

iRobot®



Introduction to iRobot Corporation

Investor Relations

March 2020

Forward Looking Statements

- Certain statements made in this presentation that are not based on historical information are forward-looking statements which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.
- These statements are neither promises nor guarantees, but are subject to a variety of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those contemplated in these forward-looking statements.
- Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. iRobot Corporation undertakes no obligation to update or revise the information contained in this presentation, whether as a result of new information, future events or circumstances or otherwise.
- For additional disclosure regarding these and other risks faced by iRobot Corporation, see the disclosure contained in our public filings with the Securities and Exchange Commission.



Non-GAAP Financial Metrics

Regulation G Disclosure

This presentation contains references to the non-GAAP financial measures as defined by SEC Regulation G, including non-GAAP gross profit and non-GAAP gross profit margin, non-GAAP operating expenses, non-GAAP operating income and non-GAAP operating income margin, non-GAAP income tax expense, non-GAAP net income (earnings) and non-GAAP net income (earnings) per share. 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 should be carefully evaluated.

Non-GAAP gross profit removes expenses related to the amortization of acquired intangible assets and stock-based compensation while non-GAAP gross profit margin is calculated as non-GAAP gross profit divided by revenue for the applicable period. Non-GAAP operating expenses excludes the amortization of acquired intangible assets, stock-based compensation, net merger, acquisition and divestiture (income) expense, and net IP litigation expense. Non-GAAP operating income removes the aforementioned non-GAAP operating expenses while non-GAAP operating income margin is calculated as non-GAAP operating income divided by revenue for the applicable period. Non-GAAP income tax expense reflects the tax effect of the non-GAAP adjustments, calculated using the appropriate statutory tax rate for each adjustment. Non-GAAP net income includes the aforementioned items related to non-GAAP income from operations, and also removes gain or loss on strategic investments. Non-GAAP net income (earnings) per share is calculated by dividing non-GAAP net income (earnings) by the number of diluted shares used in per share calculations for the applicable period. Definitions of each item and why they are used in calculating non-GAAP financial measures is detailed in the appendix of this presentation.

We use non-GAAP measures to internally evaluate and analyze financial results. We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and enable comparison of our financial results with other public companies, many of which present similar non-GAAP financial measures. The reconciliation of these non-GAAP metrics to the comparable GAAP metrics are set forth in the accompanying tables in the appendix of this presentation and are available on our website at <https://investor.irobot.com/>.



Investment Highlights

NASDAQ: IRBT

Market Cap: \$1.4B*

HQ: Bedford, MA

Category creator, innovator and leader in Robotic Vacuum Cleaners (RVCs)

Track record of strong revenue growth with continued runway to support expansion

Ongoing progress to diversify product portfolio and build position within Smart Home ecosystem

Navigating challenging market conditions, particularly in the U.S.

Execute on 2020 strategic priorities to fuel growth, defend category leadership and fund initiatives critical to long-term value creation

Monitoring and reacting to impact of Coronavirus



* Based on stock price as of 3/4/20

Category Creator, Innovator & Leader

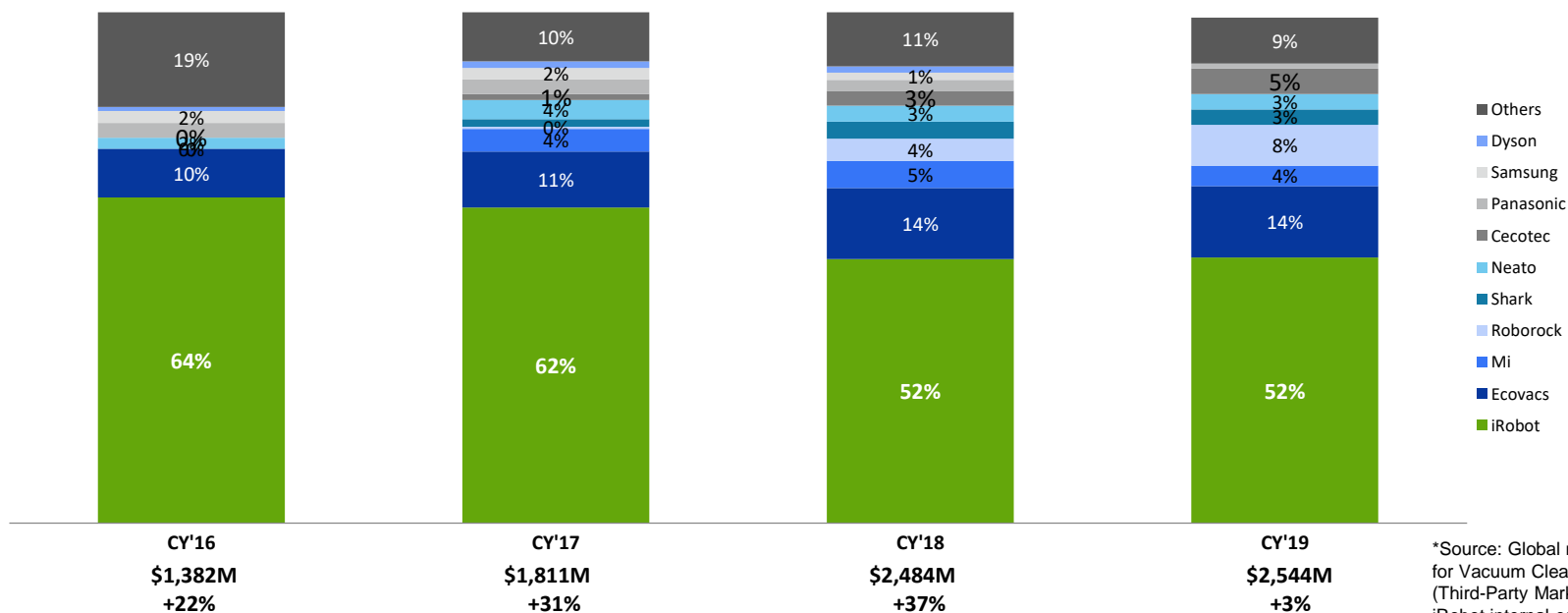
Introduced in 2002, 30m units sold, 9m+ connected robots, 4m+ opted-in consumers

