

iRobot Corporation

BAIRD

2020 Global Industrial Conference

Julie Zeiler, EVP and CFO
November 11, 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.

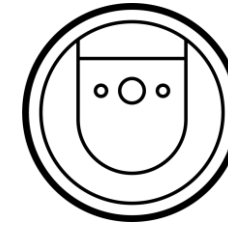
We use non-GAAP measures to internally evaluate and analyze financial results. We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items 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

Category creator, innovator and leader in Robotic Floor Care & AI

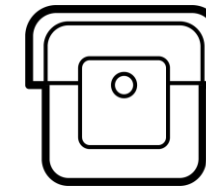
- Strong revenue growth with continued runway
- Cutting-edge robotic AI and home understanding
- Consistent innovation, category leadership and portfolio expansion



NASDAQ:
IRBT

Accelerating strategic initiatives aimed at

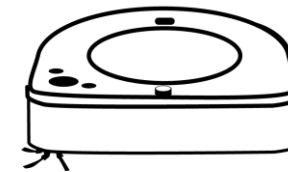
- Differentiating the cleaning experience
- Building direct relationships with ~8m connected, engaged owners
- Nurturing lifetime value of customer relationships



Market Cap:
\$2.4B*

Resilience and growth despite challenging market conditions

- Expect 2020 financial performance will exceed our original targets
- Focused on sustaining strong growth and navigating profitability headwinds in 2021
- Strong financial foundation to fund continued growth



Headquarters in
Bedford, MA

* Based on stock price as of 11/6/20

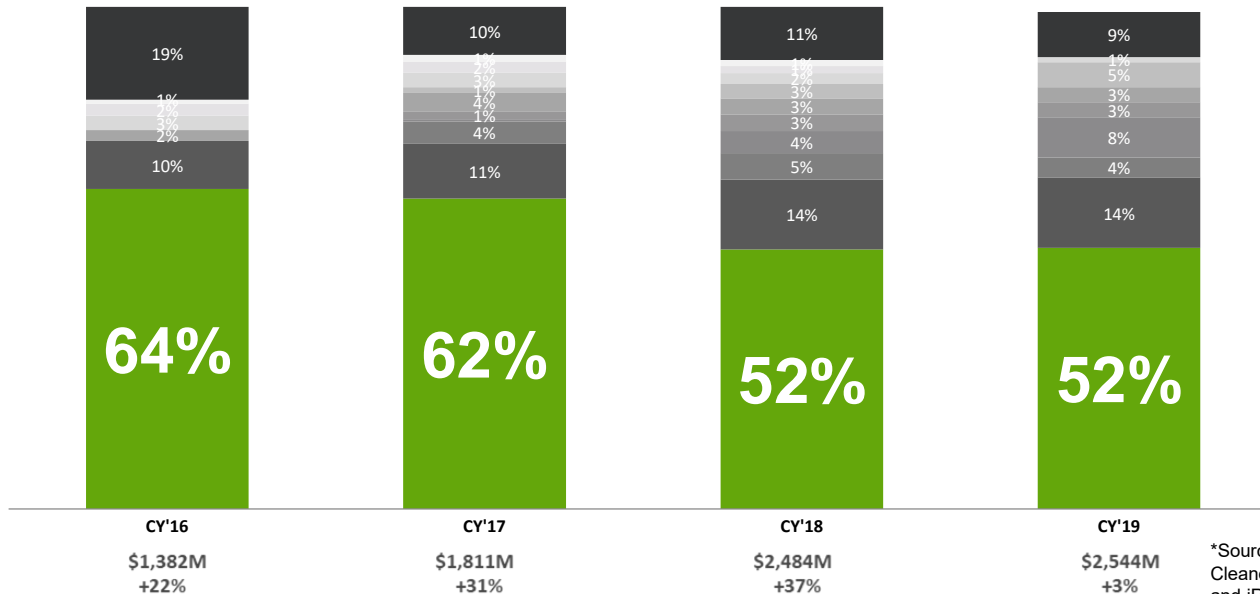
Category Creator, Innovator & Leader

Global category leader well positioned for future expansion

Broadened portfolio over the past two years
with innovative new products

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).

