segment of multifunctional docks and is our first robot floor cleaner to be compliant with the Matter smart home protocol and compatible with the Apple Home ecosystem. The launch represents an important milestone in our product innovation roadmap and is central to our strategy for Europe, where we aim to capitalize on growth opportunities at the high end of the market. Shipping of the Roomba Combo 10 Max Robot began in August 2024 through our DTC channels and select distributors and retailers in the U.S., Japan and EMEA. It will be available in remaining international markets during the fourth quarter of 2024. During the third quarter of fiscal 2024, we launched the 2-in-1 Roomba Combo 2 Essential robot and Roomba Vac 2 Essential robot in North America and Japan, followed by the launch in EMEA during October 2024. These robots are the first in our affordable Essential series that automatically empty their dust bin into an AutoEmpty dock after cleaning. The robots also provide twice the cleaning power of the original Essential series, an enhanced bumper design to more seamlessly navigate, and the ability to recharge and resume during cleaning missions.

Our total revenue for the nine months ended September 28, 2024 was $509.8 million, a decline of $73.2 million, or 12.6%, from revenue of $583.0 million for the nine months ended September 30, 2023. Geographically, domestic revenue declined by $30.3 million, or 10.5%, and international revenue declined by $42.9 million, or 14.6%. Continuing from 2023, our revenue performance was impacted by lower orders from retailers and distributors largely resulting from a decline in consumer spending in the U.S. and Japan. The overall market conditions continue to be challenging with aggressive competition in EMEA and the U.S. We are leveraging our brand and innovative products to extend or reclaim our leadership positions in the mid and premium market segments as well as leveraging our new product launches that balance price point and cost profile to participate more fully in the entry market segment. Revenue from mid-tier robots (with an MSRP between $300 and $499) and premium robots (with an MSRP of $500 or more) represented 78% of total robot sales during the nine months ended September 28, 2024 versus 84% from the same period last year, reflecting the introduction of the Roomba Combo Essential, providing the iRobot 2-in-1 cleaning experience at a lower price point.

Entering the last quarter of 2024, we continue to focus on managing our cash and executing on our near-term robotic floorcare roadmaps. To achieve our goals for the year and set us up for success, we announced an operational restructuring plan that is designed to more closely align our cost structure with near-term revenue expectations and drive profitability. During the nine months ended September 28, 2024, we initiated an overall reduction of approximately 350 employees, which represents 31% of our global workforce as of December 30, 2023. During the nine months ended September 28, 2024, our operating expenses declined $93.5 million, or 26.7%, which excludes the one-time benefit of $75.2 million related to the Parent Termination Fee and the one-time benefit of $13.5 million related to an intellectual property litigation settlement ("Litigation Settlement"), compared to the nine months ended September 30, 2023. See Note 4 to our consolidated financial statements for additional details and charges related to the operational restructuring plan. During the third quarter of fiscal 2024, we continued to carefully manage our inventory to a level that better aligns with current revenue run rates and seasonality of the business.

Our operational restructuring plan has focused on cost savings and improving our gross margin and cash flow. During the second quarter of fiscal 2024, we launched "iRobot Elevate," which is a new strategy focused on growth. Elevate centers on 1) improving our financial performance, 2) increasing consumer focus to elevate our brand, 3) bringing innovative products to market in an entirely new and more profitable way, 4) continuing our operational and organization improvements, and 5) developing and retaining our best talent.

Termination of Merger Agreement

As previously disclosed, on August 4, 2022, we entered into an Agreement and Plan of Merger (the "Original Merger Agreement") with Amazon.com, Inc., a Delaware corporation ("Parent" or "Amazon"), and Martin Merger Sub, Inc., a Delaware corporation and an indirect wholly owned subsidiary of Amazon ("Merger Sub"), providing for, among other things, the merger of Merger Sub with and into us, with us surviving the merger as a wholly owned subsidiary of Parent (the "Merger", and, together with the other transactions contemplated by the Merger Agreement (as defined below), the "Transactions"). On July 24, 2023, iRobot, Amazon and Merger Sub entered into an amendment to the Original Merger Agreement (the "Amendment", and the Original Merger Agreement, as amended and supplemented by the Amendment, the "Merger Agreement"). The Amendment adjusted the merger consideration to reflect the incurrence of the Term Loan (see Note 9 to our consolidated financial statements).

On January 28, 2024, we and Amazon mutually agreed to terminate the Merger Agreement and entered into a mutual termination agreement effective as of such date (the "Termination Agreement"). The termination of the Merger Agreement was approved by our Board of Directors. In accordance with the terms of the Termination Agreement, Amazon made a cash payment to us in the previously agreed amount of $94.0 million (the "Parent Termination Fee") on January 29, 2024. During the first quarter of fiscal 2024, as a result of the termination of the Merger Agreement and receipt of the Parent Termination Fee of $94.0 million from Amazon, we made a payment of $18.8 million for professional fees incurred in connection with the Transactions. In accordance with the terms of the Credit Agreement, we applied $35.0 million to repay a portion of the Term Loan. The remaining $40.0 million of the Parent Termination Fee was set aside as restricted cash to be used for future repayments of the Term Loan subject to limited rights of us to utilize such amounts for the purchase of inventory. The Parent Termination Fee received net of professional fees paid was $75.2 million and was recorded during the first quarter of fiscal 2024 as a benefit in Operating Expense, which is classified in general and administrative expenses on the consolidated statements of operations.

Key Financial Metrics and Non-GAAP Financial Measures

In addition to the measures presented in our consolidated financial statements in accordance with GAAP, we use the following key metrics, including non-GAAP financial measures, to evaluate and analyze our core operating performance and trends, and to develop short-term and long-term operational plans. The most directly comparable financial measures to the following non-GAAP metrics calculated under U.S. GAAP are gross profit, gross margin, operating income (loss) and operating margin. During the three months ended September 28, 2024 and September 30, 2023, we had gross profit of $62.4 million and $48.0 million, gross margin of 32.2% and 25.8%, operating income (loss) of $7.3 million and ($59.5) million and operating margin of 3.8% and (32.0)%, respectively. During the nine months ended September 28, 2024 and September 30, 2023, we had gross profit of $125.9 million and $138.2 million, gross margin of 24.7% and 23.7%, operating loss of ($41.9) million and ($211.8) million and operating margin of (8.2)% and (36.3)%, respectively. A summary of key metrics for the three and nine months ended September 28, 2024, as compared to the three and nine months ended September 30, 2023, is as follows:

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
	(dollars in thousands, except average gross selling prices) (unaudited)			
Total Revenue	$ 193,435	$ 186,176	$ 509,811	$ 583,036
Non-GAAP Gross Profit	$ 62,764	$ 49,414	$ 127,432	$ 142,228
Non-GAAP Gross Margin	32.4 %	26.5 %	25.0 %	24.4 %
Non-GAAP Operating Income (Loss)*	$ 15,069	$ (40,649)	$ (73,083)	$ (153,449)
Non-GAAP Operating Margin*	7.8 %	(21.8)%	(14.3)%	(26.3)%
Total robot units shipped (in thousands)	732	627	1,762	1,895
Average gross selling prices for robot units	$ 313	$ 331	$ 329	$ 354

** Beginning in the fourth quarter of fiscal 2023, we updated our calculation of non-GAAP financial measures to no longer exclude "IP litigation expense, net." The metrics for each period are presented in accordance with this updated methodology; as a result, the third quarter and the nine months ended September 30, 2023 differ from those previously presented by the amount of IP litigation expense, net recorded in such period.*

Our non-GAAP financial measures reflect adjustments based on the following items. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations from these results, provided below, should be carefully evaluated.

Amortization of acquired intangible assets: Amortization of acquired intangible assets consists of amortization of intangible assets including completed technology, customer relationships, and reacquired distribution rights acquired in connection with business combinations as well as any non-cash impairment charges associated with intangible assets in connection with our past acquisitions. Amortization charges for our acquisition-related intangible assets are inconsistent in size and are significantly impacted by the timing and valuation of our acquisitions.

Net Merger, Acquisition and Divestiture (Income) Expense: Net merger, acquisition and divestiture (income) expense primarily consists of transaction fees, professional fees, and transition and integration costs directly associated with mergers, acquisitions and divestitures, including with respect to the Merger. It also includes business combination adjustments including adjustments after the measurement period has ended. During the first quarter of fiscal 2024, the adjustment included the impact of the Termination Agreement and receipt of the Parent Termination Fee.

Stock-Based Compensation: Stock-based compensation is a non-cash charge relating to stock-based awards.

Restructuring and Other: Restructuring charges are related to one-time actions associated with realigning resources, enhancing operational productivity and efficiency, or improving our cost structure in support of our strategy. Such actions are not reflective of ongoing operations and include costs primarily associated with severance and related costs, charges related to paused work unrelated to our core business, costs associated with the Chief Executive Officer transition and other non-recurring costs directly associated with resource realignments tied to strategic initiatives or changes in business conditions.

Gain/Loss on Strategic Investments: Gain/loss on strategic investments includes fair value adjustments, realized gains and losses on the sales of these investments and losses on the impairment of these investments.

Debt issuance costs: Debt issuance costs include various incremental fees and commissions paid to third parties in connection with the issuance of debt.

Income tax adjustments: Income tax adjustments include the tax effect of the non-GAAP adjustments, calculated using the appropriate statutory tax rate for each adjustment. We regularly assess the need to record valuation allowances based on the non-GAAP profitability and other factors. We also exclude certain tax items, including the impact from stock-based compensation windfalls/shortfalls, which are not reflective of income tax expense incurred as a result of current period earnings.

We exclude these items from our non-GAAP measures to facilitate an evaluation of our current operating performance and comparisons to our past operating performance. These items may vary significantly in magnitude or timing and do not necessarily reflect anticipated future operating activities. In addition, we believe that providing these non-GAAP measures affords investors a view of our operating results that may be more easily compared with our peer companies.

The following table reconciles gross profit, operating income (loss), net income (loss) and net income (loss) per share on a GAAP and non-GAAP basis for the three and nine months ended September 28, 2024 and September 30, 2023:

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
	(in thousands, except per share amounts)			
GAAP Gross Profit	$ 62,377	$ 47,996	$ 125,946	$ 138,240
Amortization of acquired intangible assets	—	292	—	864
Stock-based compensation	387	838	1,486	2,226
Net merger, acquisition and divestiture expense	—	288	—	898
Non-GAAP Gross Profit	$ 62,764	$ 49,414	$ 127,432	$ 142,228
GAAP Gross Margin	32.2 %	25.8 %	24.7 %	23.7 %
Non-GAAP Gross Margin	32.4 %	26.5 %	25.0 %	24.4 %
GAAP Operating Income (Loss)	$ 7,257	$ (59,494)	$ (41,910)	$ (211,847)
Amortization of acquired intangible assets	1,066	466	1,405	1,393
Stock-based compensation	5,480	9,375	17,937	25,880
Net merger, acquisition and divestiture (income) expense	(656)	8,852	(74,813)	22,889
Restructuring and other	1,922	152	24,298	8,236
Non-GAAP Operating Income (Loss)*	$ 15,069	$ (40,649)	$ (73,083)	$ (153,449)
GAAP Operating Margin	3.8 %	(32.0)%	(8.2)%	(36.3)%
Non-GAAP Operating Margin*	7.8 %	(21.8)%	(14.3)%	(26.3)%
GAAP Net Loss	$ (6,371)	$ (79,205)	$ (68,410)	$ (241,117)
Amortization of acquired intangible assets	1,066	466	1,405	1,393
Stock-based compensation	5,480	9,375	17,937	25,880
Net merger, acquisition and divestiture (income) expense	(656)	8,852	(74,813)	22,889
Restructuring and other	1,922	152	24,298	8,236
Loss on strategic investments	—	758	375	3,910
Debt issuance costs	52	11,837	529	11,837
Income tax effect	(447)	(30,407)	(856)	3,585
Non-GAAP Net Income (Loss)*	$ 1,046	$ (78,172)	$ (99,535)	$ (163,387)
GAAP Net Loss Per Diluted Share	$ (0.21)	$ (2.86)	$ (2.34)	$ (8.73)
Dilutive effect of non-GAAP adjustments*	0.24	0.04	(1.06)	2.81
Non-GAAP Net Income (Loss) Per Diluted Share*	$ 0.03	$ (2.82)	$ (3.40)	$ (5.92)

** Beginning in the fourth quarter of fiscal 2023, we updated our calculation of non-GAAP financial measures to no longer exclude "IP litigation expense, net." The metrics for each period are presented in accordance with this updated methodology; as a result, the third quarter and the nine months ended September 30, 2023 differ from those previously presented by the amount of IP litigation expense, net recorded in such period.*

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. Our estimates and assumptions are based on historical experience and various other factors that we believe are reasonable under the circumstances. Actual results and outcomes may differ from our estimates and assumptions.