Global category leader well positioned for future expansion

Broadened portfolio over the past two years to extend premium position

Consistent innovation across the portfolio to widen competitive moat

Global \$ Segment Share (RVC+, +\$200)

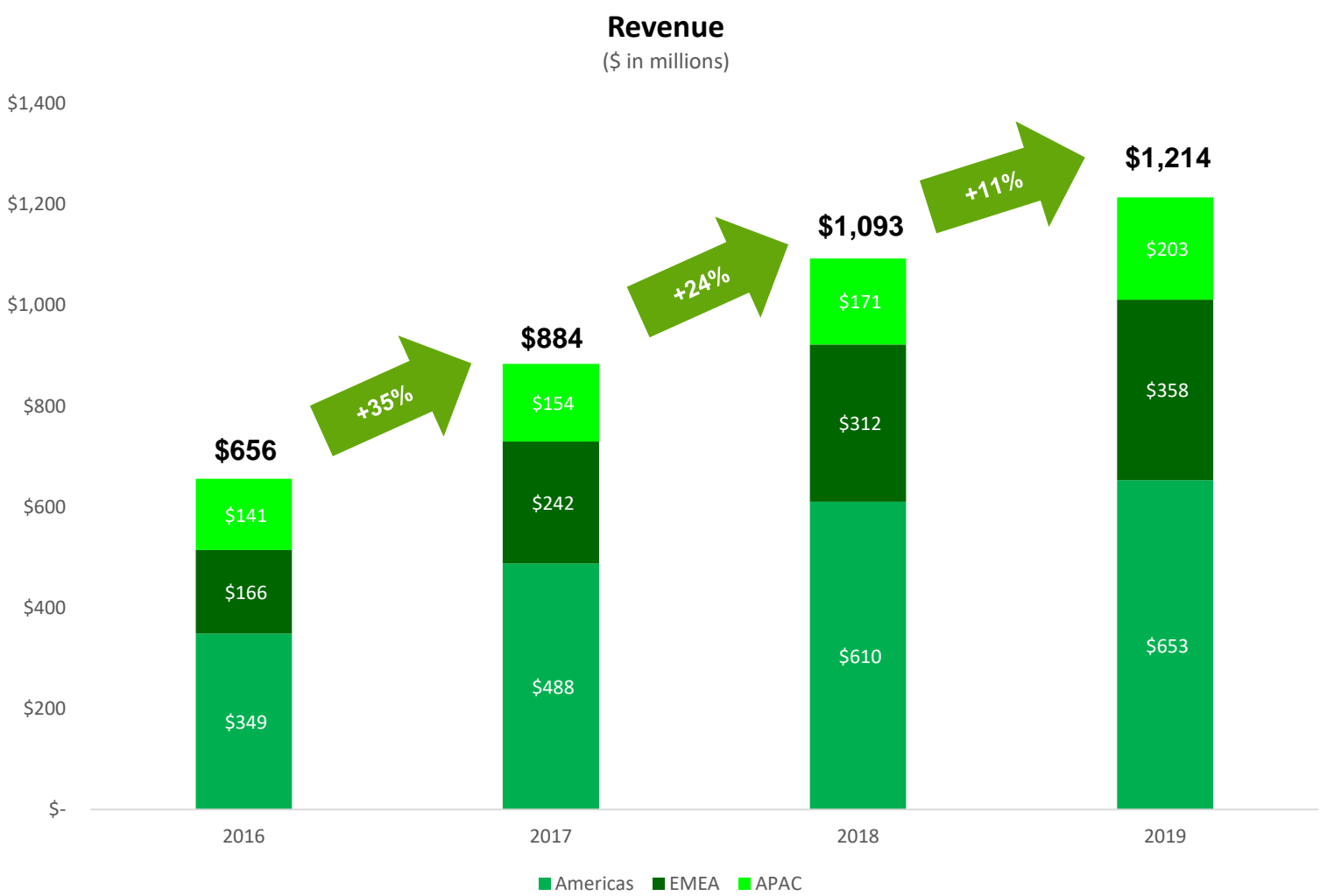


*Source: Global market size for Vacuum Cleaners >\$200 (Third-Party Market Data and iRobot internal estimates).

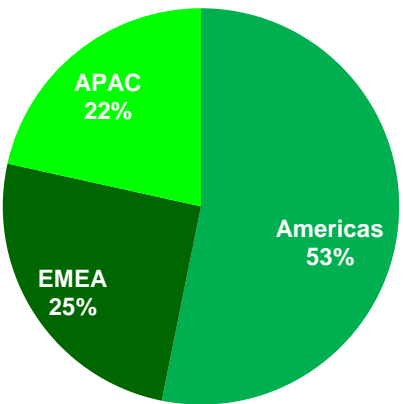


Track Record of Strong Revenue Growth

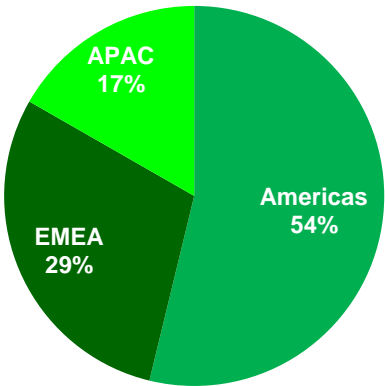
Continued double-digit international expansion



Revenue by Geography
(FY16)



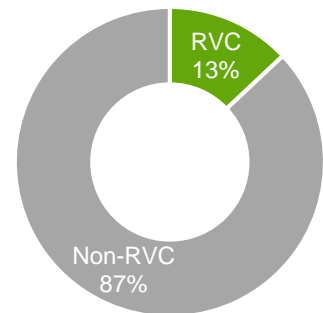
Revenue by Geography
(FY19)