\$1B+
in 2019 sales

12M+
connected
robots

~8M
connected
consumers

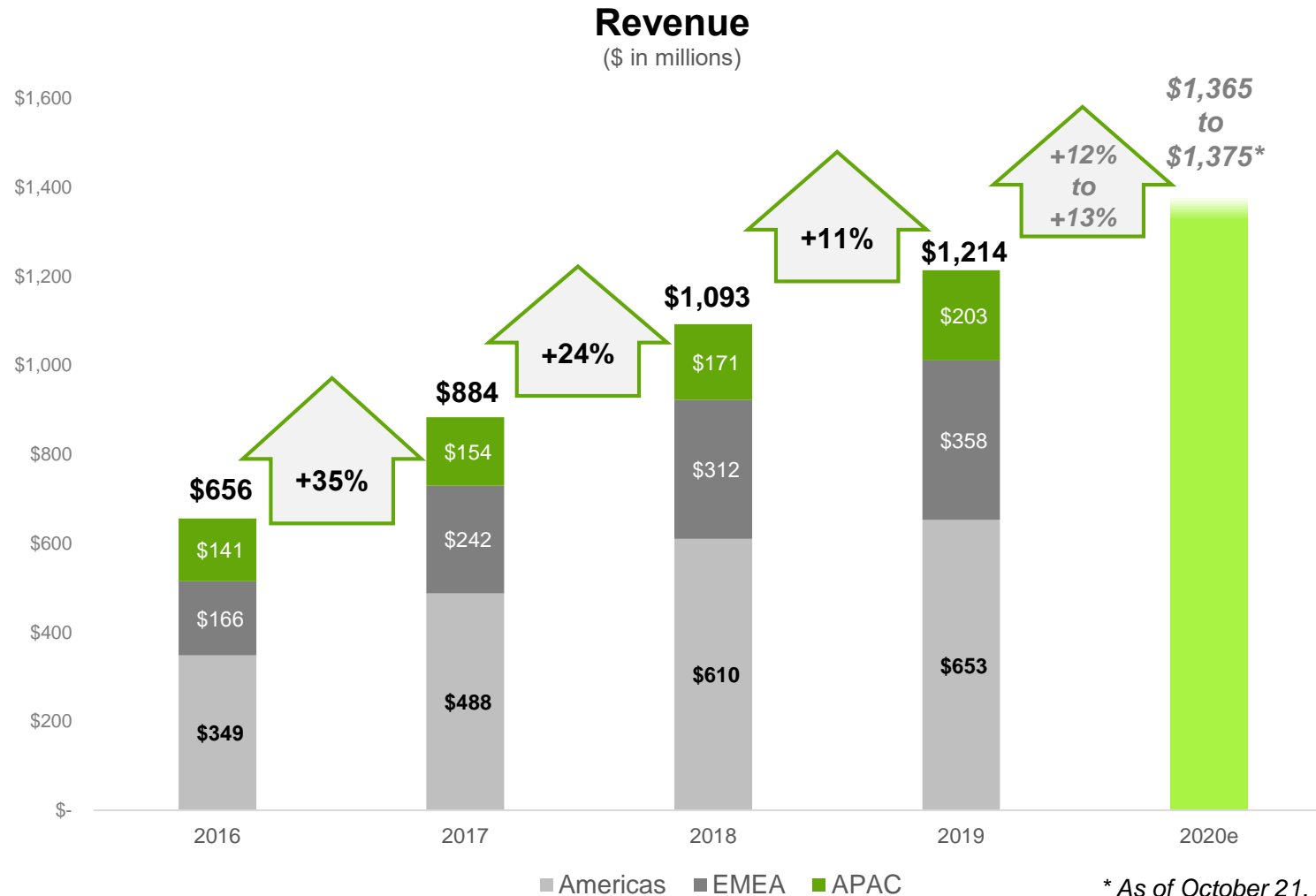
30M+
units sold



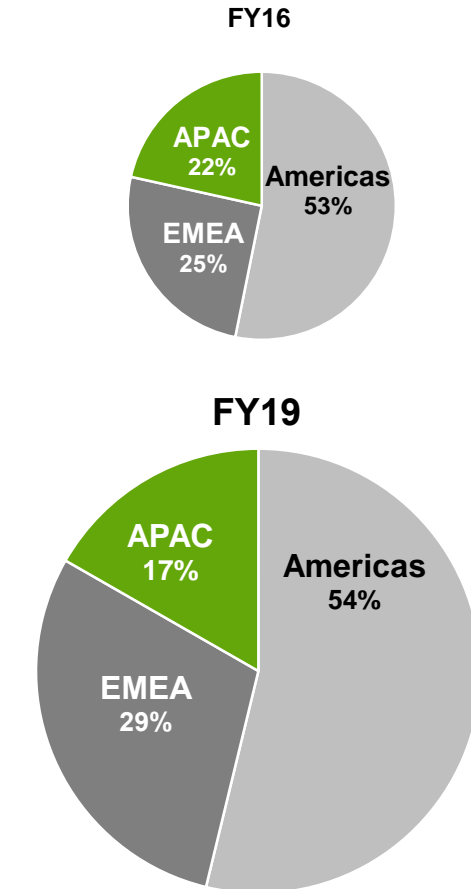
An Expanding Global Franchise

Double-digit revenue growth since 2014 anticipated to continue into 2020