The critical accounting policies affected most significantly by estimates and assumptions used in the preparation of our consolidated financial statements are described in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 30, 2023, filed with the Securities and Exchange Commission on February 27, 2024. On an ongoing basis, we evaluate the critical accounting policies used to prepare our 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 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue:				
Cost of product revenue	67.8	74.0	75.3	76.2
Amortization of acquired intangible assets	—	0.2	—	0.1
Total cost of revenue	67.8	74.2	75.3	76.3
Gross profit	32.2	25.8	24.7	23.7
Operating expenses:				
Research and development	10.1	20.1	15.1	20.0
Selling and marketing	15.0	22.3	19.3	23.9
General and administrative	1.7	15.2	(6.6)	14.6
Restructuring and other	1.0	0.1	4.8	1.4
Amortization of acquired intangible assets	0.6	0.1	0.3	0.1
Total operating expenses	28.4	57.8	32.9	60.0
Operating income (loss)	3.8	(32.0)	(8.2)	(36.3)
Other expense, net	(6.5)	(10.2)	(4.8)	(4.2)
Loss before income taxes	(2.7)	(42.2)	(13.0)	(40.5)
Income tax expense	0.6	0.3	0.4	0.9
Net loss	(3.3)%	(42.5)%	(13.4)%	(41.4)%

Comparison of Three and Nine Months Ended September 28, 2024 and September 30, 2023

Revenue

	Three Months Ended				Nine Months Ended			
	September 28, 2024	September 30, 2023	Dollar Change	Percent Change	September 28, 2024	September 30, 2023	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Revenue	$ 193,435	$ 186,176	$ 7,259	3.9 %	$ 509,811	$ 583,036	$ (73,225)	(12.6)%

Revenue for the three months ended September 28, 2024 increased $7.3 million to $193.4 million, or 3.9%, from $186.2 million for the three months ended September 30, 2023. The increase was primarily attributable to a $19.4 million, or 22.6% increase in domestic revenue, partially offset by a $12.1 million, or 12.0% decrease in international revenue, which reflected decreases of 20.2% in Japan and 11.5% in EMEA compared to the three months ended September 30, 2023. The increase in domestic revenue during the third quarter of fiscal 2024 was primarily related to the timing of certain large orders. In contrast, the decrease in international revenue was driven by reduced demand due to declining consumer sentiment and continuing increased competition in the market, which required additional promotional activities and pricing adjustments. The increase in revenue also reflected an increase of 16.7% in total robots shipped, partially offset by a 5.4% decrease in gross average selling price for the three months ended September 28, 2024, compared to the three months ended September 30, 2023.

Revenue for the nine months ended September 28, 2024 decreased $73.2 million to $509.8 million, or 12.6%, from $583.0 million for the nine months ended September 30, 2023. Geographically, in the nine months ended September 28, 2024, domestic revenue decreased $30.3 million, or 10.5%, and international revenue decreased $42.9 million, or 14.6%, which reflected decreases of 24.4% in Japan and 12.4% in EMEA. The decrease in revenue during the nine months ended September 28, 2024 was primarily driven by reduced demand due to declining consumer sentiment, continuing increased competition in the market, requiring additional promotional activities and pricing adjustments, as well as unfavorable exchange rate changes on Japanese Yen. Excluding the unfavorable foreign currency impact, Japan revenue decreased 17.5% over the same period in the prior year. The decrease in revenue also reflected a decrease of 7.0% in total robots shipped and a 7.1% decrease in gross average selling price for the nine months ended September 28, 2024, compared to the nine months ended September 30, 2023. The decrease in gross average selling price was primarily due to the launch of Roomba Combo Essential and Roomba Vac Essential robots, which are offered at a lower price point.

Cost of Product Revenue

	Three Months Ended				Nine Months Ended			
	September 28, 2024	**September 30, 2023**	**Dollar Change**	**Percent Change**	**September 28, 2024**	**September 30, 2023**	**Dollar Change**	**Percent Change**
	(Dollars in thousands)				**(Dollars in thousands)**			
Cost of product revenue	$ 131,058	$ 137,888	$ (6,830)	(5.0)%	$ 383,865	$ 443,932	$ (60,067)	(13.5)%
As a percentage of revenue	67.8 %	74.0 %			75.3 %	76.2 %		

Cost of product revenue decreased to $131.1 million in the three months ended September 28, 2024, compared to $137.9 million in the three months ended September 30, 2023. The decrease was primarily driven by lower product costs from our new products with a better cost profile, as well as cost reductions on existing products during the year. The decrease was also driven by the reduced people-related costs as a result of our restructuring activities. The decrease was also attributable to lower charges related to excess material during the three months ended September 28, 2024.

Cost of product revenue decreased to $383.9 million in the nine months ended September 28, 2024, compared to $443.9 million in the nine ended September 30, 2023. The decrease was primarily driven by the 12.6% decrease in revenue, offset by adjustments for obsolete or excess inventory and losses on purchase commitments in the nine months ended September 28, 2024. During the second quarter of fiscal 2024, we finalized our 2025 product roadmap as part of our transition to a new contract manufacturing paradigm. As a result, we evaluated our component inventory on-hand and non-cancelable purchase commitments with our contract manufacturers and suppliers and recorded a charge totaling $18.4 million. This charge includes a $10.3 million non-cash reserve for obsolete or excess component inventory and a $8.1 million charge for losses on non-cancelable purchase commitments.

Gross Profit

	Three Months Ended				Nine Months Ended			
	September 28, 2024	**September 30, 2023**	**Dollar Change**	**Percent Change**	**September 28, 2024**	**September 30, 2023**	**Dollar Change**	**Percent Change**
	(Dollars in thousands)				**(Dollars in thousands)**			
Gross profit	$ 62,377	$ 47,996	$ 14,381	30.0 %	$ 125,946	$ 138,240	$ (12,294)	(8.9)%
Gross margin	32.2 %	25.8 %			24.7 %	23.7 %		

Gross margin increased to 32.2% in the three months ended September 28, 2024, compared to 25.8% in the three months ended September 30, 2023. Gross margin increased 6.4 percentage points primarily driven by favorable impact from lower product costs which is driven by new products with a better cost profile, as well as cost reductions on existing products during the year. The decrease was also driven by reduced people-related costs as a result of the restructuring activities and improved leverage on our fixed costs due to increased revenue during the three months ended September 28, 2024. The increase in gross margin is partially offset by continued increases in promotional and pricing activities. Although we have taken a wide range of actions to drive gross margin improvement through a multitude of product cost optimization, manufacturing and supply chain initiatives that have been implemented over the past few quarters, our ability to deliver sustainable gross margin improvement will largely depend on our ability to drive revenue growth and seasonality of our business.

Gross margin increased to 24.7% in the nine months ended September 28, 2024, compared to 23.7% in the nine months ended September 30, 2023. Gross margin increased 1.0 percentage point primarily driven by favorable impact from product mix, lower product costs and reduced people-related costs as a result of the restructuring activities during the nine months ended September 28, 2024. The increase in gross margin is partially offset by continued increases in promotional and pricing activities, charges related to non-cash reserve for obsolete or excess component inventory and losses on non-cancelable purchase commitments during the nine months ended September 28, 2024. Although we have taken a wide range of actions to drive gross margin improvement through a multitude of product cost optimization, manufacturing and supply chain initiatives that have been implemented over the past few quarters, our ability to deliver sustainable gross margin improvement will largely depend on our ability to drive revenue growth and seasonality of our business.

Research and Development

	Three Months Ended				Nine Months Ended			
	September 28, 2024	September 30, 2023	Dollar Change	Percent Change	September 28, 2024	September 30, 2023	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Research and development	$ 19,630	$ 37,336	$ (17,706)	(47.4)%	$ 76,739	$ 116,576	$ (39,837)	(34.2)%
As a percentage of revenue	10.1 %	20.1 %			15.1 %	20.0 %		

Research and development expenses decreased $17.7 million, or 47.4%, to $19.6 million (10.1% of revenue) in the three months ended September 28, 2024 from $37.3 million (20.1% of revenue) in the three months ended September 30, 2023. This decrease was primarily due to decreases of $12.0 million in people-related costs and $2.1 million in stock-based compensation associated with lower headcount resulting from the 2024 operational restructuring plan, as well as a decrease of $2.4 million in program-related costs during the three months ended September 28, 2024.

Research and development expenses decreased $39.8 million, or 34.2%, to $76.7 million (15.1% of revenue) in the nine months ended September 28, 2024 from $116.6 million (20.0% of revenue) in the nine months ended September 30, 2023. This decrease was primarily due to decreases of $25.9 million in people-related costs and $3.7 million in stock-based compensation associated with lower headcount resulting from the 2024 operational restructuring plan, as well as a decrease of $7.0 million in program-related costs during the nine months ended September 28, 2024.

Selling and Marketing

	Three Months Ended				Nine Months Ended			
	September 28, 2024	September 30, 2023	Dollar Change	Percent Change	September 28, 2024	September 30, 2023	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Selling and marketing	$ 29,270	$ 41,558	$ (12,288)	(29.6)%	$ 98,966	$ 139,630	$ (40,664)	(29.1)%
As a percentage of revenue	15.0 %	22.3 %			19.3 %	23.9 %		

Selling and marketing expenses decreased $12.3 million, or 29.6%, to $29.3 million (15.0% of revenue) in the three months ended September 28, 2024 from $41.6 million (22.3% of revenue) in the three months ended September 30, 2023. This decrease was primarily attributable to scaled back working media and other demand-generation activities totaling approximately $6.8 million as well as a $2.9 million decrease in people-related costs associated with lower headcount.

Selling and marketing expenses decreased $40.7 million, or 29.1%, to $99.0 million (19.3% of revenue) in the nine months ended September 28, 2024 from $139.6 million (23.9% of revenue) in the nine months ended September 30, 2023. This decrease was primarily attributable to scaled back working media and other demand-generation activities totaling approximately $27.7 million as well as a $7.7 million decrease in people-related costs associated with lower headcount.

General and Administrative

	Three Months Ended				Nine Months Ended			
	September 28, 2024	September 30, 2023	Dollar Change	Percent Change	September 28, 2024	September 30, 2023	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
General and administrative	$ 3,232	$ 28,270	$ (25,038)	(88.6)%	$ (33,552)	$ 85,116	$ (118,668)	(139.4)%
As a percentage of revenue	1.7 %	15.2 %			(6.6)%	14.6 %		

General and administrative expenses decreased $25.0 million, or 88.6%, to $3.2 million (1.7% of revenue) in the three months ended September 28, 2024, from $28.3 million (15.2% of revenue) in the three months ended September 30, 2023. This decrease was primarily driven by a one-time benefit of $13.5 million related to the Litigation Settlement, a $7.3 million decrease in merger-related costs and decreases of $1.9 million in people-related costs and $0.9 million in stock-based compensation associated with lower headcount resulting from the 2024 operational restructuring plan during the three months ended September 28, 2024.

General and administrative expenses decreased $118.7 million, or 139.4%, to ($33.6) million ((6.6)% of revenue) in the nine months ended September 28, 2024, from $85.1 million (14.6% of revenue) in the nine months ended September 30, 2023. This decrease was primarily driven by receipt of the $94.0 million Parent Termination Fee, offset by a payment of $18.8 million for professional fees incurred in connection with the Transactions, a one-time benefit of $13.5 million related to the Litigation Settlement, and decreases of $6.7 million in people-related costs and $2.6 million in stock-based compensation associated with lower headcount resulting from the 2024 operational restructuring plan during the nine months ended September 28, 2024.

Restructuring and Other

	Three Months Ended				Nine Months Ended			
	September 28, 2024	September 30, 2023	Dollar Change	Percent Change	September 28, 2024	September 30, 2023	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Restructuring and other	$ 1,922	$ 152	$ 1,770	1,164.5 %	$ 24,298	$ 8,236	$ 16,062	195.0 %
As a percentage of revenue	1.0 %	0.1 %			4.8 %	1.4 %		

Restructuring and other expenses increased $1.8 million, or 1,164.5%, to $1.9 million in the three months ended September 28, 2024, from $0.2 million in the three months ended September 30, 2023. The increase was driven by the 2024 operational restructuring plan which began in March 2024 and includes $1.0 million of severance-related costs as well as other restructuring costs of $0.6 million associated with exit activities. In addition, we recorded CEO transition costs totaling $0.4 million, primarily related to cash compensation charges associated with the transition-related agreements with Colin Angle and Glen D. Weinstein. The $0.2 million of restructuring and other expenses during the three months ended September 30, 2023 was related to our previous restructuring plan initiated in February 2023.

Restructuring and other expenses increased $16.1 million, or 195.0%, to $24.3 million in the nine months ended September 28, 2024, from $8.2 million in the nine months ended September 30, 2023. The increase was driven by the 2024 operational restructuring plan which began in March 2024 and includes $17.2 million of severance-related costs as well as other restructuring costs of $6.3 million, $4.9 million of which was associated with the pausing of work unrelated to our core floorcare business. In addition, we recorded CEO transition costs totaling $0.8 million, $2.1 million of which relates to CEO search fees and cash compensation charges associated with the transition-related agreements with Colin Angle and Glen D. Weinstein, offset by modification adjustments of ($1.2) million related to their stock-based awards. The $8.2 million of restructuring and other expenses during the nine months ended September 30, 2023 was related to our previous restructuring plan initiated in February 2023.