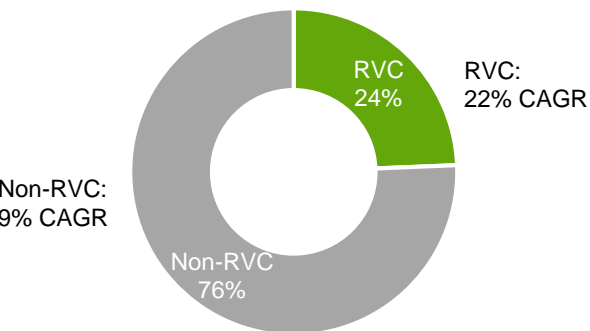
Continued Runway to Support Expansion

RVCs Gaining Momentum with Consumers but Household Penetration Remains Low

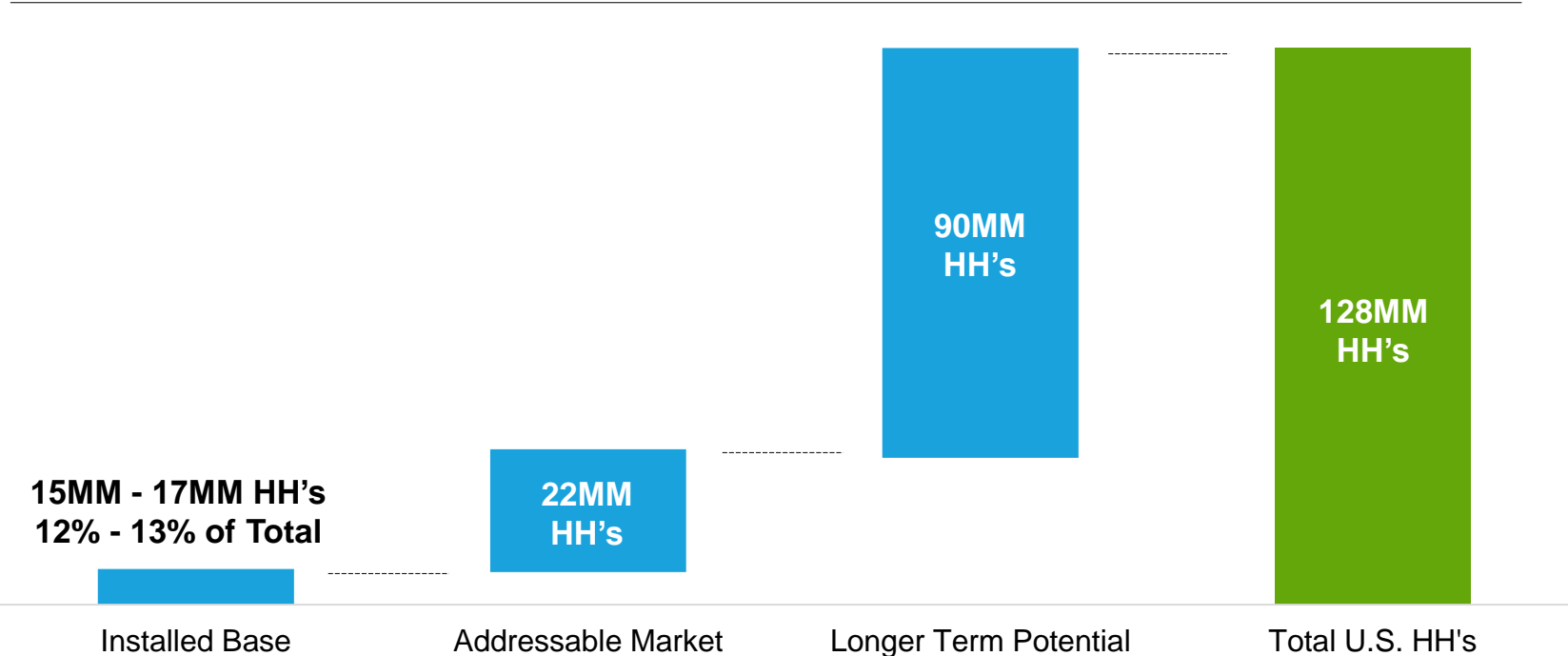
2012: ~\$5B Market



2019: \$11B Market
11.5% CAGR



Immediate addressable market ~1.5X current installed base



Source: iRobot estimate at the end of 2019

*Source: Global market size for Vacuum Cleaners >\$200 (Third-Party Market Data and iRobot internal estimates).



Fortify RVC Category Leadership

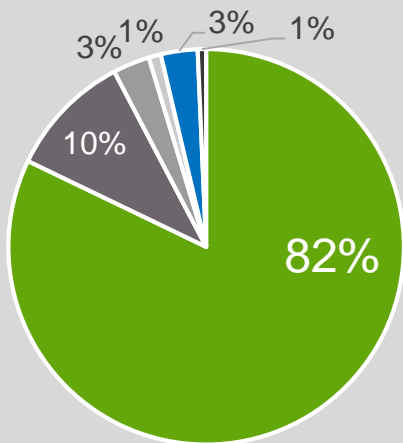
2019 Regional Retail Share

North America

\$764M

-1%

Held share



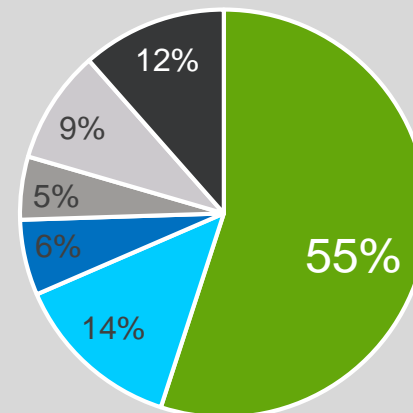
- iRobot
- Shark
- Neato
- Samsung
- Ecovacs
- All Others

EMEA

\$869M

+20%

Modest share erosion



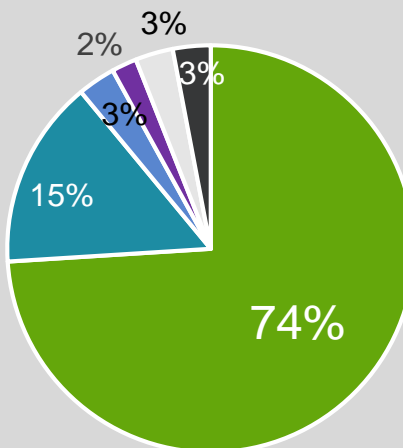
- iRobot
- Cecotec
- Ecovacs
- Neato
- Roborock
- All Others