Revenue by Geography



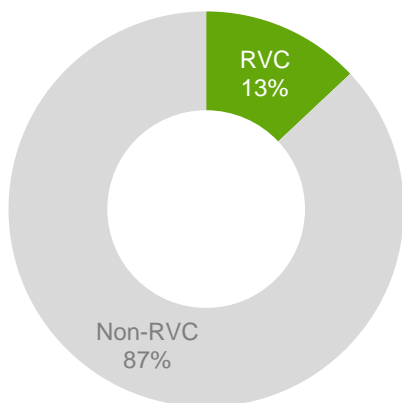
* As of October 21, 2020



Continued Runway to Support Expansion

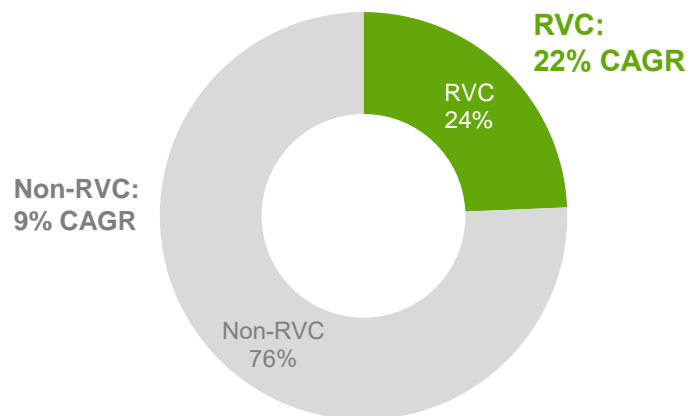
RVCs Gaining Momentum with Consumers but Household Penetration Remains Low