Amortization of Acquired Intangible Assets

	Three Months Ended				Nine Months Ended			
	September 28, 2024	September 30, 2023	Dollar Change	Percent Change	September 28, 2024	September 30, 2023	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Cost of revenue	$ —	$ 292	$ (292)	(100.0)%	$ —	$ 864	$ (864)	(100.0)%
Operating expense	1,066	174	892	512.6 %	1,405	529	876	165.6 %
Total amortization expense	$ 1,066	$ 466	$ 600	128.8 %	$ 1,405	$ 1,393	$ 12	0.9 %
As a percentage of revenue	0.6 %	0.3 %			0.3 %	0.2 %		

The increase in amortization of acquired intangible assets in the three and nine months ended September 28, 2024 as compared to the three and nine months ended September 30, 2023, was primarily related to accelerated amortization on acquired intangible assets in the third quarter of 2024, resulting in higher amortization expense during the three and nine months ended September 28, 2024.

Other Expense, Net

	Three Months Ended				Nine Months Ended			
	September 28, 2024	September 30, 2023	Dollar Change	Percent Change	September 28, 2024	September 30, 2023	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Interest income	$ 1,676	$ 2,090	$ (414)	(19.8)%	$ 6,568	$ 3,523	$ 3,045	86.4 %
Interest expense	(5,370)	(4,709)	(661)	14.0 %	(16,306)	(6,786)	(9,520)	140.3 %
Changes in fair value of Term Loan	(8,769)	(5,292)	(3,477)	65.7 %	(13,515)	(5,292)	(8,223)	155.4 %
Debt issuance costs	(52)	(11,837)	11,785	(99.6)%	(529)	(11,837)	11,308	(95.5)%
Loss on strategic investments	—	(758)	758	(100.0)%	(375)	(3,910)	3,535	(90.4)%
Other	(33)	1,393	(1,426)	(102.4)%	(426)	85	(511)	(601.2)%
Total other expense, net	$ (12,548)	$ (19,113)	$ 6,565	(34.3)%	$ (24,583)	$ (24,217)	$ (366)	1.5 %
As a percentage of revenue	(6.5)%	(10.2)%			(4.8)%	(4.2)%		

Other expense, net decreased $6.6 million, or 34.3%, to $12.5 million in the three months ended September 28, 2024 from $19.1 million in the three months ended September 30, 2023. This decrease was primarily driven by a $11.8 million decrease in debt issuance costs associated with our Term Loan, offset by a $3.5 million increase in non-cash adjustment due to change in fair value of our Term Loan and a $0.7 million increase in cash interest expense in connection with the Term Loan during the three months ended September 28, 2024.

Other expense, net increased $0.4 million, or 1.5%, to $24.6 million in the nine months ended September 28, 2024 from $24.2 million in the nine months ended September 30, 2023. This change was primarily driven by a $9.5 million increase in cash interest expense in connection with our Term Loan, as well as a $8.2 million non-cash adjustment due to change in fair value of our Term Loan during the nine months ended September 28, 2024. This was offset by an $11.3 million decrease in debt issuance costs associated with our Term Loan, a $3.5 million decrease in the loss on strategic investments and a $3.0 million increase in interest income due to higher yields on our cash and restricted cash.

Income Tax Expense

	Three Months Ended				Nine Months Ended			
	September 28, 2024	September 30, 2023	Dollar Change	Percent Change	September 28, 2024	September 30, 2023	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Income tax expense	$ 1,080	$ 598	$ 482	80.6 %	$ 1,917	$ 5,053	$ (3,136)	(62.1)%
Effective income tax rate	(20.4)%	(0.8)%			(2.9)%	(2.1)%		

We recorded income tax expense of $1.1 million for the three months ended September 28, 2024 and $0.6 million for the three months ended September 30, 2023. The income tax expense for the three months ended September 28, 2024 resulted in an effective income tax rate of (20.4)%. The $0.6 million income tax expense for the three months ended September 30, 2023 resulted in an effective income tax rate of (0.8)%. Our effective income tax rate differed from the federal statutory tax rate of 21% primarily driven by the impact of the valuation allowance against our U.S. and certain foreign net deferred tax assets.

We recorded income tax expense of $1.9 million for the nine months ended September 28, 2024 and $5.1 million for the nine months ended September 30, 2023. The income tax expense for the nine months ended September 28, 2024 resulted in an effective income tax rate of (2.9)%. The $5.1 million income tax expense for the nine months ended September 30, 2023 resulted in an effective income tax rate of (2.1)%. Our effective income tax rate differed from the federal statutory tax rate of 21% primarily driven by the impact of the valuation allowance against our U.S. and certain foreign net deferred tax assets.

Liquidity and Capital Resources

At September 28, 2024, our cash and cash equivalents were $99.4 million. We also had $42.4 million in restricted cash, $41.1 million of which is set aside for future repayment of the Term Loan subject to limited rights of us to utilize such amounts for the purchase of inventory in the third quarters of fiscal 2024 and 2025. During the three months ended September 28, 2024, we elected to draw down $40.0 million of the restricted cash, which was subsequently received in the fourth quarter of fiscal 2024. The remaining $1.4 million is used for collateral for our credit card program and to secure the outstanding letters of credit and was included in other assets. Our working capital, which represents our total current assets less total current liabilities, was $131.1 million as of September 28, 2024, compared to $178.3 million as of December 30, 2023. Cash and cash equivalents held by our foreign subsidiaries totaled $20.5 million as of September 28, 2024. The undistributed earnings of our foreign subsidiaries remain permanently reinvested outside of the United States as of September 28, 2024.

On January 28, 2024, we and Amazon mutually agreed to terminate the Merger Agreement and entered into a mutual termination agreement effective as of such date. In accordance with the terms of the Termination Agreement, Amazon made a cash payment to us in the previously agreed amount of $94.0 million on January 29, 2024. During the first quarter of 2024, as a result of the termination of the Merger Agreement and receipt of the Parent Termination Fee of $94.0 million from Amazon, we made a payment of $18.8 million for professional fees incurred in connection with the Transactions. In accordance with the terms of the Credit Agreement, we applied $35.0 million to repay a portion of the Term Loan. The remaining $40.0 million of the proceeds was set aside in a restricted account to be used for future repayments of the Term Loan subject to our limited rights to utilize such amounts for the purchase of inventory in the third quarters of fiscal 2024 and 2025.

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, and only invest periodically in leasehold improvements, a portion of which is often reimbursed by the landlords of these facilities. Accordingly, our capital spending is generally limited to leasehold improvements, business applications software and computer and equipment. With the shift to the new contract manufacturing paradigm in 2024, we are spending significantly less on tooling and machinery than in previous periods. During the nine months ended September 28, 2024 and September 30, 2023, we spent $0.1 million and $3.1 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, Malaysia and other areas of APAC to our customers or, 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.

Cash used in operating activities

Net cash used in operating activities for the nine months ended September 28, 2024 was $30.5 million, of which the principal components were our net loss of $68.4 million and the cash ouflow of $16.2 million from change in working capital, offset by non-cash charges of $54.1 million. The change in working capital was driven by net cash outflows of $22.1 million from accounts receivable, $15.8 million from accrued expenses and other liabilities, and $10.5 million from inventory, partially offset by net cash inflow of $16.7 million from accounts payable. During the nine months ended September 28, 2024, the net cash used in operating activities benefited from the one-time receipt of the Parent Termination Fee, net of professional fees paid of $75.2 million in first quarter of fiscal 2024, as a result of the termination of the Merger Agreement.

Cash used in investing activities

Net cash used in investing activities for the nine months ended September 28, 2024 was $0.2 million and related to the purchase of computers and software and the purchase of investments.

Cash used in financing activities

Net cash used in financing activities for the nine months ended September 28, 2024 was $16.6 million, primarily related to the $34.9 million repayment of the Term Loan as a result of the termination of the Merger Agreement. During the nine months ended September 28, 2024, we sold an aggregate of 1.9 million shares under the ATM Agreement and received net proceeds of $19.4 million.

Debt

Term Loan

On July 24, 2023, we entered into a Credit Agreement (the "Credit Agreement") by and among us, as borrower, each lender from time to time party thereto and TCG Senior Funding L.L.C., an affiliate of The Carlyle Group, as administrative agent and collateral agent, providing for a $200.0 million senior secured term loan credit facility (the "Term Loan"). During fiscal 2023, we received total proceeds from the Term Loan of $188.2 million, net of $11.8 million of debt issuance costs. During the first quarter of 2024, as a result of the termination of the Merger Agreement and receipt of the Parent Termination Fee of $94.0 million from Amazon on January 29, 2024, $35.0 million of such Parent Termination Fee was used immediately to repay a portion of the Term Loan. The Term Loan matures on July 24, 2026 with additional terms more fully described in Note 9 to our consolidated financial statements.

Lines of Credit

As of September 28, 2024, we had letters of credit outstanding of $0.4 million with Bank of America, N.A. The letters of credit were collateralized with a cash deposit.

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 250.0 million Japanese Yen. As of September 28, 2024, we had no outstanding balance under the guarantee line of credit.

ATM Equity Offering

In February 2024, we entered into an ATM Equity Offering Sales Agreement (the "ATM Agreement") with BofA Securities, Inc. ("BofA") pursuant to which we may offer and sell, from time to time, at our option, up to an aggregate of $100.0 million in shares of Common Stock through BofA, as sales agent, in an "at the market" offering. The shares will be offered and sold pursuant to an effective automatic shelf registration statement on Form S-3, which was originally filed with the Securities and Exchange Commission on February 27, 2024. BofA will receive a commission up to 3.00% of the aggregate gross sales proceeds of any Common Stock sold through BofA under the ATM Agreement.

During the three and nine months ended September 28, 2024, we sold an aggregate of 0.2 million and 1.9 million shares under the ATM Agreement, respectively, and received net proceeds of $1.4 million and $19.4 million, respectively. The issuance costs incurred in connection with the offering were $0.1 million and $1.1 million during the three and nine months ended September 28, 2024, respectively. As of September 28, 2024, $79.6 million remained available for further sale under the ATM Agreement.

Liquidity

The accompanying unaudited consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates the continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

In the third quarter of fiscal 2024, our performance continued to be impacted by lower orders from retailers and distributors largely resulting from a decline in consumer sentiment and increased pricing competition in the market. During the nine months ended September 28, 2024, our revenue declined 12.6%, compared to the nine months ended September 30, 2023. Our operating loss of $41.9 million and operating cash outflows of $30.5 million for the nine months ended September 28, 2024 benefited from the one-time receipt of the Parent Termination Fee net of professional fees paid of $75.2 million during the first quarter of fiscal 2024. Our operating loss also includes the one-time benefit of $13.5 million related to the Litigation Settlement during the third quarter of fiscal 2024 with cash received subsequently in October. At September 28, 2024, our cash and cash equivalents were $99.4 million. We also had $42.4 million in restricted cash. During the three months ended September 28, 2024, we elected to draw down $40.0 million of the restricted cash which was subsequently received in the fourth quarter of fiscal 2024. The cash will be used for the purchase of inventory and is required to be repaid within five months in accordance with the terms of the loan agreement. It will then be available again during the third quarter of 2025 for purchases of inventory.

We have considered and assessed our ability to continue as a going concern for the one year from the date that the unaudited consolidated financial statements are issued. Our assessment included the preparation of cash flow forecasts taking into account our restructuring actions and maintaining debt covenant compliance. On January 29, 2024, following the termination of the Merger Agreement, we announced an operational restructuring plan to more closely align our cost structure with near-term revenue expectations and drive profitability. The 2024 operational restructuring plan is structured to:

- achieve gross margin improvements through a focus on design-to-value and more beneficial terms with our existing and new manufacturing partners;
- lower research and development expenditure by pausing work unrelated to our core floorcare business and shifting to greater reliance on contract manufacturers as it relates to the lower-value commodity engineering work;

- return selling and marketing expenditures to a more normalized level, consistent with industry standards in the consumer products market, by centralizing resources on more limited geographies and consolidating marketing efforts for efficiencies; and
- further reduce headcount by approximately 350 employees, which represents approximately 31% of our global workforce as of December 30, 2023.

During the nine months ended September 28, 2024, we made significant progress in implementing our 2024 operational restructuring plan. Our total operating expenses declined $93.5 million, or 26.7%, which excludes the one-time benefits of $75.2 million related to the Parent Termination Fee and $13.5 million related to the Litigation Settlement, compared to the nine months ended September 30, 2023. Research and development expenses decreased $39.8 million, or 34.2%, while selling and marketing expenses decreased $40.7 million, or 29.1%, during the nine months ended September 28, 2024. Gross margin improved to 32.2% during the third quarter of fiscal 2024, compared to 25.8% during the third quarter of 2023. In addition to the reduction of our headcount, we entered into or amended three sublease agreements between fiscal 2022 and 2024 to sublease portions of our headquarters. We expect these sublease agreements will generate $6.1 million in sublease cash payments in the future over the remaining lease terms. We expect to continue to right size our global real estate footprint through additional subleasing at our corporate headquarters and the elimination of offices in smaller, underperforming geographies. We continue to evaluate our cost structure, and in November 2024, as part of the ongoing restructuring plan, we announced an additional round of workforce reductions, totaling approximately 105 employees. Since the start of 2024 and including this new action, we have reduced our global workforce by approximately 50%.