Japan

\$219M

+11%

Meaningful Share gain



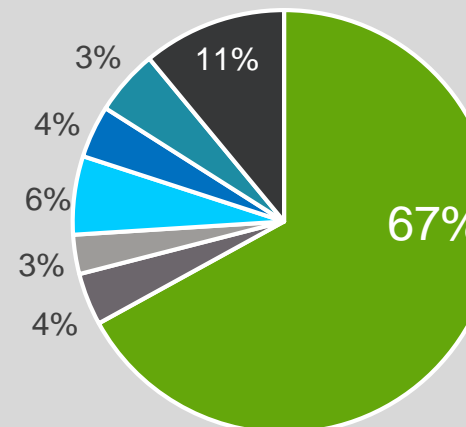
- iRobot
- Panasonic
- Hitachi
- Electrolux
- Dyson
- All Others

Global (excl China)

\$1,936M

+9%

Slight share erosion



- iRobot
- Shark
- Neato
- Cecotec
- Ecovacs
- Roborock
- All Others

* Source: Global market size for Vacuum Cleaners >\$200 (Third-Party Market Data and iRobot internal estimates). Growth from prior year reflects normalization of 52-week calendar year, updates to certain data sources and other changes.



Fortifying RVC Category Leadership

The Roomba Experience → What our customers want



AUTONOMY

I want...
my robot to complete
its mission every time



CLEANING

I want...
clean floors.



EASE OF USE

I want...
my robot to work
the way that I would

Experience-Driven Design



Our Innovation Establishes New Bars for RVC Leadership

Roomba s9/s9+



\$899 **\$1,099**
with Clean Base™
Automatic Dirt Disposal
vSLAM Advanced Navigation
40x the air power*
Deepest cleaning robot yet

Introduced in May 2019

Imprint™ Smart Mapping



Clean Base™
Automatic Dirt Disposal



Roomba i7/i7+



\$599 **\$799**
with Clean Base™
Automatic Dirt Disposal
vSLAM Advanced Navigation
10x the air power*

Introduced in Sept. 2018

Roomba 900



\$499
vSLAM Advanced Navigation
5x the air power*

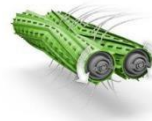
Roomba e5



\$375

Introduced in Sept. 2018

AeroForce® Cleaning System
Virtually no Maintenance



Cloud Connectivity



Washable Bin



Roomba 675



\$299

Cloud Connectivity



Dual multi-surface brushes



Intelligent Navigation



Introduce Innovation in flagship product; Flow innovation across lower price point products

Widening Our Competitive Moat

Sword

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

Shield

Ensure freedom to operate



Openness

Embrace open source and interoperability where appropriate

Enforcement

Take actions necessary to ensure fair competitive landscape

1,400+
Patents
iRobot

2017



LAWSUITS

iRobot sues Hoover, other rivals over robot vacuum patents

PUBLISHED TUE, APR 18 2017-6:26 AM EDT

2018



iRobot: Patent Infringement Suits Found Valid

2019



EXPLORING THE BUSINESS AND APPLICATIONS OF ROBOTICS

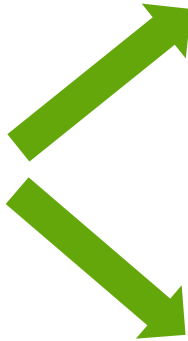
iRobot sues SharkNinja for patent infringement



Diversify Product Portfolio Beyond RVCs



Vacuuming



Mopping – Braava robot mopping family

- 2019 revenue: \$100m+
- Introduced new Braava jet® m6 Robot Mop in May 2019
 - Advanced cleaning performance
 - Extended Coverage
 - iAdapt® 3.0 Navigation with Imprint™ Smart Mapping Technology
 - Imprint™ Link Technology for teaming missions with s9, i7 or 900 series RVCs
 - Smart Charge & Resume and other Roomba digital features



Mowing – Terra robot mower

- 2019 beta tests in Germany and the U.S.
- Limited online sales in 2020 – larger scale commercial launch in 2021
- Highly differentiated
 - Newly-developed wire-free beacon system
 - Imprint™ Smart Mapping Technology for intelligent navigation
 - iRobot HOME App for customization and control
 - Smart Charge & Resume and other Roomba digital features

Large, Global and Growth-Oriented Total Addressable Markets

Digital Features Help Drive Differentiation



Mapping & Navigation

Makes our robots smarter, simpler to use, and provides valuable home understanding



User Experience

Rich, convenient ways to interact with our family of products and support an ever-changing range of lifestyles through greater control over how, when and where our robots clean