2012: ~\$5B Market

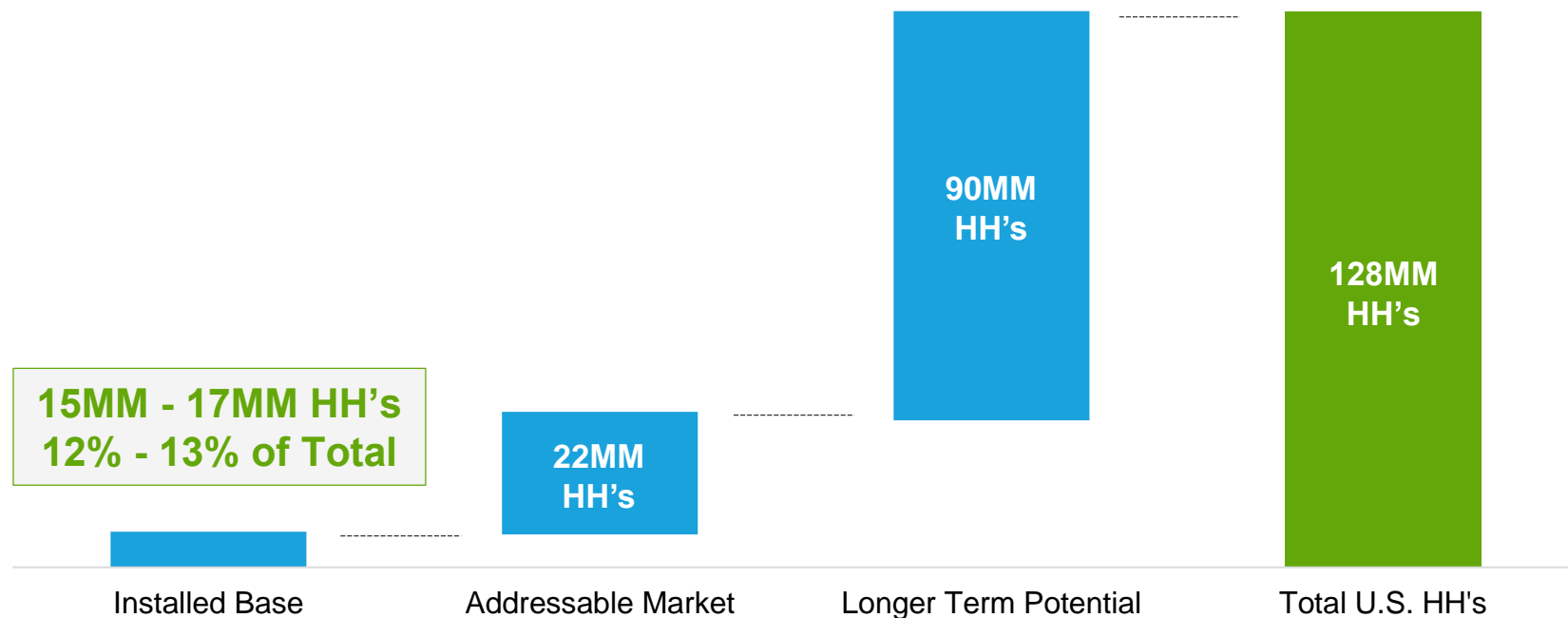


2019: \$11B Market

11.5% CAGR



Immediate addressable market
~1.5X current installed base



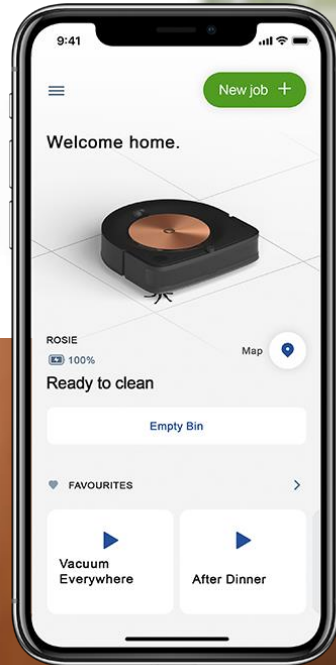
*Source: Global market size for Vacuum Cleaners >\$200 (Third-Party Market Data and iRobot internal estimates).

Source: iRobot estimate of U.S. market at the end of 2019



State-of-the-Art Robot AI and Home Understanding

iRobot Genius™ Home Intelligence



**greater control of where, when
& how their robots clean**

A level of **personalization and control** for unique

homes
schedules
cleaning preferences
smart home integrations

Consistent innovation, category leadership and portfolio expansion

Roomba i3+

with **Clean Base™**
Automatic Dirt Disposal (i3+ only),
holds up to 60 days of dirt and debris