Inventory has consumed a significant amount of cash and we continue to manage our inventory level carefully to ensure efficiency in our working capital. Days in inventory has improved from 161 days during the third quarter of fiscal 2023 to 104 days in the third quarter of fiscal 2024. We plan to continue to manage our inventory to a level that aligns with current run rates and seasonality of the business.

While we estimate such actions will be sufficient to allow us to maintain our debt covenant compliance, and our liquidity and our operations in the ordinary course for at least 12 months from the issuance of these financial statements, there can be no assurance we will meet our debt covenant compliance and generate sufficient future cash flows from operations due to potential factors, including, but not limited to, further inflation, higher interest rates, ongoing recessionary conditions or continued reduced demand for our products due to consumer sentiment or competition. If we are not successful in increasing demand for our products, or if macroeconomic conditions further constrain consumer demand, we may continue to experience adverse impacts to revenue and profitability. Additional actions within our control to maintain our liquidity and operations include optimizing our production volumes with contract manufacturers by reducing inventory supply forecast for cancellable purchase orders, further reducing discretionary spending in all areas of the business and realigning resources through ongoing attrition without rehiring activity. In addition, we may need additional financing, including public or private equity or debt financing, to execute on our current or future business strategy, and additional financing may not be available or on terms favorable to us.

The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of these uncertainties.

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 30, 2023. Our principal commitments generally consist of obligations under the Term Loan, leases for office space, inventory related purchase obligations, and minimum contractual obligations. Other obligations consist primarily of subscription services.

As of September 28, 2024, we had outstanding purchase orders aggregating approximately $104.6 million. The purchase orders are typically related to the purchase of inventory and marketing and media spend in the normal course of business. Included in these outstanding purchase orders is $41.2 million related to inventory purchases at our contract manufacturers, of which $22.7 million are not cancellable without penalty.

We utilize contract manufacturers to build our products and accessories. These contract manufacturers manage the supply of components, capacity and resources to build products based on a forecasted production plan, which typically covers a rolling 12-month period. During the normal course of business, and in order to ensure adequate supply, we enter into purchase commitments with contract manufacturers and suppliers. In certain instances, these purchase commitments allow us the option to cancel, reschedule and/or adjust the supply requirements based on our business needs for a period of time before the order is due to be fulfilled. In some instances, these purchase commitments are not cancellable in the event of a change in demand or other circumstance, such as where the contract manufacturer and/or supplier has built products, semi-finished products or procured and/or order unique, iRobot-specific designs, and/or specific non-cancellable, non-returnable components based on the provided forecasts. If we cancel all or part of the orders, or materially reduce forecasted orders, in certain circumstances we may be liable to our contract manufacturers for the cost of the excess components purchased by our contract manufacturers based on the forecasted production plan and the purchase terms of its component suppliers. As a result, we evaluated our component inventory on-hand and non-cancelable purchase commitments with our contract manufacturers and suppliers and recorded a charge totaling $18.4 million in cost of product revenue in the second quarter of fiscal 2024. This charge included a $10.3 million non-cash reserve for obsolete or excess component inventory and a $8.1 million charge for losses on non-cancellable purchase commitments. The loss on purchase commitments is included in accrued manufacturing and logistics cost on the consolidated balance sheets.

Recently Adopted Accounting Pronouncements

See Note 2 to our consolidated financial statements for a discussion of recently adopted accounting pronouncements.

Recently Issued Accounting Pronouncements

See Note 2 to our 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. Based on transactions denominated in currencies other than the U.S. dollar as of September 28, 2024, a hypothetical change of 10% would have resulted in an impact on revenue of approximately $5 million and $16 million for the three and nine months ended September 28, 2024, respectively.

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 do not currently use foreign exchange contracts or derivatives that are designated as cash flow hedges to hedge any foreign currency exposures for accounting purposes. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy, such fluctuations could have a significant impact on our future results of operations.

We 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 one month or less. At September 28, 2024 and December 30, 2023, we had outstanding economic hedges with a total notional value of $11.9 million and $252.0 million, respectively.

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

From time to time and in the ordinary course of business, we are 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. See Note 12 to our consolidated financial statements for a description of certain of our legal proceedings.

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 30, 2023 and in our Quarterly Reports on Form 10-Q for the period ended March 30, 2024 and June 29, 2024, 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 30, 2023 or in our Quarterly Reports on Form 10-Q for the period ended March 30, 2024 and June 29, 2024, other than as set forth below:

We are transitioning primarily to a single contract manufacturer, and our reputation and results of operations would be harmed if the contract manufacturer fails to meet our requirements.

We depend on third-party contract manufacturers to produce our products. For fiscal 2023, we purchased 79% of our finished goods from one vendor. Starting in 2025, we will primarily depend on a single contract manufacturer, Shenzhen 3irobotix Co., Ltd. d/b/a Picea ("Picea"), located in China, to manufacture our products. Our agreement with Picea is scheduled to expire on August 17, 2025, but it can be extended if both parties agree in writing. Either party has the option to terminate the agreement for convenience with 180 days' advance written notice.

These manufacturers manage the supply chain for all of the raw materials and provide all facilities and labor required to manufacture our products. If Picea terminates its arrangement with us or fails 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. Any significant interruption in manufacturing at Picea would reduce the supply of our products, which could cause a delay in fulfillment of our orders or breach of our agreements with distribution partners, which in turn would reduce our revenue. Any adverse change in Picea's financial or business conditions could disrupt our ability to supply our products.

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;
- risk of increased shipping costs as a result of rebel attacks on commercial ships.

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 contract manufacturers are typically denominated in U.S. dollars, changes in currency exchange rates may impact our contract manufacturers who operate in local currency, which may cause our suppliers to seek price concessions on future orders.

We depend on the experience and expertise of our senior management team and key technical employees, and the loss of any key employee may impair our ability to operate effectively.

Our success depends upon the continued services of our senior management team and key technical employees. Each of our executive officers, key technical personnel and other employees could terminate his or her relationship with us at any time. The loss of any member of our senior management team or key technical employee might significantly delay or prevent the achievement of our business objectives, result in a loss of institutional know-how and could materially harm our business and customer relationships. In addition, because of the highly technical nature of our robots, the loss of any significant number of our existing engineering and project management personnel could have a material adverse effect on our business and operating results. Also, increased turnover, particularly on the senior management team, with insufficient development of leadership talent and succession plans, could diminish employee confidence and increase risks for retaining key employees. Our failure to successfully attract well-qualified employees, retain and motivate existing employees or integrate new members of our senior management team and key employees, could materially and adversely affect our operations and our ability to execute our strategy. Leadership transitions and management changes can be inherently difficult to manage and may cause uncertainty or a disruption to our business or may increase the likelihood of turnover in key employees and senior management. In addition, recently appointed members of senior management may view our business differently than prior members, and have made and may continue to make changes to our strategic focus, operations, business plans, existing personnel and their responsibilities. We may not be able to properly manage such shifts in focus, and any changes to our business may not ultimately prove successful. Further, changes in our senior management team may be disruptive to our business, and any failure to successfully transition and assimilate key new hires or promoted employees could adversely affect our business and results of operations.

By the end 2024, most of our senior management team will have turned over during the course of the year. In January 2024, Colin Angle stepped down as Chief Executive Officer and chairman of our board of directors and our board of directors appointed Glen Weinstein, our then Executive Vice President and Chief Legal Officer, as interim Chief Executive Officer. In May 2024, our board of directors appointed Gary S. Cohen as Chief Executive Officer, in June 2024, Faris Habbaba stepped down as our Chief Research and Development Officer and in August 2024, our board of directors appointed Jeff Engel as President and Chief Operating Officer. Effective December 2024, Russ Campanello will step down as Executive Vice President, Human Resources and Corporate Communications, and Jules Connelly will be appointed as Senior Vice President and Chief Human Resources Officer. Additionally, Julie Zeiler will step down as Executive Vice President and Chief Financial Officer, and Karian Wong will be appointed as Executive Vice President and Chief Financial Officer. These changes in our management team could cause retention and morale concerns among current employees, as well as operational risks. If this leadership transition is not successful, it could disrupt our business, affect our culture, cause employee retention concerns, be viewed negatively by our customers or investors, and affect our financial condition and operational results.

If we are unable to attract and retain additional skilled personnel, we may be unable to operate our business.

To execute our business stabilization plan and return to profitability, we must attract and retain additional, highly-qualified personnel. Competition for hiring these employees is intense, especially with regard to engineers with high levels of experience in designing, developing and integrating robots and engineers with expertise in artificial intelligence, machine learning, data science and cloud applications. Many of the companies with which we compete for hiring experienced employees have greater resources than we have. If we fail to attract new technical personnel or fail to retain and motivate our current employees, our business and future growth prospects could be severely harmed.

In addition, we have experienced increased employee turnover as a result of general market conditions, the impact of reductions in force executed in August 2022, February 2023 and the first half of 2024, and the termination of the proposed acquisition by Amazon. These factors may cause additional attrition and affect the morale of our current employees and might adversely affect our reputation among job seekers. Significant or prolonged turnover or revised hiring priorities may negatively affect our operations and culture, as well as our ability to successfully maintain our processes and procedures. New hires require significant training and, in most cases, take significant time before they achieve full productivity. New employees may not become as productive as we expect, and we may be unable to hire or retain significant numbers of qualified individuals. Moreover, we may be forced to adjust salaries or other compensation in order to retain key talent. Job seekers and existing personnel often consider the value of the equity awards they receive in connection with their employment. The recent decline in our stock price may impact the actual or perceived value of our equity awards for current employees or new hires, and we may need to grant additional or larger equity awards to offer attractive compensation packages to hire and retain employees. If our retention efforts are not successful or our team member turnover rate continues to increase in the future, our business, results of operations and financial condition could be materially and adversely affected.

Additionally, as we are operating our business with fewer employees, we face additional risks that we might not be able to execute on our strategic plans and product roadmap, which may have an adverse effect on our business, financial condition, and operating results.

Cybersecurity risks could adversely affect our business and disrupt our operations.

The threats to network and data security are increasingly diverse and sophisticated. Despite our efforts and processes to prevent breaches, our devices, as well as our servers, computer systems, and those of third parties that we use in our operations are vulnerable to personnel misconduct, cybersecurity risks, including cyber attacks such as viruses and worms, phishing attacks, distributed denial-of-service attacks, ransomware, and similar disruptions from unauthorized tampering with our servers and computer systems or those of third parties that we use in our operations, which could lead to interruptions, delays, loss of critical data, and loss of consumer confidence. In addition, we may be the target of numerous attack vectors and methods, including email scams, social engineering, smishing, vishing, and identity spoofing, which attempt to acquire sensitive information or company assets. Despite our efforts to create security barriers to such threats, we may not be able to entirely mitigate these risks. These threats may be increased due to work-from-home policies implemented by us and our customers, suppliers and distributors. Any cyber attack that attempts to obtain our data and assets, disrupt our service, or otherwise access our systems, or those of third parties we use, if successful, could adversely affect our business, operating results, and financial condition, be expensive to remedy, and damage our reputation. Our cyber insurance may not protect against all of the costs and liabilities arising from a cyber attack.

Item 5. Other Information

(c) *Insider Trading Arrangements*

On August 26, 2024, Tonya Drake, EVP & General Counsel, entered into a trading plan pursuant to Rule 10b5-1 of the Exchange Act. Ms. Drake's Rule 10b5-1 trading plan provides for the sale from time to time of a maximum of 9,651 shares of our common stock pursuant to the terms of the plan. Ms. Drake's Rule 10b5-1 trading plan expires on August 1, 2026, or earlier if all transactions under the trading arrangement are completed. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c).

During the three months ended September 28, 2024, other than described in the statements above, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

In addition, in our Quarterly Report on Form 10-Q filed with the SEC on May 8, 2024, we inadvertently omitted disclosure regarding the entry into a Rule 10b5-1 trading plan by Julie Zeiler, EVP & Chief Financial Officer, on March 9, 2024. Ms. Zeiler's Rule 10b5-1 trading plan provides for the sale from time to time of a maximum of 24,629 shares of our common stock pursuant to the terms of the plan. Ms. Zeiler's Rule 10b5-1 trading plan expires on March 14, 2026, or earlier if all transactions under the trading arrangement are completed. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c).