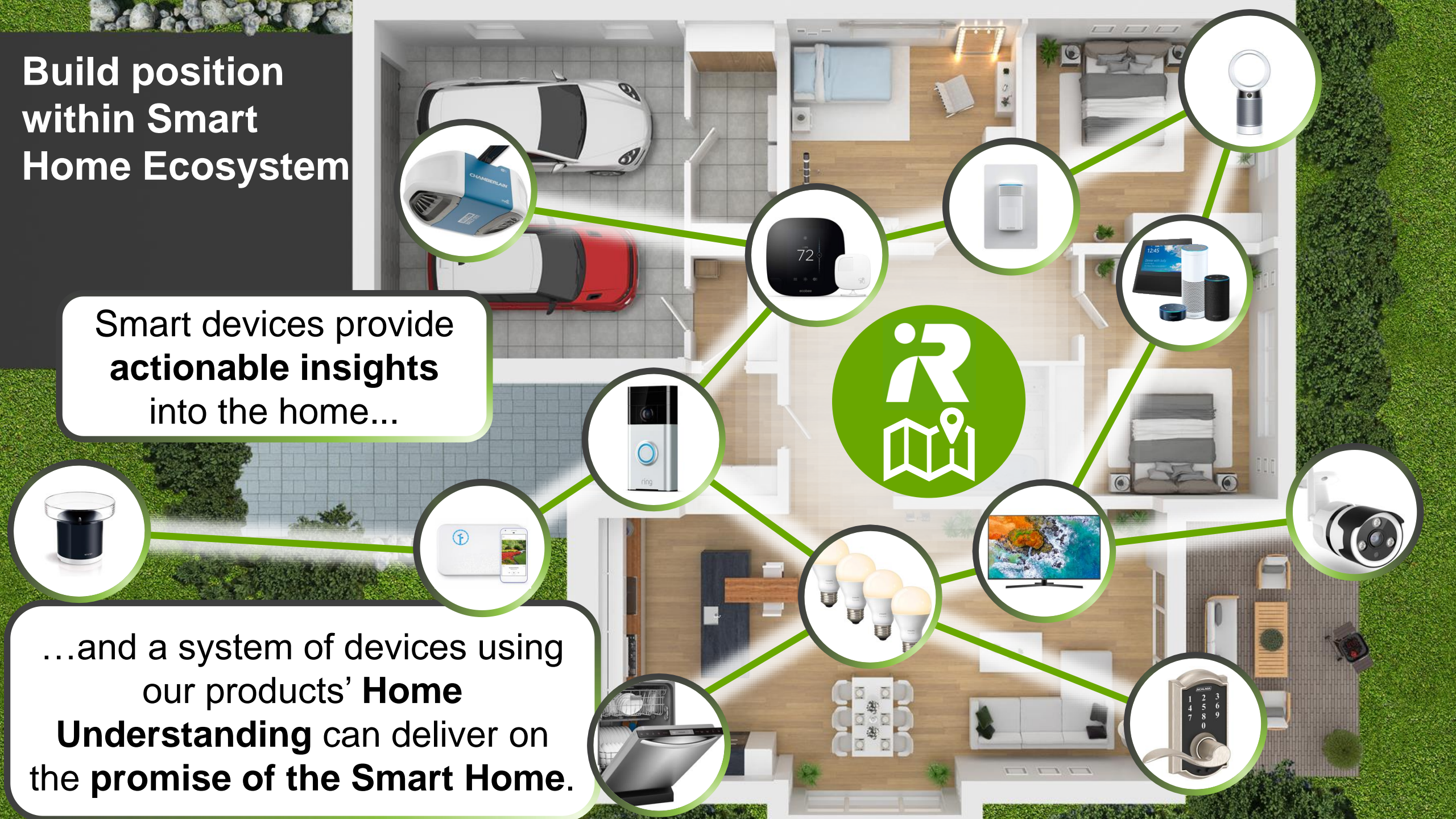
Smart Home

An ecosystem of connected, coordinated robots, sensors, and devices that helps deliver a higher quality of life and further differentiates our products

Build position within Smart Home Ecosystem

Smart devices provide
actionable insights
into the home...

...and a system of devices using
our products' **Home**
Understanding can deliver on
the **promise of the Smart Home.**



Navigating Challenging Market Conditions in the U.S.

- Direct and indirect headwinds from U.S.-China trade war and escalating tariffs
 - May 2019: 25% tariff on RVCs, up from 10% in Sept. 2018
 - Limited competitor marketing in the U.S. through October 2019
- Price increases in July 2019 aimed at partially offsetting tariffs but resulted in suboptimal sell-through
- Rolled back prices to pre-tariff levels on most SKUs
 - Category did not grow
 - iRobot held share in 2019
- Excellent progress with supply chain diversification
 - Establish manufacturing in Malaysia
 - Rebalance manufacturing volumes within China
- Disciplined management of cost structure

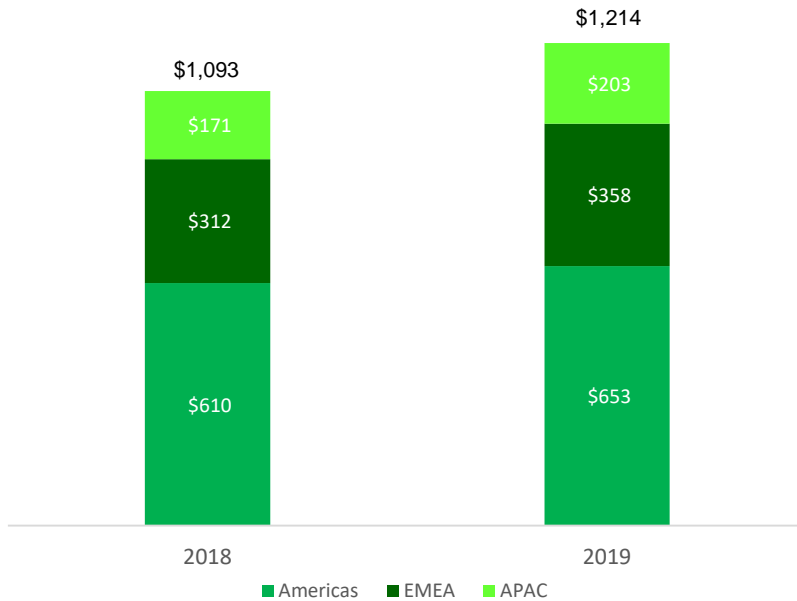


Malaysia Manufacturing Update

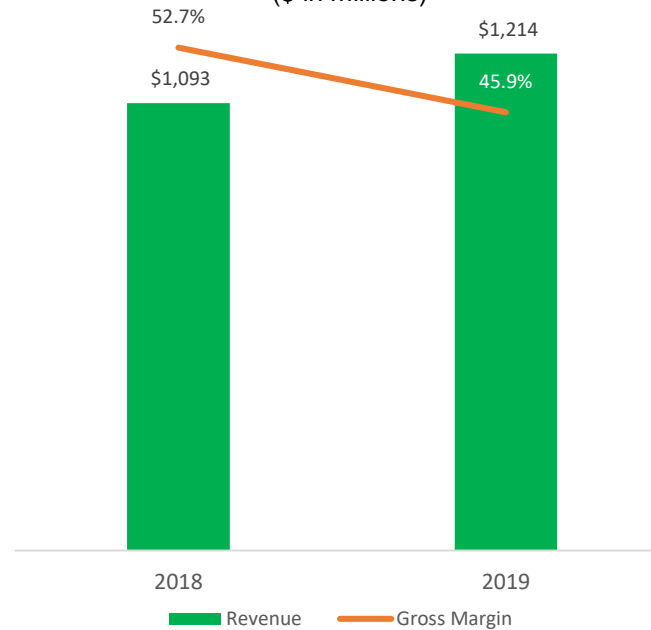
- Great progress during 2019
- Commenced production in Q419
- Produce one entry-level SKU and add second model in 2H20
- Scale volume to support up to 1/3 of U.S. units sold in 2020
- Add additional SKUs to cover most of our RVC portfolio by the end of 2021