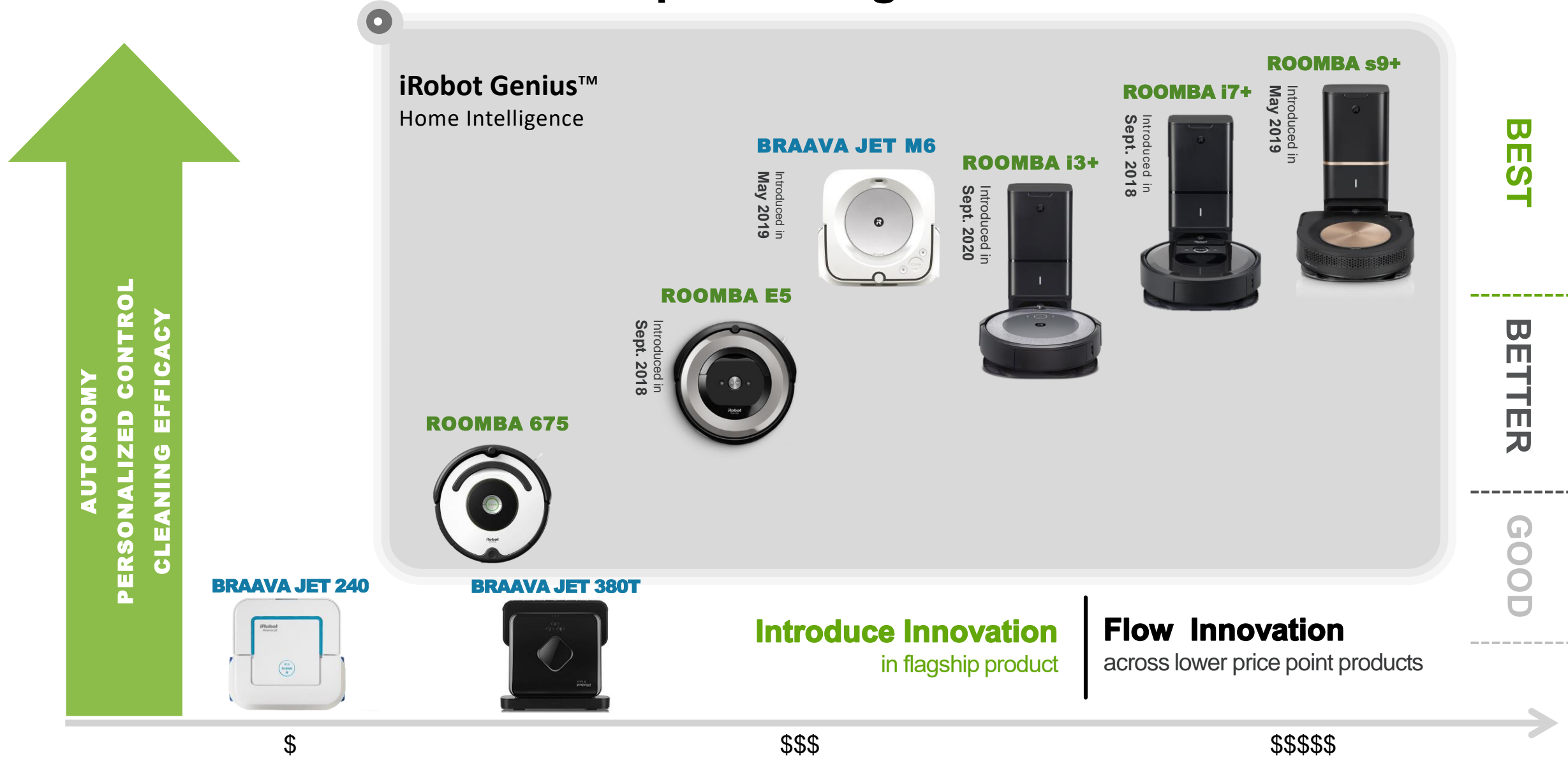
AeroForce 3-stage cleaning system with 10x suction power
and Dirt Detect™ Technology and
**Systematic navigation with
charge & resume**