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description
10.1†	Employment Agreement, dated as of August 7, 2024, by and between the Company and Jeff Engel (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on August 7, 2024).
10.2†	Form of Performance-Based Restricted Stock Unit Award Agreement, dated as of August 7, 2024, by and between the Company and Jeff Engel (incorporated by reference to Exhibit 99.1 to the Company's Form S-8 filed on August 7, 2024).
10.3†	Form of Restricted Stock Unit Award Agreement, dated as of August 7, 2024, by and between the Company and Jeff Engel (incorporated by reference to Exhibit 99.2 to the Company's Form S-8 filed on August 7, 2024).
10.4*+#	Original Design Manufacturer and Supply Agreement, by and between the Company and Shenzhen 3irobotix Co., Ltd
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.*)

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* Filed herewith

** Furnished herewith

† Indicates a management contract or any compensatory plan, contract or arrangement.

\+ Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the SEC upon request.

\# Certain portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K because such information is both (i) not material and (ii) information that the Registrant treats as private or confidential.

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: November 6, 2024	By:	/s/ Julie Zeiler
		Julie Zeiler
		Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 10.4

ORIGINAL DESIGN MANUFACTURER AND SUPPLY AGREEMENT

By and Between

iRobot Corporation and Shenzhen 3irobotix Co., Ltd

This ORIGINAL DESIGN MANUFACTURER AND SUPPLY AGREEMENT ("Agreement") is entered into as of this 15 days of August, 2023 between **iRobot Corporation** and its wholly-owned subsidiaries or affiliates, a Delaware Corporation with its principal place of business at 8 Crosby Drive, Bedford, Massachusetts 01730 USA ("iRobot"), and **Shenzhen 3irobotix Co., Ltd**, and its subsidiaries and affiliates, a Chinese company with its principal place of business located at 10th Floor, Block A, Han's Innovation Building, No. 9018, North Circular Avenue, Song Pingshan Community, Xili Street, Nanshan District, Shenzhen, zip code 518055 ("Supplier"). iRobot and Supplier shall be referred to collectively as "Parties" or individually as "Party." Unless otherwise noted, all capitalized terms in this Agreement shall have the meanings set forth in Article 1.

RECITALS

A. WHEREAS, iRobot and Supplier desire to enter into a relationship whereby Supplier will design, manufacture, assemble, supply and provide support for the Products;

B. WHEREAS, the Parties desire the Products to be marketed and sold by iRobot under the iRobot brand; and

C. WHEREAS, the Parties desire to set forth the terms and conditions of their relationship in this Agreement;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein below, the Parties hereby agree as follows:

1. Definitions

"Addendum" means an addendum, including a Product Addendum (as defined below), to this Agreement.

"Affiliate" means with respect to a Party, any other party which directly or indirectly controls, or is controlled by, or is under common control with, the specified Party. For purposes of the preceding sentence, "control" of a Party shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Party, or direct or indirect ownership (beneficially or of record) of, or direct or indirect power to vote, 50% or more of the outstanding shares of any class of capital stock of such Party (or in the case of a Party that is not a corporation, 50% or more of any class of equity interest).

"Assigned Component" means the components specifically identified in each Product Addendum as "assigned" for which iRobot has identified the applicable supplier from whom Supplier is authorized and required to source such component or material for incorporation into the Product.

"Commercially Reasonable Efforts" means those efforts that would be deemed both commercially practicable and reasonably financially prudent after having taken into account all relevant commercial considerations. "Relevant commercial considerations" shall be deemed to include, without limitation, (1) all pertinent facts and circumstances; (2) financial costs; (3) resource availability and impact; (4) probability of success; and (5) other commercial practicalities.

"Epidemic Failure" means a series of failures indicating a common or systemic product failure related to the same or similar root cause which results in the failure of the Products to meet the product warranty. An epidemic failure is deemed when a certain maximum failure rate occurs (Epidemic Failure Rate). The Epidemic Failure Rate is calculated using the relevant formulas included in this agreement.

"Marketing Documentation" means marketing materials, go to market assets and marketing claim testing information provided by Supplier to iRobot. All Marketing Documentation shall be provided by Supplier to iRobot in English and in a digital format as specified by iRobot.

"Defective Product" means a Product that has (i) a defect in design; or (ii) a defect in material or workmanship caused by (a) Supplier's failure to manufacture the Product to conform to the Specifications or other requirements in this Agreement; (b) the gross negligence or willful misconduct of Supplier's personnel performing under this Agreement, or (iii) a Product that fails to comply with any applicable law, rule, regulations, court order or decree that is applicable to Supplier's performance of its obligations set forth in this Agreement.

"Delivery Date" means the date specified in a Purchase Order for the delivery of Products by Supplier to iRobot or iRobot Approved Third Parties.

"Effective Date" means the date this Agreement is executed by the last Party to execute it.

"Intellectual Property" means any and all intellectual property and tangible embodiments thereof, including without limitation inventions, discoveries, designs, specifications, developments, methods, modifications, improvements, processes, know-how, show-how, techniques, algorithms, databases, computer software and code (including software and firmware listings, assemblers, applets, compilers, source code, object code, net lists, design tools, user interfaces, application programming interfaces, protocols, formats, documentation, annotations, comments, data, data structures, databases, data collections, system build software and instructions), formulae, techniques, supplier and customer lists, trade secrets, graphics or images, text, audio or visual works, materials that document design or design processes, or that document research or testing, schematics, diagrams, product specifications and other works of authorship.

"Intellectual Property Rights" means, collectively, all rights in, to and under patents, trade secret rights, copyrights, Marks, trade dress and similar rights of any type under the laws of any governmental authority, including without limitation, all applications and registrations relating to the foregoing.

"iRobot Approved Third Parties" means, unless otherwise defined in a Product Addendum, third parties authorized to receive shipments or place purchase orders with Supplier. This includes distributors and/or logistics providers.

"Marks" means trademarks, service marks, trademark and service mark applications, trade dress, trade names, logos, insignia, symbols, designs or other marks identifying a Party or its products.

"Packaging & Shipping Specifications" means the packaging and shipping specifications set forth in the Specifications to any Product Addendum and otherwise supplied and/or approved by iRobot. Supplier will package the Products in individual cartons or packages per the iRobot specifications as set forth in each Product Addendum. All packaging costs, including the cost of materials, will be incorporated within the Product cost. Supplier will mark each Product carton or package with the appropriate iRobot catalog or part number and series letter. Purchase order and item numbers must appear on each shipping carton or pallet according to Specifications set forth in each Product Addendum. No Supplier identifications will appear on any Product or individual carton shipped to iRobot under this Agreement unless specifically provided for or specifically approved in writing by iRobot.

"Products" means Products set forth in Product Addendum C-1 and in all subsequently agreed upon Product Addendum.

"Product Addendum" means each addendum setting forth the description of Products and Product-specific requirements attached to this Agreement, beginning with Exhibit C-1.

"Purchase Order" means a written or electronic purchase order issued by iRobot or an iRobot Approved Third Party to Supplier for the purchase of the Products.

"Specification" means the technical and functional requirements of the Products as specified in an attachment to the Product Addendum.

"Term" has the meaning given to it in Section 21 and includes the initial term and any renewal term.

"Training Materials & Instructions" means end user Product instructions and any and all repair and training documentation relating to the Product. All Training Materials & Instructions shall be provided by Supplier to IRobot in English and in an editable digital format as specified by iRobot.

"Test Procedures" means the testing specifications, standards, procedures and parameters supplied and/or approved by iRobot, including without limitation, the specifications and test requirements plans for the Product and Components as identified in any applicable Product Addendum.

2. LIST OF EXHIBITS

2.1. Exhibit A. iRobot General Environmental Regulatory Requirements ("GERR").

2.2. Exhibit B. iRobot General Quality Requirements ("GQR").

2.3. Exhibit C. Product Addendum (as they may be added from time to time).

2.4. Exhibit D. Information Security Requirements

2.5. Exhibit E. Non-Disclosure Agreement ("NDA")

3. PURCHASE AND SALE OF PRODUCTS

3.1. Subject to the terms and conditions in this agreement, Supplier agrees to design, manufacture, assemble and package the Products and to sell the same to iRobot in accordance with the terms hereof.

3.2. Design Ownership. iRobot and Supplier will maintain design ownership of each Product as outlined in the applicable Product Addendum.

3.3. Supplier. Supplier shall not, during the Term of this Agreement, produce or sell any Products set forth in any Product Addendum (unless stated otherwise in the exclusivity paragraph of each applicable Addendum) to any third party

4. FORECASTS, PRODUCT PURCHASE ORDERS, CHANGE ORDERS, RESCHEDULING AND CANCELLATION.

4.1. Forecast. For Products and accessories sold directly to iRobot, iRobot will provide to Supplier, on a monthly basis, a non-binding, rolling 365 days (12 months) planning forecasts on a SKU based level, indicating iRobot's monthly Product requirements, as amended by iRobot from time to time (each, a "Forecast"). For Products and accessories sold to iRobot's Approved Third Parties Supplier will collaborate with these iRobot Approved Third Parties to establish optimum frequency of forecast submission. All Purchase Order terms, changes and rescheduling and cancellation windows will be governed under the terms of this Agreement as defined below.

4.2. Purchase Orders. iRobot will issue orders for Products hereunder using its standard form of purchase order ("Purchase Order"). Each Purchase Order will identify the applicable Product by SKU, quantity, price currency, delivery terms, and other customary terms. Except for the Product price and delivery date contained in such Purchase Order, the terms and conditions in this Agreement shall prevail over any conflicting terms and conditions in any Purchase Order. Such Purchase Orders will be issued by iRobot at least fifty-six (56) days (8 weeks) prior to the date of ex-factory for all Products on each such Purchase Order.

4.3. Purchase Order Acknowledgment. Supplier will notify iRobot electronically within three (3) business day if it utilizes EDI, or if in writing, within five (5) business days of receipt of a Purchase Order, and inform iRobot in writing of any reason Supplier is unable to meet a requested delivery date or any other Purchase Order requirements. The absence of written notice constitutes acceptance of the Purchase Order and commitment to the terms of the Purchase Order, including Supplier's obligation to manufacture and supply to iRobot amounts of Product as set forth on the Purchase Order in accordance with the terms and conditions of this Agreement.

4.4. Changes to Forecast. At any time, prior to the issue of a Purchase Order, iRobot may reschedule and/or cancel any forecast demand. It is the Supplier's responsibility to review each monthly forecast submission and highlight to iRobot if it has any concerns with meeting the requirements of the latest forecast. Concerns with changes to the forecast including reschedules and cancellations can be discussed at this time.

4.5. Changes to Packaging and Shipping Specifications and Test Procedures. iRobot may, in writing, request a change to the Packaging and Shipping Specifications and Test Procedures at any time. Within five (5) business days after receipt of iRobot's written request Supplier will analyze the requested change and provide iRobot with an assessment of the effect that the requested change will have on cost, manufacturing, scheduling, delivery and implementation. iRobot will be responsible for all costs associated with any accepted changes. Any such change shall be documented in a written change order and shall become effective only upon mutual written agreement of both Parties to the terms and conditions of such change order, including changes in time required for performance, cost and applicable delivery schedules.

4.6. Components. Supplier will be responsible for managing the pipeline of all components to meet specific Forecast or Purchase Order demand. Supplier will only use Assigned Components in Products made for sale to iRobot only. Supplier will not use or incorporate the Assigned Components in any products it sells directly or to any other third party.

4.7. Production Increases, Rescheduling Delivery. iRobot may, in writing, request increases in production volume or acceleration of open Purchase Orders at any time. Supplier will analyze the request and determine if it can meet the requested increase within the required lead-time, provided, however, that Supplier must meet any and all increases up to 125% of the production volume for a Purchase Order for requests that include at least 75% at the original Purchase Order lead-time. If Supplier is unable to satisfy or comply with iRobot's requested increase in production volume within the requested time frame for delivery, Supplier will provide the reasons preventing Supplier from satisfying the requested increase within five (5) business days after receipt of iRobot's request. Any such change shall be documented in a written change order and shall become effective only upon mutual written agreement of both Parties to the terms and conditions of such change order, including changes in time required for performance, cost and applicable delivery schedules. Supplier shall utilize its global supply network to assess availability of shared material across accounts to minimize instances in which Supplier is unable to meet an increase in a Purchase Order quantity requested by iRobot. It is further understood that iRobot will not incur additional charges due to Supplier's decision to meet an accelerated delivery schedule or request for increased quantities by utilizing another account's material or components.

4.8. Product Configuration Changes and Engineering Changes. iRobot may request configuration or engineering changes to a Product in writing at any time. Supplier will analyze the request and determine if it can meet the requested changes within the required lead-time. If Supplier can satisfy the requested change it will provide iRobot within five(5) business days after receipt of the configuration or engineering request notice, a notice of acceptance of the requested changes. In the event that any requested change in the form, fit or function or Specification of any Product results in a significant increase in the cost of such Product, or in the length of time required for the manufacture or delivery thereof, then Supplier shall provide iRobot with a detailed cost analysis regarding such requested change. Following iRobot's acknowledgment of such detailed cost analysis, the Parties will negotiate in good faith an equitable adjustment to the price of such Product and/or expected changes to the delivery schedule for such Product. If Supplier is unable to satisfy or comply with iRobot's requested changes within the requested time frame for delivery, Supplier will provide the reasons preventing Supplier from satisfying the requested increase within five (5) business days after receipt of iRobot's request. Any such change shall be documented in writing and shall become effective only upon mutual written agreement of both Parties of the terms and conditions of such change, including changes in time required for performance, cost and applicable delivery schedules.