2019 Performance Shaped By ...

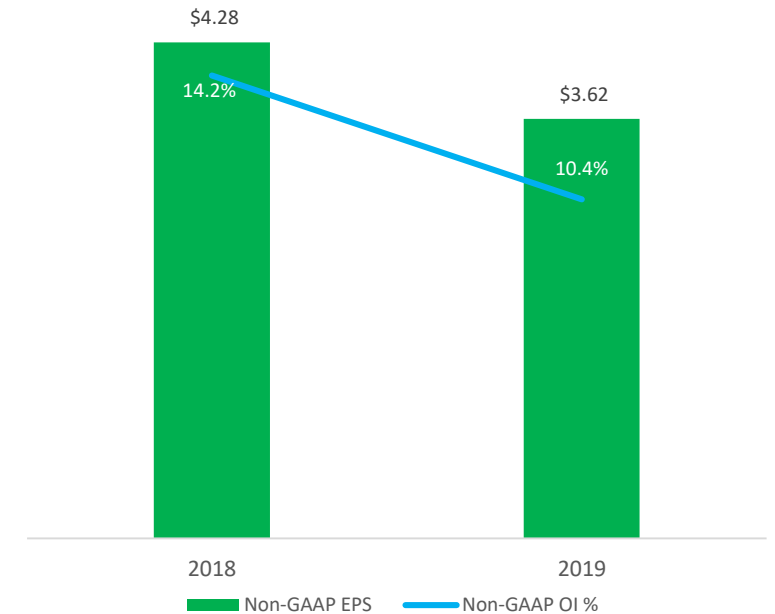
Revenue by Geography
(\$ in millions)



Annual Revenue & Non-GAAP Gross Margin
(\$ in millions)



Annual Non-GAAP Operating Margin & EPS



Maintained share despite muted U.S. category growth colored by tariffs

Strong category growth in EMEA with aggressive competitor pricing & promotion

Modest category expansion in Japan as expected – and we gained notable share

Aggressive pricing and promotional environment in EMEA and in U.S. (2H19)

High tariff environment in U.S.

Adjusted discretionary spending

Carefully managed headcount and timing/phasing of new hires

2020 Strategic Priorities

Negate tariffs
without
compromising
category
leadership

- Accelerate and expand Malaysia production
- Pursue List 3 Exemption
- Adjust pricing and promotional activities

Advance
innovation,
amplify
differentiation
& diversify the
portfolio

- Capitalize on substantial growth runway in front of Roomba
- Digital features extend differentiation
- Smart Home
- Commercialize Terra

Leverage
growing
connected user
base to build
stronger d2c
sales pipeline

- New sales models
- Focus on core and premium share
- Cross-sell complementary products and accessories
- Further improve profitability

Manage cost
structure while
funding
initiatives to
drive long-term
value creation

- Minimal headcount expansion
- Control discretionary spend
- Evolve working media mix



2020 Expectations*

\$ in millions except EPS

Metric	2020 GAAP	Adjustments	2020 Non-GAAP	vs. 2019 Non-GAAP
Revenue	\$1,320 – \$1,350	—	\$1,320 – \$1,350	\$1,214
Gross Profit	\$507 – \$520	~\$3	\$510 – \$523	\$557
Gross Profit %	38% – 39%		38% – 39%	46%
Operating Income	\$15 – \$30	~\$40	\$55 – \$75	\$126
OI %	1% – 3%		4% – 6%	10%
EPS	\$0.55 – \$1.15	~\$1.15	\$1.70 – \$2.30	\$3.62

* 2020 financial expectations as of 2/5/20



Summary

Category creator, innovator and leader in Robotic Vacuum Cleaners (RVCs)

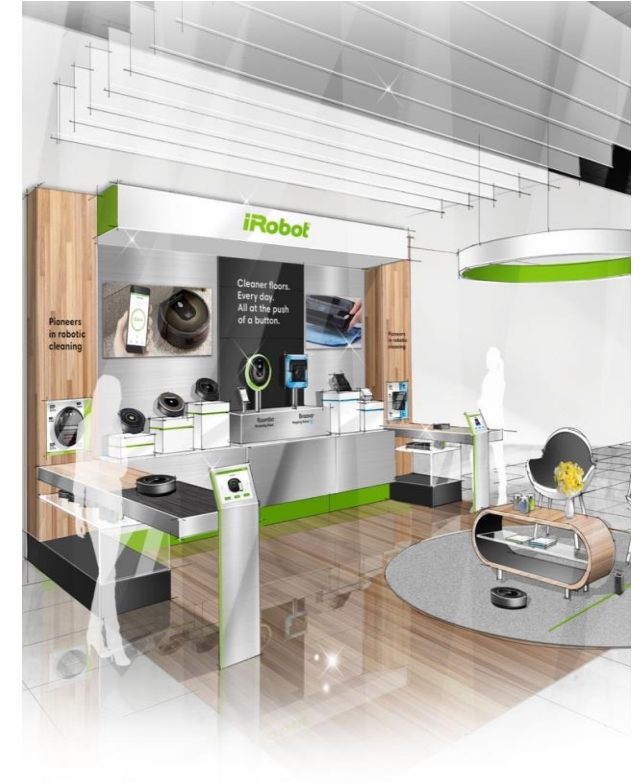
Track record of strong revenue growth with continued runway to support expansion

Ongoing progress to diversify product portfolio and build position within Smart Home ecosystem

Navigating challenging market conditions, particularly in the U.S.