4.9. Rescheduled Delivery Push-Out, Reduction of Quantity, and Cancellation of Orders. iRobot may request Supplier to reschedule the delivery date for any Product, decrease quantity on open Purchase Order, and cancel pending Purchase Orders in accordance with this Section. The charges to iRobot for deferring delivery of a Purchase Order, reducing quantity or cancellation of a Purchase Order are outlined below:

Days Prior Delivery Dat	**Reschedule Terms**	**Cancellation Liability**
0-30 Day	Supplier is not obligated to adhere to the request, but must consider each request in good	iRobot may not cancel a Purchase Order to be delivered within 30 days of the applicable delivery date without payment to Supplier for the work incurred
31-56 Days from original delivery da	iRobot may reschedule out the delivery, reduce quantity or cancel the or	Material on hand, non-cancelable and non-returnable materials and applicable labor charges for WIP, provided, that such liability applies only to the extent that Supplier is unable to reallocate such material to any existing Purchase of iRobot

Notwithstanding anything to the contrary in this Agreement, any reschedule out of a delivery date, reduction of quantity and/or cancellation of a Purchase Order (in whole or in part) will not affect any Product Price.

4.10. Purchase Order Performance. Supplier shall fill and deliver 100% of the Products purchased under a Purchase Order by the due date specified on such Purchase Order. Purchase Orders to Supplier will be launched at lead-times mutually agreed between Supplier and iRobot in advance of issuance of Purchase Orders.

4.11. Time is of the Essence. Supplier agrees that time is of the essence with respect to all deliveries and performance. If Supplier fails to timely perform or deliver within five (5) business days of the delivery requirements of any standalone Purchase Order from iRobot, Supplier is liable to iRobot for all direct, reasonable costs incurred as a result of such delay including expediting costs. In the event of a delay, Supplier shall use best efforts to expedite delayed Products and/or performance, shall pay all reasonable expediting costs, including expedited delivery costs. Notwithstanding anything to the contrary, the following is hereby excluded from On-time delivery calculations:

- Force Majeure event as provided in Section 17
- iRobot caused and/or controlled delays

4.12. On-time delivery. For purposes of this Agreement, "On–time" delivery means: delivery of 100% of the Products purchased under a Purchase Order are delivered by the due date indicated on iRobot's Purchase Order for such Products minus 5 calendar days, plus 0 days (-5 days, +0 days). Supplier will monitor and report to iRobot monthly "On-time" delivery per Purchase Order, and such report shall include the number of Purchase Orders placed by iRobot within the lead time versus number of Purchase Orders delivered On-time.

4.13. Change in Specifications. Supplier may not make any changes to the Product (including component changes) or its manufacturing process if such changes change the form, fit, function, design or safety of the Product without advanced written consent from iRobot. Should Supplier make such changes without prior iRobot written consent, Supplier will be liable for all damages incurred by iRobot, iRobot's approved third parties or iRobot's customers as a result of such unapproved changes.

5. PRODUCT ADDENDUM

5.1. Initial Product Addendum. The Initial Product to be supplied by Supplier to iRobot is as specified on the Product Addendum attached hereto as Exhibit C-1.

5.2. New Product Addenda. iRobot and Supplier may by mutual consent, from time to time, add products to this Agreement by executing a Product Addendum. The first new Product shall be specified on a Product Addendum to be attached hereto as Exhibit C-1. Each subsequent Product Addendum shall be numbered consecutively (e.g. Exhibit C-1, Exhibit C-2) and shall include such other terms and conditions as agreed upon by the Parties. Product Addenda executed by iRobot are only valid if signed by a Vice President or above.

5.3. Precedence. In the event of a conflict between this Agreement and a Product Addendum, the terms and conditions set forth in the Product Addendum will control and take precedence over any conflicting terms in the Agreement. However, where terms in the Product Addendum are additional, the underlying terms in the Agreement remain in full force and effect.

6. PRICE; PAYMENT TERMS

6.1. Price. The price and any associated fees for NRE or Tooling for a Product shall be as specified on the applicable Product Addendum and may not be changed without written agreement by the Parties. Supplier understands and will support iRobot's requirement for mutually agreed upon fixed annual pricing for all Products and related accessories and spare parts. Supplier will extend fixed annual pricing for Products and accessories/spares to iRobot and iRobot's Approved Third Parties. Supplier shall extend such mutually agreed upon fixed annual pricing to iRobot and iRobot Approved Third Parties based on non-binding volume guidance from iRobot for the following calendar year ("Estimated Annual Usage" or "EAU").

Pricing is included in the relevant Product Addendum. For subsequent years, fixed pricing for a given calendar year will be agreed upon by the Parties per the following timeline and process:

(i) iRobot will submit to Supplier non-binding EAU guidance no later than Aug 1st, any year, for the upcoming year (Jan 1 to Dec 31).

(ii) Supplier will submit budgetary quote for Product(s) and related accessories/spares no later than August 30th, any year, for the upcoming year (Jan 1 to Dec 31).

(iii) iRobot will submit to Supplier refined non-binding EAU guidance no later than Nov 1st, any year, for the upcoming year (Jan 1 to Dec 31).

(iv) Supplier will submit final and binding quote no later than Nov 15th, any year, for the upcoming year (Jan 1 to Dec 31) for each Product.

6.2. Any impact to the fixed pricing of a Product and/or accessory due to unforeseen market circumstances or Force Majeure will be worked through between both Parties. Both Parties will review any such impact on a quarterly basis.

6.3. Either Party may request a meeting to discuss significant impact to pricing within a calendar year and both parties will negotiate in good faith in a timely manner the price of impacted Products moving forward. Pricing on Products cannot be changed without iRobot's written approval (not unreasonably withheld) at any time.

6.4. Supplier will provide the following minimum price reductions on each product (unless otherwise stated in an applicable Product Addendum) measured from the first date of production for the applicable product: Year 1: [***]; Year 2: [***] price reduction; Year 3: [***] price reduction . Supplier shall pursue continuous cost reduction initiatives to ensure that all available sustainable and competitive pricing opportunities are reviewed. Such initiatives may include supply chain redesign, review of component suppliers, improved logistics solutions, improvements in manufacturing processes and test efficiency/elimination improvements, and if necessary process(es).

6.5. Governmental Action. If any taxes, duties, laws, rules, or regulations result in changes to the costs of performance of the Agreement (a "Governmental Action"), then the Parties, shall, as soon as possible following the identification of such governmental Action, agree on and implement revised prices to reflect such Governmental Action, retroactive to the date on which the Governmental Action became effective.

6.6. Payment Terms. Invoices shall be in US Dollars and emailed from Supplier to iRobot, no earlier than the date of delivery of Products. Invoices for Product purchased by iRobot should include the invoice, commercial invoice, packing slip, and cargo receipt or bill of lading. All invoices shall be submitted to apinvoices@irobot.com and are payable net ninety (90) days from receipt of invoice. All invoices must reference iRobot's Purchase Order number. Invoices submitted without referencing the appropriate Purchase Order number will be rejected.

7. SHIPMENT AND ACCEPTANCE

7.1. Product Labeling. To the extent specified in the Product Addendum or attachment thereto, Supplier will ensure that the Products and the packaging contain such information and iRobot's Marks.

7.2. Delays. Supplier agrees that time is of the essence with respect to all deliveries and performance. If Supplier fails to timely perform or deliver by the Delivery Date, Supplier is liable to iRobot for all costs incurred as a result of such delay including, but not limited to expediting costs. In the event of any delay more than 10 working days, iRobot may immediately cancel, without liability, all Purchase Orders or portions of Purchase Orders for affected Products. For delayed Products that iRobot continues to require Supplier to provide, Supplier shall use best efforts to expedite delayed Products and shall pay all expediting costs, including but not limited to expedited delivery costs.

7.3. Packing List. Each delivery of Products must include a packing list that contains at least: (i) SKU number;

(ii) quantity of Products shipped; (iii) serial number range of Products in the delivery and (iv) date of shipment.

7.4. Packaging; Damages. Supplier shall properly package, handle and pack all Products so as to protect Products from loss or damage, in conformance with good commercial practice and the Specifications and other applicable standards set forth in the applicable Product Addendum.

7.5. Acceptance. Upon receipt of the Product(s) by iRobot or iRobot's Approved Third Parties, iRobot or iRobot's Approved Third Parties shall visually inspect the Product(s) to ensure receipt in a physically undamaged condition. iRobot or iRobot's Approved Third Parties shall notify Supplier of any discrepancies therein within thirty

(30) days following receipt thereof (the "Return Period"). Unless iRobot or iRobot's approved third parties notify Supplier of a discrepancy within such period, iRobot or iRobot's Approved Third Parties' acceptance of any Product(s) shall be deemed to have been made upon receipt. Nothing herein shall, however, be construed to limit the warranty, indemnification or recall provisions of this Agreement.

7.6. Title and Risk of Loss. The risk of loss for any and all products will pass from Supplier to iRobot or iRobot's approved third parties when such Products are delivered to iRobot or iRobot's approved third parties y Supplier. The title of the Products will pass to iRobot or iRobot's approved third parties upon Supplier receiving the full payment of the Products from iRobot or iRobot's approved third parties. For purposes of this Agreement terms of sale for all product shipments shall be as specified in a Product Addendum.

8. END OF LIFE

8.1. Supplier Initiated End of Life. Supplier shall provide iRobot with no less than eighteen (18) months written notice of any Product that will reach end of life. During the last twelve (12) months of the end-of-life period, Supplier will provide iRobot with a "last time buy" option inclusive of the same or similar multi-year production schedule, free of any penalty and at the then agreed upon pricing. Supplier will ensure that production capacity during the last twelve months is, at a minimum, no less than previous twelve months' production capacity.

8.2. iRobot Initiated End of Life. In the event iRobot decides to discontinue the production or sale of any product for which Supplier has provided Products under this Agreement, iRobot shall give Supplier no less than six (6) months advance written notice of such discontinuation.

8.3. Treatment of Obsolete/End-of-Life Material. Upon receiving notice from iRobot of an engineering change or that any Product, component or assembly has become obsolete or has reached end-of-life Supplier will, within a reasonable period after receiving such notice, provide iRobot with an analysis of iRobot's liability to Supplier for components and materials acquired or scheduled to be acquired to manufacture such Product. iRobot's liability shall include the price of finished Product and Supplier's costs (including cancellation fees and charges), plus applicable margin, of WIP, safety stock components and materials and components and materials on hand or on order within applicable lead-times. Supplier will use Commercially Reasonable Efforts to assist iRobot in minimizing iRobot's liability by taking the following steps:

- As soon as is commercially practical reduce or cancel Component and material orders to the extent contractually permitted.
- Return all Components and materials to the extent contractually permitted.
- Assist iRobot to determine whether current WIP should be completed, scrapped or shipped to iRobot or its designee "as is".

8.4. Within ten (10) days of the end of life date, if requested by iRobot in writing, Supplier shall deliver any and all other materials supplied by iRobot to Supplier with respect to the manufacture of the Products that have reached end of life.

9. COMPLIANCE WITH LAWS, REGULATIONS & POLICIES

9.1. Compliance with laws and regulations. Supplier warrants and certifies that the Products comply with any and all applicable laws and regulations. Supplier shall be solely responsible for the cost of obtaining any necessary licenses, certifications, permits, insurances, and all associated fees and other charges.

9.2. Compliance with iRobot General Environmental Regulatory Requirements. Supplier warrants and certifies that all Products sold to iRobot during the Term of the Agreement will comply with the latest revisions of the iRobot General Environmental Regulatory Requirements ("GERR") as attached hereto as Exhibit A. Compliance with the GERR is mandatory for all parts, components, modules, and subassemblies that are assembled into iRobot branded products regardless if they are meant to be built into a final assembly or to be shipped as spare or replacement parts.

9.3. Modification or Exceptions to the GERR. The GERR may be modified or amended by mutual agreement of the Parties in any Product Addendum.

9.4. Conflict Minerals. Supplier represents and warrants that it is in full compliance with conflict minerals laws, including, without limitation, Section 1502 of the Dodd-Frank Wall Street Reform and consumer Protection Act of 2010 as it may be amended from time to time and any regulations, rules, decisions or orders relating thereto adopted by the Securities and Exchange Commission or successor governmental agency responsible for adopting regulations relating thereto (collectively, "Dodd-Frank Section 1502"). Supplier must cooperate with iRobot to make available to iRobot and/or its agents, full material declarations that identify the sources of and amount of all substances contained in the Products. Unless iRobot specifically agrees in writing that a particular Product may contain a particular material, Supplier will also provide a statement that the Products do not contain various materials at issue in applicable laws and regulations. Supplier must declare each product's compliance to all applicable hazardous material legislation and identify any substances that are banned or must be declared under applicable laws. In addition, Supplier will make available any documentation that supports the declaration. Without limiting the generality of the foregoing, Supplier agrees to disclose to iRobot, upon iRobot's request, to the extent known or discoverable by Supplier following inquiry, the original source of all minerals contained in the Product. If Supplier does not know the original source of the minerals, Supplier agrees to cooperate with iRobot, including disclosing from whom Supplier purchased the minerals and urging others to disclose such information, so that the original source of minerals can be accurately determined and reported. Supplier shall comply with all laws regarding the sourcing of minerals, including, without limitation, laws prohibiting the sourcing of minerals from mins controlled by combatants and Dodd-Frank Section 1502. Without any further consideration, Supplier shall provide such further cooperation as iRobot may reasonably require in order to meet any obligations it may have under conflict minerals laws, including, without limitation, under Dodd-Frank Section 1502. Reference is also hereby made to Section 3 of the GERR found in Exhibit A.

9.5. United States Foreign Corrupt Practices Act, 15 U.S. C. §78dd-2 (the "FCPA"). Supplier represents that it has a copy of, and is familiar with the FCPA, and the purposes of the FCPA, including the FCPA's prohibition of the payment or the gift of any item of value, either directly or indirectly, by or on behalf of a company organized under the laws of the United States of America or any of its states to an official, employee, or officer of, or person acting in an official capacity for, a government or international organization for the purpose of influencing any action or decision, or inducing him to use his influence with the government or organization in a manner contrary to his position or creating an improper advantage to assist a company in obtaining or retaining business for, with, or in that country or organization or directing business to any person. Supplier represents and warrants that it will take no action that would constitute a violation of the FCPA. Moreover, Supplier represents and warrants that no government official is a principal, owner, officer, employee or agent of any entity in which Supplier has an interest, and no government official has any material financial interest in the business of the Supplier. Further, Supplier represents and warrants it complies with all applicable legal requirements and iRobot's policies against corrupt business practices, against money laundering and against facilitating or supporting persons who conspire to commit crimes or acts of terror against any person or government. Supplier agrees to notify iRobot in writing immediately of the occurrence of any event, which renders the foregoing representations and warranties of this paragraph incorrect.

9.6. Child/Forced Prison Labor Laws. Supplier, by signing this Agreement, represents and warrants that it and its subcontractors/suppliers will comply with all applicable local government regulations regarding minimum wage, living conditions, overtime, working conditions, child labor laws and the applicable labor and environmental laws. Supplier further represents and warrants that it and its subcontractors/suppliers do not use any form of forced prison labor and/or child labor under the age of 15 or the minimum age required by local government, whichever is older.

9.7. iRobot's Supplier Code of Conduct. Supplier represents and warrants that it has reviewed iRobot's Supplier Code of Conduct at the link listed below as it may be amended from time to time and will not knowingly take any action in contradiction to the iRobot Supplier Code of Conduct.

http://www.responsiblebusiness.org/code-of-conduct/

9.8. Noncompliance. Noncompliance by Supplier with any applicable law, regulation or policy, including, the GERR, the GERR as it may be modified by a Product Addendum, the FCPA and iRobot's Code of Conduct and Business Ethics will be deemed to be a material breach of this Agreement.

10. QUALITY

10.1. iRobot General Quality Requirements. Supplier shall comply with the latest revision of iRobot document number 4277148, General Quality Requirements ("GQR") attached hereto as Exhibit B and incorporated herein by reference. Any deviations to Supplier's compliance with the GQR must be approved in writing by iRobot. Supplier shall convey the GQR to and enforce the GQR upon its suppliers.

11. WARRANTIES

11.1. Product Warranties. Supplier warrants that it has expertise in designing and manufacturing the Products. Supplier further warrants that it has the personnel, capacity and facilities to supply Products of consistently high quality in the quantities forecasted by iRobot. Supplier warrants that all Products will be free from defects in design, material and workmanship and will conform to the Specifications. Supplier further warrants that all Products will be new and be free and clear from all liens, encumbrances, restrictions and other claims of title or ownership. The warranty period for each Product shall commence on the date of delivery to iRobot or iRobot's Approved Third Parties and continue for [***] thereafter and will survive any inspection, delivery, acceptance or payment by iRobot ("Warranty Period").

11.2. Epidemic Failure. iRobot will regularly monitor the failure rates of the Products. In the event that iRobot determines that an Epidemic Failure has occurred (or is occurring) using the formulas included in the Product Addendum, iRobot will notify Supplier of such determination as soon as possible. Upon receiving such notification Supplier shall:

11.2.1. Within one (1) business day of learning of such Epidemic Failure, provide iRobot with a status report and details of a proposed interim solution; and

11.2.2. No later than five (5) business days following notification of such Epidemic Failure, provide iRobot with a root cause analysis and corrective action plan.

11.2.3. In each of the foregoing cases, iRobot will make available such information and assistance reasonably required to allow Supplier to conduct its root cause analysis and to provide its corrective action plan.

11.2.4. Remedies for an Epidemic Failure: In the event any Epidemic Failure results from a breach of any of the warranties under this Agreement during the Warranty Period, then Supplier shall (i) promptly refund to iRobot the full purchase price paid for all Products subject to such Epidemic Failure; (ii) refund to iRobot the transportation cost, plus any tariffs and fees related to customs processing for all Products subject to such Epidemic Failure; (iii) pay for any all associated costs related to any Product recall related to the Epidemic Failure and; (iv) pay for all other reasonable costs to cure the Epidemic Failure (ex. re-work, replacement products, shipping costs, partner penalties).

11.3. Training. Supplier will provide all necessary training, including Training Materials and Instructions for each Product to allow iRobot the ability to repair the Product.

11.4. Customer Service. Customers will contact iRobot for any and all customer concerns relating to the Product and iRobot will manage all customer communications. Supplier shall have no contact with customers relating to the Product without written iRobot approval.

12. PRODUCT RECALL

12.1. If either party is required by law, government authority or court of competent jurisdiction to, or if iRobot decides in its reasonable discretion to, initiate a Product recall, withdrawal or field correction ("Recalling Party"), the Recalling Party will notify the other Party of the details regarding such action, including providing copies of all relevant documentation concerning such action. Supplier will assist iRobot, at Supplier's expense, in investigating any such situation and all regulatory contacts that are made and all activities concerning seizure, recall, withdrawal or field correction will be coordinated and made by iRobot, and all communications in connection with any recall, shall come solely from iRobot or have been approved by iRobot prior to dissemination by an approved third party, unless otherwise required by law. If any such recall, withdrawal, field correction or seizure results from (i) failure of any Product to conform to the Specification, or any warranty or other requirement set forth in this Agreement; (ii) the failure of Supplier to comply with any applicable law, rule, regulation, standard, court order or decree; (iii) the negligent or intentional wrongful act or omission of Supplier in connection with the production of Product hereunder; or (iv) a design or manufacturing defect, then, in addition to the rights, remedies and obligations under this Section, Supplier shall be responsible for the full cost and expense of any such seizure, recall, withdrawal or field correction. For the purposes of this Agreement, the expenses of any recall, withdrawal, field correction or seizure shall include, without limitation, the out-of-pocket expenses of notification and destruction or return of the recalled Product, reasonable attorney's fees, and all other out-of-pocket costs incurred in connection with such recall.

13. MARKETING & LICENSING

13.1. Marketing Authority. iRobot and its Approved Third Parties shall have the right to use their own business and license terms for all sales, marketing and distribution of the Products acquired by them.

13.2. No Rights in Marks. Nothing in this Agreement shall be construed to grant either Party any rights in the Marks of the other Party. As between the Parties, the iRobot specified packaging, design, manuals, iRobot Marks, manuals and Product model names (the "iRobot Elements") are the property of iRobot. Accordingly, Supplier shall not use the iRobot Elements except in connection with fulfillment of Supplier's obligations hereunder.

14. INDEMNIFICATION

14.1. iRobot's Indemnity Obligations. Subject to Supplier's indemnification of iRobot, iRobot shall indemnify, defend and hold Supplier and its employees, Subsidiaries, Affiliates, successors and assigns ("**Supplier Indemnified Parties**") harmless from and against any and all losses, liabilities, damages (including consequential, special and/or punitive damages), claims, expenses, suits, recoveries, judgments and fines (including reasonable attorneys' fees and expenses) (collectively "**Losses**"), arising from any third party claims asserted against any Supplier Indemnified Party, to the extent that any such claim is based on any of the following: (a) proper and authorized use of iRobot Intellectual Property and/or iRobot Elements; (b) false advertising claims not based on the Marketing Documentation; and (c) Supplier's use of any item in subsections (a) in connection with performing its obligations under this Agreement which infringes any patent, copyright or other Intellectual Property Right of a third party.

14.2. Supplier's Indemnity Obligations. Except as stated in Section 14.1 above, Supplier shall indemnify, defend and hold iRobot and its employees, Subsidiaries, Affiliates, successors and assigns ("**iRobot Indemnified Parties**") harmless from and against any and all Losses that may be incurred by any iRobot Indemnified Party arising out of (a) any damage to property or injury or death occurring to any person arising out of any failure by Supplier to provide Products in conformance with the Specifications; (b) any injury to person or property or death occurring to any Supplier employees, subcontractors, agents or any other individuals on Supplier's premises; (c) any breach by Supplier of any of its respective obligations, representations or warranties under this Agreement, including a breach which results in a recall of Product, a data breach, an Epidemic Failure, or noncompliance with the GERR, Conflict Minerals and/or the GQR; (d) any grossly negligent or willful act or omission on the part of Supplier, Affiliates of Supplier or its subcontractors, officers, directors, employees, agents or contractors; (e) the operation, ownership or control of the facilities of Supplier, its Affiliates or its subcontractors; (f) the manufacturing, generation, processing, storage, transportation, distribution, treatment, disposal or other handling of the Products or materials used in the manufacture and packaging of the Products, or associated by-product, raw materials, intermediates, wastes, hazardous materials, emissions, releases, spills, leaks or discharges, or returned Products; (g) any claim relating to the infringement of patent or other intellectual property rights relating to the Product and/or the manufacturing process employed by Supplier for the Products; (h) any false advertising claim based on the Marketing Documentation; or (i) violation of any applicable law, regulation, or rule in connection with the manufacturing of and/or the Products that are the subject of this Agreement.

14.3. Indemnification Procedures. Any Party that may be entitled to indemnification under this Agreement ("Indemnified Party") shall give the other Party ("Indemnifying Party") prompt notice of any claim and cooperate with the Indemnifying Party at its expense. The Indemnifying Party shall have the right to assume the defense (at its own expense) of any such claim through counsel of its own choosing by so notifying the Indemnified Party within thirty (30) calendar days of the first receipt of such notice. The Indemnified Party shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnifying Party. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, agree to the settlement, compromise or discharge of the claim.

15. INSURANCE

15.1. General Requirements. General requirements. Supplier shall maintain for the term of this Agreement, at its own expense: (a) commercial general liability policy including contractual liability products/completed operation and broad form property damage coverage, affording protection on an occurrence basis for claims arising out of bodily injury, death, and property damage, and having limits of not less than; a combined single limit of $[***] per occurrence with a $[***] aggregate limit of liability; (b) Worker's Compensation insurance as required by the laws of state where the services will be performed and Employer's Liability Insurance with a $[***] per occurrence limit; (c) Commercial Automobile Liability Insurance - bodily injury and property damage combined single limit of $[***]; (d) Professional Liability/Errors and Omissions Insurance with policy limits of $[***] per wrongful act or claim and $[***] aggregate; and (e) Cyber Security Insurance that affords coverage for first and third party information security and privacy associated risks with policy limits of $[***] per wrongful act or claim and $[***] aggregate. Such insurance shall name Company as an additional insured, waiver of subrogation in favor of the additional insured, may not be canceled without thirty (30) days prior written notice to Company, and this coverage shall be primary and non-contributory. Prior to the commencement of Services, Supplier shall provide a certificate of insurance to Company evidencing these requirements and shall provide updated certificates as applicable. Supplier shall also be liable to maintain, at its sole expense, travel insurance coverage and any legally mandated health insurance.

15.2. Additional Requirements. All deductibles on policies providing coverage will be paid by Supplier. In no event will the coverage or limits of any insurance required under this Section or the lack or unavailability of any other insurance, be deemed to limit or diminish either Party's obligations or liability to the other Party under this Agreement, including but not limited to, each Party's indemnification obligations as set forth in Section 14.

16. FORCE MAJEURE

16.1. Notification. If the performance by either Party is affected by any event of Force Majeure, including acts of God, actions or directives of a court or public authority or government, war or civil disturbance, fire, explosion, flood, criminal disturbances and power failures or any other event beyond the reasonable control of such Party, such party shall immediately notify the other Party, in writing, giving details of the event.

16.2. Suspension of Performance. The performance of the Party affected by such Force Majeure shall be suspended only for as long as the event of Force Majeure continues, but the Parties shall consult and will use Commercially Reasonable Efforts to find alternative means of accomplishing such performance.

16.3. Commencement of Performance. Immediately upon cessation of the event of Force Majeure, the Party affected by force majeure will notify the other Party in writing and will take steps to recommence or continue the performance that was suspended.