Execute on 2020 strategic priorities to fuel growth, defend category leadership and fund initiatives critical to long-term value creation

Monitoring and reacting to impact of Coronavirus



Robot

THANK YOU

Any questions?



iRobot

APPENDIX



Non-GAAP Financial Measures

Our non-GAAP financial measures reflect adjustments based on the following items.

- *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. Amortization charges for our acquisition-related intangible assets are inconsistent in size and are significantly impacted by the timing and valuation of our acquisitions. We exclude these charges from our non-GAAP measures to facilitate an evaluation of our current operating performance and comparisons to our past operating performance.
- *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. It also includes business combination adjustments including adjustments after the measurement period has ended. The occurrence and amount of these costs will vary depending on the timing and size of these transactions. We exclude these charges from our non-GAAP measures to facilitate an evaluation of our current operating performance and comparisons to our past operating performance.
- *Stock-Based Compensation:* Stock-based compensation is a non-cash charge relating to stock-based awards. We exclude this expense as it is a non-cash expense, and we assess our internal operations excluding this expense and believe it facilitates comparisons to the performance of other companies.
- *IP Litigation Expense, Net:* IP litigation expense, net relates to legal costs incurred to litigate patent, trademark, copyright and false advertising infringements, or to oppose or defend against interparty actions related to intellectual property. Any settlement payment or proceeds resulting from these infringements are included or netted against the costs. We exclude these costs from our non-GAAP measures as we do not believe these costs have a direct correlation to the operations of our business and may vary in size depending on the timing and results of such litigations and settlements.
- *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. We exclude these items from our non-GAAP measures because we do not believe they correlate to the performance of our core business and may vary in size based on market conditions and events. We believe that the exclusion of these gains or losses provides investors with a supplemental view of our operational performance.
- *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 reassess the need for any valuation allowance recorded based on the non-GAAP profitability and have eliminated the effect of the valuation allowance recorded in the U.S. jurisdiction. We also exclude certain tax items that are not reflective of income tax expense incurred as a result of current period earnings. These certain tax items include, among other non-recurring tax items, impacts from the Tax Cuts and Jobs Act of 2017 and stock-based compensation windfalls/shortfalls. We believe disclosure of the income tax provision before the effect of such tax items is important to permit investors' consistent earnings comparison between periods.



GAAP-Non-GAAP Reconciliation

2019 GAAP Actuals to 2019 Non-GAAP Actuals

*In thousands, except per share and % amounts
Unaudited*

	For the three months ended				For the twelve months ended
	March 30, 2019	June 29, 2019	September 28, 2019	December 31, 2019	December 31, 2019
GAAP Revenue	\$ 237,661	\$ 260,172	\$ 289,399	\$ 426,778	\$ 1,214,010
GAAP Gross Profit	119,546	118,170	136,841	169,370	543,927
Amortization of acquired intangible assets	3,077	3,111	3,095	2,438	11,721
Stock-based compensation	378	405	337	366	1,486
Non-GAAP Gross Profit	<u>\$ 123,001</u>	<u>\$ 121,686</u>	<u>\$ 140,273</u>	<u>\$ 172,174</u>	<u>\$ 557,134</u>
Non-GAAP Gross Profit Margin	51.8 %	46.8 %	48.5 %	40.3 %	45.9 %
GAAP Operating Income	\$ 22,263	\$ 5,250	\$ 42,555	\$ 16,550	\$ 86,618
Amortization of acquired intangible assets	3,348	3,380	3,351	2,693	12,772
Stock-based compensation	6,864	7,594	4,284	5,001	23,744
Net merger, acquisition and divestiture (income) expense ¹	152	143	32	138	466
IP litigation expense, net ¹	469	(676)	(157)	2,582	2,218
Non-GAAP Operating Income	<u>\$ 33,096</u>	<u>\$ 15,691</u>	<u>\$ 50,065</u>	<u>\$ 26,964</u>	<u>\$ 125,818</u>
Non-GAAP Operating Income Margin	13.9 %	6.0 %	17.3 %	6.3 %	10.4 %
GAAP Income Tax (Benefit) Expense	\$ 1,023	\$ (424)	\$ 7,923	\$ 5,011	\$ 13,533
Tax effect of non-GAAP adjustments	1,824	1,797	(132)	1,159	4,648
Other tax adjustments	4,067	1,461	133	1,267	6,928
Non-GAAP Income Tax Expense	<u>\$ 6,914</u>	<u>\$ 2,834</u>	<u>\$ 7,924</u>	<u>\$ 7,437</u>	<u>\$ 25,109</u>
GAAP Net Income	\$ 22,520	\$ 7,207	\$ 35,532	\$ 20,041	\$ 85,300
Amortization of acquired intangible assets	3,348	3,380	3,351	2,693	12,772
Stock-based compensation	6,864	7,594	4,284	5,001	23,744
Net merger, acquisition and divestiture (income) expense ¹	152	143	32	138	466
IP litigation expense, net ¹	469	(676)	(157)	2,582	2,218
(Gain)/loss on strategic investments	57	(629)	-	(8,332)	(8,904)
Income tax effect	(5,891)	(3,258)	(1)	(2,426)	(11,576)
Non-GAAP Net Income	<u>\$ 27,519</u>	<u>\$ 13,761</u>	<u>\$ 43,041</u>	<u>\$ 19,697</u>	<u>\$ 104,020</u>
GAAP Net Income Per Diluted Share	\$ 0.78	\$ 0.25	\$ 1.24	\$ 0.70	\$ 2.97
Amortization of acquired intangible assets	0.12	0.12	0.12	0.09	0.44
Stock-based compensation	0.24	0.26	0.15	0.18	0.83
Net merger, acquisition and divestiture (income) expense ¹	-	-	-	-	0.01
IP litigation expense, net ¹	0.02	(0.02)	(0.01)	0.09	0.08
(Gain)/loss on strategic investments	-	(0.02)	-	(0.29)	(0.31)
Income tax effect	(0.20)	(0.11)	-	(0.08)	(0.40)
Non-GAAP Net Income Per Diluted Share	<u>\$ 0.96</u>	<u>\$ 0.48</u>	<u>\$ 1.50</u>	<u>\$ 0.69</u>	<u>\$ 3.62</u>
Number of shares used in diluted per share calculation	28,763	28,763	28,650	28,563	28,735