17. CONFIDENTIALITY

17.1. Confidentiality. This Agreement is covered under the terms and conditions of Mutual Non-Disclosure Agreement ("NDA") executed by Supplier and iRobot on May 31st, 2023, and attached hereto as Exhibit E, the terms of which are incorporated by this reference.

17.2. No Publicity. Supplier agrees that it will not state publicly or otherwise, verbally or in writing, that any Product purchased hereunder [***], unless required to do so by law.

18. RECORDS RETENTION

18.1. Records Retention. For a period of three (3) years from delivery of Products to iRobot or iRobot's approved third parties, Supplier shall maintain accurate and complete records for all Products manufactured hereunder. This shall include all records relating to Product traceability to ensure both forward and reverse traceability. Records shall contain, at a minimum, all information relating to the following:

- Component lot certificates
- Volume of Product manufactured with each production run
- Date code for Product manufactured with each production run
- Date codes for Products shipped against Purchase Orders from all iRobot approved third parties

- All quality control and quality inspection data of Products shipped
- All life and reliability testing units

19. INTELLECTUAL PROPERTY OWNERSHIP

19.1. iRobot Intellectual Property. With regard to the Products, iRobot shall own the Intellectual Property or other rights as provided in a Product Addendum.

19.2. Supplier Intellectual Property. Unless otherwise provided in a Product Addendum, all Intellectual Property and other rights in the Products shall be owned by Supplier.

20. TERM; TERMINATION

20.1. Term. This Agreement shall begin on Effective Date and shall expire two years therefrom (the "Term.") The Term may be extended by written mutual agreement of the parties. All Purchase Order(s) accepted by Supplier prior to the expiration of this Agreement shall be fulfilled and paid pursuant to and subject to the terms of the Purchase Order.

20.2. Termination for Cause. This Agreement may be terminated by either Party in the event of a breach by the other Party of a material provision hereof if such breach is not cured within thirty (30) business days of receipt of written notice specifying the default ("Cure Period").

20.3. Termination for Convenience. This Agreement may be terminated for convenience at any time by either Party with one hundred and eighty (180) days' written notice to the other Party.

20.4. Requirements upon Termination. Upon receipt of notice of termination, Supplier has an affirmative duty to minimize all costs incurred between the notice of termination date and the effective date of termination (unless otherwise notified in writing by iRobot) and the Supplier shall:

I. In accordance with NDA executed between the Parties (Exhibit E), protect, secure, and, if requested, deliver to iRobot all iRobot Confidential Information;

II. Extend to the iRobot a "last time buy" option for Products as described in Section 8; and

III. Deliver to iRobot all iRobot owned Tooling.

21. LIMITATIONS OF LIABILITY

Under no circumstances shall iRobot be liable for incidental, indirect, special, consequential or punitive damages arising out of, or in connection with the agreement that is ultimately signed.

EXCEPT FOR UNDISPUTED AMOUNTS OWED TO SUPPLIER UNDER THE TERMS OF THIS AGREEMENT, IROBOT'S MAXIMUM AGGREGATE LIABILITY TO SUPPLIER OVER THE TERM OF THIS AGREEMENT SHALL NOT EXCEED [***].

22. NON-SOLICITATION OF EMPLOYEES

The Parties agree not to solicit any employee of the other Party for the purpose of inducing such employee to terminate his employment with the other Party, during the term of this Agreement, or within two (2) years following its termination. A general advertisement for employment in a newspaper or online shall not be considered solicitation hereunder.

23. INDEPENDENT CONTRACTOR

The Parties agree that iRobot has no obligation to pay any compensation or benefits to Supplier's Personnel, including but not limited to workers compensation, health benefits and other benefits, and that Supplier is exclusively responsible for such payments to Supplier's Personnel. Nothing in this Agreement shall be deemed to constitute a partnership or joint venture between iRobot and Supplier, nor shall anything in this Agreement be deemed to construe Supplier or iRobot as the agent of the other. Neither Supplier nor iRobot shall be or become liable or bound by any representation, act or omission of the other. Supplier (including Supplier Personnel) is retained by iRobot only for the purposes and to the extent set forth in this Agreement, and Supplier's relationship to iRobot shall, during the period or periods this Agreement remains in effect, be that of an independent contractor. Supplier shall be free to dispose of such portion of its resources during regular business hours as it has not obligated to devote hereunder to iRobot in such manner as Supplier deems advisable. Supplier and Supplier Personnel shall not be considered under the provisions of this Agreement or otherwise as having an employee status with iRobot. Additionally, Supplier or Supplier Personnel will not act as or represent itself as being an agent or employee of iRobot, or have any authority express or implied, to assume or create any obligation on behalf of iRobot or to bind iRobot in any way whatsoever.

24. INFORMATION SECURITY

24.1. Information Security. Supplier will implement and maintain information and data security guidelines for maintaining security controls as it relates to iRobot's Confidential Information. At a minimum, Supplier's information security guidelines shall include: (a) a requirement that Supplier comply, in all material respects, with applicable laws, rules, and regulations; (b) a plan to assess and manage system failures; (c) a regular assessment of data security risks, with adjustments made to the data security program to reduce such risks; (d) notice and incident response procedures; (e) providing access to iRobot to Supplier's audit reports, results, and artifacts to validate and assess controls associated with third party accreditations or any of the outlined controls in this Schedule; and (f) provide iRobot with a copy of its SOC2 Type II or ISO 27001 Report or equivalent industry standard security accreditations or mutually agreed upon independent audits as requested by iRobot from time to time. In addition, Supplier shall comply with the security requirements described in Exhibit D. Supplier's non-compliance with the security requirements described in Exhibit D is a material breach of this Agreement.

25. BREACH OF AGREEMENT

The Supplier acknowledges and agree that a breach by it of its obligations to manufacture and supply any Products under this Agreement would cause irreparable harm to iRobot because the Products are unique in kind and quality and, moreover, suitable substitutes are unobtainable or unreasonably difficult or inconvenient for iRobot to procure and Supplier further acknowledges and agrees that iRobot could not be adequately compensated by money damages. Accordingly, in addition to any other remedies that may be available, in law, in equity or otherwise, in the case of any such actual or threatened breach, iRobot shall be entitled to obtain specific performance (including an order of a court requiring that Supplier manufacture and/or supply Product under this Agreement), without the necessity of posting a bond or proving actual damages. Finally, Supplier agrees that such equitable relief (including without limitation, specific performance), is a reasonable outcome of any actual or threatened breach contemplated by this Section, and Supplier hereby knowingly assumes the risk that a court or other tribunal may order specific performance. Supplier further acknowledges and agrees that any equitable relief ordered by a court or tribunal would not be a penalty.

26. DISPUTE RESOLUTION

26.1. Arbitration. The Parties agree to the settlement by arbitration of all claims or controversies each Party may have against the other relating in any manner whatsoever to this Agreement or its terms. Except for the right to obtain provisional remedies or interim relief, which right is preserved without any waiver of the right to arbitration, arbitration under this Agreement shall be the exclusive remedy for all such arbitrable claims, except for breaches of confidentiality and/or intellectual property provisions.

26.2. Arbitration Venue. The Parties also agree that arbitration shall be held in Boston, Massachusetts, and shall be in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"), and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The arbitrator(s) shall have the authority to award or grant legal, equitable and declaratory relief. Such arbitration shall be final and binding on the Parties.

26.3. Arbitrators. The arbitration shall be conducted by a panel of three arbitrators, one of whom will be chosen by Supplier, one of whom will be chosen by iRobot and the third to be chosen by mutual agreement of the two arbitrators selected by the Parties.

26.4. Enforcement Proceedings. The Parties agree that in the event that any action, either civil or arbitral is brought to enforce this Agreement by either Party, the prevailing Party shall be entitled to an award of all reasonable attorneys' fees and legal costs, in addition to other relief.

27. GOVERNING LAW

The Agreement will be governed by the laws of the Commonwealth of Massachusetts (without regards to its conflict of laws' provisions). The provisions of the United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement.

28. GENERAL PROVISIONS

28.1. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

28.2. Entire Agreement. This Agreement, any Addenda, Amendments, exhibits, or related Purchase Orders shall constitute the complete and exclusive statement of the agreement between the Parties as to the subject matter hereof which supersedes all proposals or agreements, oral or written, and all other communications between the parties related to the subject matter of this Agreement. This Agreement may only be modified in writing and signed by an authorized representative of both parties.

28.3. Waiver. A waiver of a breach or default under this Agreement shall not be a waiver of any other or subsequent breach or default. The failure or delay by either Party in enforcing compliance with any term or condition of this Agreement shall not constitute a waiver of such term or condition unless such term or condition is expressly waived in writing. No prior transactions or dealings between the Parties shall be deemed to establish any custom or usage waiving or modifying any provision hereof.

28.4. Headings. Headings contained in this Agreement are for reference purposes only and do not constitute part of this Agreement.

28.5. Remedies. The remedies reserved by the Parties shall be subject to the limitations set forth in this Agreement. Remedies shall be cumulative and in addition to other remedies provided in law or equity.

28.6. Binding Nature. This Agreement shall be binding upon and inure to the benefit of the Parties hereto, their successors and permitted assigns.

28.7. Assignment. This Agreement, including the Parties' rights, duties, and obligations under this Agreement are not transferable, delegable or assignable by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

28.8. Legal Notices. Except as otherwise specifically stated in this Agreement, legal notices and other Agreement related communications by a party under this Agreement shall be deemed given five (5) business days after the date when deposited in the United States mail return with delivery confirmation postage pre-paid, registered mail postage prepaid, common carrier with delivery confirmation, courier services with signature confirmation or facsimile with delivery confirmation addressed as follows or as otherwise directed in writing by either Party:

To Supplier:	Shenzhen 3irobotix Co., Ltd 10th Floor, Block A, Han's Innovation Building, No. 9018, North Circular Avenue Songpingshan Community, Xili Street, Nanshan District, Shenzhen, 518055, China Att: rodm Business Unit General Manager Email: lih2062@3irobotics.com
To iRobot:	iRobot Corporation 8 Crosby Drive Attention: General Counsel Mail Stop 10-2 Bedford, Massachusetts 01730 legal@irobot.com
With a copy to:	iRobot Corporation 8 Crosby Drive Attention: VP Procurement, Sourcing & Planning Mail Stop 10-2 Bedford, Massachusetts 01730 procurement@irobot.com

28.9. Survival of Terms. The following sections shall survive termination of this Agreement: Warranties, Non- Solicitation of Employees, Limitation of Liability, Indemnification, Confidentiality, Intellectual Property Ownership, Dispute Resolution, Survival of Terms and Audit Rights.

28.10. Audit Rights. During the term of this Agreement, and for a period of three (3) years thereafter, each Party will keep complete and accurate books and records sufficient to verify compliance or non-compliance with the provisions of this Agreement. Each Party will, upon at least thirty (30) days prior written request by the other Party, allow such Party, or a representative of such Party, to audit such books and records at the audited Party's premises. Only books and records directly applicable to performance pursuant to this Agreement shall be available for such examination and/or copying. Each Party agrees that any information learned by or disclosed to it or its auditor in connection with such audit is Confidential Information of the audited party.

28.11. Authorization. Each Party represents that it has full power and authority to enter into and perform this Agreement, and the person signing this Agreement on behalf of it has been properly authorized and empowered to enter into this Agreement.

IN WITNESS WHEREOF, the parties executed this Agreement on the latest date written below.

Shenzhen 3irobotix Co., Ltd	**iRobot Corporation**
/s/ Richard Li	/s/ Charles Kirol
Signature	Signature
Richard Li	Charles Kirol
Printed or Typed Name	Printed or Typed Name
ODM BU general manager	EVP and CSCO
Title	Title
August 17, 2023 | 3:33 AM EDT	August 16, 2023 | 2:42 PM EDT
Date	Date

Exhibit A

Original Design Manufacturer and Supply Agreement

Shenzhen 3irobotix Co., Ltd and iRobot Corporation

iRobot General Environmental Regulatory Requirements (“GERR”)

Exhibit B

Original Design Manufacturer and Supply Agreement

Shenzhen 3irobotix Co., Ltd and iRobot Corporation

iRobot General Quality Requirements ("GQR")

Exhibit C

Original Design Manufacturer and Supply Agreement

Shenzhen 3irobotix Co., Ltd and iRobot Corporation

Product Addendum

Exhibit D

Original Design Manufacturer and Supply Agreement

Shenzhen 3irobotix Co., Ltd and iRobot Corporation

Information Security Requirements

Exhibit E

Original Design Manufacturer and Supply Agreement

Shenzhen 3irobotix Co., Ltd and iRobot Corporation

Non-Disclosure Agreement

Exhibit 31.1

Certifications

I, Gary S. Cohen, 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: November 6, 2024

/s/ GARY S. COHEN
Gary S. Cohen
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: November 6, 2024

/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 28, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Gary S. Cohen, 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: November 6, 2024	/s/ GARY S. COHEN
	Gary S. Cohen Chief Executive Officer
Date: November 6, 2024	/s/ JULIE ZEILER
	Julie Zeiler Chief Financial Officer