Certain numbers may not total due to rounding

¹ Net merger, acquisition and divestiture (income) expense and IP litigation, net are classified in General and Administrative



GAAP-Non-GAAP Reconciliation

2018 GAAP Actuals to 2018 Non-GAAP Actuals

*In thousands, except per share and % amounts
Unaudited*

	For the three months ended				For the twelve months ended
	March 31, 2018	June 30, 2018	September 29, 2018	December 29, 2018	December 29, 2018
GAAP Revenue	\$ 217,068	\$ 226,317	\$ 264,534	\$ 384,665	\$ 1,092,584
GAAP Gross Profit	115,785	117,926	135,206	186,511	555,428
Amortization of acquired intangible assets	4,782	4,679	4,574	4,509	18,544
Stock-based compensation	341	347	347	372	1,407
Non-GAAP Gross Profit	<u>\$ 120,908</u>	<u>\$ 122,952</u>	<u>\$ 140,127</u>	<u>\$ 191,392</u>	<u>\$ 575,379</u>
Non-GAAP Gross Profit Margin	55.7 %	54.3 %	53.0 %	49.8 %	52.7 %
GAAP Operating Income	\$ 25,405	\$ 13,355	\$ 37,275	\$ 29,787	\$ 105,822
Amortization of acquired intangible assets	5,055	4,948	4,837	4,769	19,609
Stock-based compensation	5,946	6,431	6,592	6,835	25,804
Net merger, acquisition and divestiture (income) expense ¹	(141)	164	-	115	138
IP litigation expense, net ¹	2,571	759	187	39	3,556
Non-GAAP Operating Income	<u>\$ 38,836</u>	<u>\$ 25,657</u>	<u>\$ 48,891</u>	<u>\$ 41,545</u>	<u>\$ 154,929</u>
Non-GAAP Operating Income Margin	17.9 %	11.3 %	18.5 %	10.8 %	14.2 %
GAAP Income Tax (Benefit) Expense	\$ 5,523	\$ 4,391	\$ 5,683	\$ 5,033	\$ 20,630
Tax effect of non-GAAP adjustments	3,340	2,830	2,835	2,849	11,854
Other tax adjustments	712	(2,440)	2,667	1,170	2,109
Non-GAAP Income Tax Expense	<u>\$ 9,575</u>	<u>\$ 4,781</u>	<u>\$ 11,185</u>	<u>\$ 9,052</u>	<u>\$ 34,593</u>
GAAP Net Income	\$ 20,401	\$ 10,471	\$ 31,929	\$ 25,191	\$ 87,992
Amortization of acquired intangible assets	5,055	4,948	4,837	4,769	19,609
Stock-based compensation	5,946	6,431	6,592	6,835	25,804
Net merger, acquisition and divestiture (income) expense ¹	(141)	164	-	115	138
IP litigation expense, net ¹	2,571	759	187	39	3,556
(Gain)/loss on strategic investments	281	(682)	26	(61)	(436)
Income tax effect	(4,052)	(390)	(5,502)	(4,019)	(13,963)
Non-GAAP Net Income	<u>\$ 30,061</u>	<u>\$ 21,701</u>	<u>\$ 38,069</u>	<u>\$ 32,869</u>	<u>\$ 122,700</u>
GAAP Net Income Per Diluted Share	\$ 0.71	\$ 0.37	\$ 1.12	\$ 0.88	\$ 3.07
Amortization of acquired intangible assets	0.17	0.17	0.17	0.17	0.69
Stock-based compensation	0.20	0.23	0.23	0.24	0.90
Net merger, acquisition and divestiture (income) expense ¹	-	-	-	-	-
IP litigation expense, net ¹	0.09	0.03	0.01	-	0.13
(Gain)/loss on strategic investments	0.01	(0.02)	-	-	(0.02)
Income tax effect	(0.14)	(0.01)	(0.19)	(0.14)	(0.49)
Non-GAAP Net Income Per Diluted Share	<u>\$ 1.04</u>	<u>\$ 0.77</u>	<u>\$ 1.34</u>	<u>\$ 1.15</u>	<u>\$ 4.28</u>
Number of shares used in diluted per share calculation	28,923	28,337	28,506	28,579	28,640

Certain numbers may not total due to rounding

¹ Net merger, acquisition and divestiture (income) expense and IP litigation, net are classified in General and Administrative



GAAP-Non-GAAP Reconciliation

2020 Guidance

iRobot Corporation
Supplemental Reconciliation of Fiscal Year 2020 GAAP to Non-GAAP Guidance
(unaudited)

	FY-20
GAAP Gross Profit	\$507 - \$520 milli
Amortization of acquired intangible assets	~\$2 million
Stock-based compensation	~\$1 million
Total adjustments	~\$3 million
Non-GAAP Gross Profit	\$510 - \$523 mi
	FY-20
GAAP Operating Income	\$15 - \$35 millio
Amortization of acquired intangible assets	~\$2 million
Stock-based compensation	~\$31 million
IP litigation expense, net	~\$7 million
Total adjustments	~\$40 million
Non-GAAP Operating Income	\$55 - \$75 millio
Section 301 tariff costs	~\$47 - ~\$50 milli
Impact of Section 301 tariff costs to gross and operating income margin	(~4%)
	FY-20
GAAP Net Income Per Diluted Share	\$0.55 - \$1.15
Amortization of acquired intangible assets	~\$0.07
Stock-based compensation	~\$1.08
IP litigation expense, net	~\$0.24
Income tax effect	~(\$0.24)
Total adjustments	~\$1.15
Non-GAAP Net Income Per Diluted Share	\$1.70 - \$2.30
Number of shares used in diluted per share calculations	~28.8 million