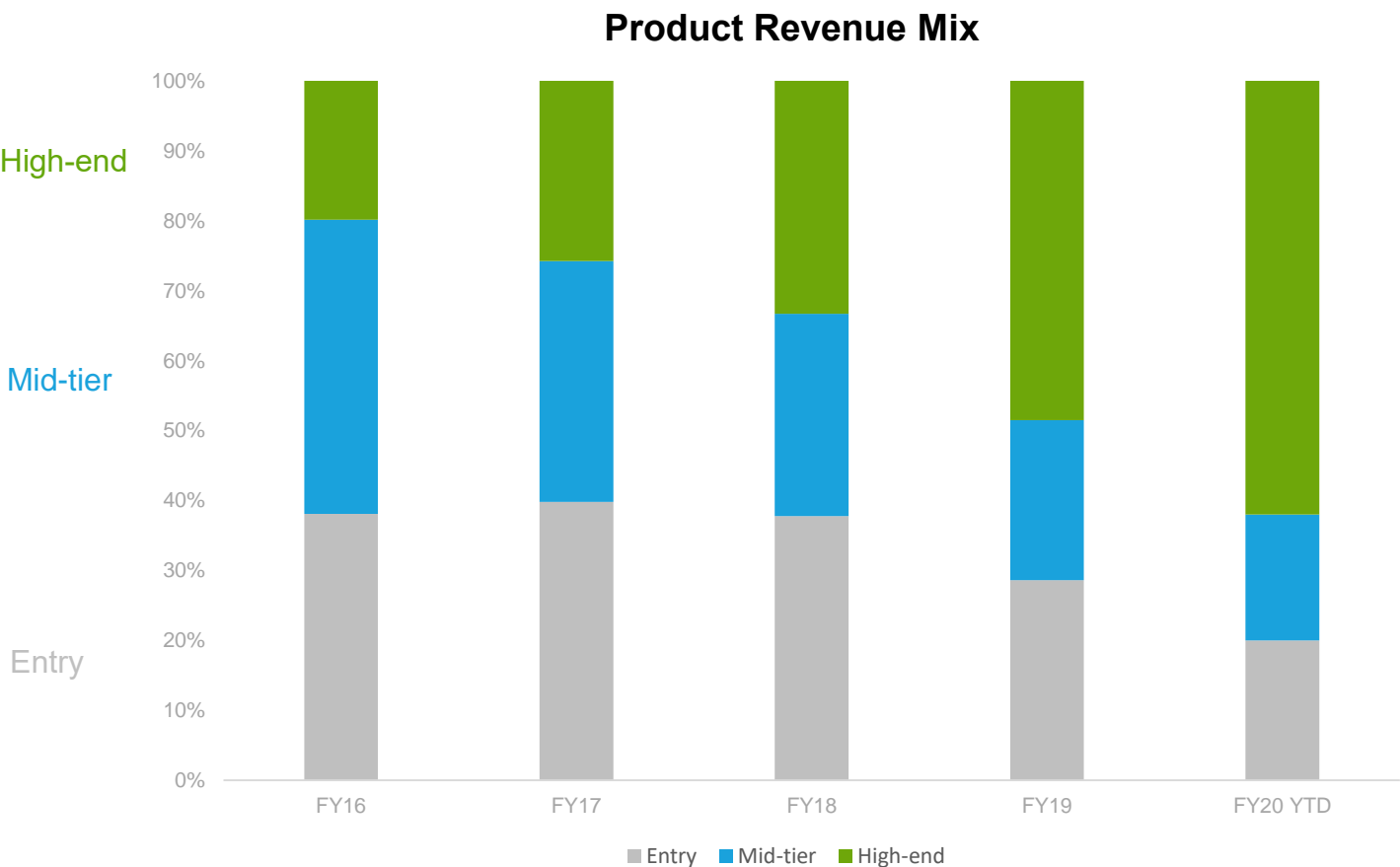
Alexa & Google Home compatible
and the **iRobot Home App** with
personalized recommendation



Robust Product Portfolio Spans Range of Price Points



Mix Shifts Toward Higher-End Products



RVCs \$200+ (based on MSRP)
High-end defined as \$500+
Mid-tier defined as \$300-\$500
Entry defined as \$200-\$300

ROOMBA s9+ **ROOMBA i7+** **BRAAVA JET M6**



Roomba i7 & s9 and Braava m6 continue to Gain Recognition as **GAME-CHANGING ROBOTS**



REAL HOMES
iRobot Roomba S9+ review
★★★★★



Forbes

Best Health Innovations
For The Home 2019 November 11, 2020



The Best Robot Mops for 2020



The iRobot Roomba s9+ and Braava m6 are the robots you should trust to clean your house well

HouseBeautiful

50 Products That'll Dramatically Improve Your Life at Home



Fortifying and Expanding Our Segment Leadership ...

1

DIFFERENTIATE
THROUGH
EXPERIENCE

Differentiate Roomba
through Thoughtful
Intelligence and
Personalized Control

2

BUILD A
RELATIONSHIP

~7m engaged, connected
customers who want to
hear from us

3

NURTURE
VALUE

Cross-sell, upsell and add
new purchasing options
and new services that can
build higher margin,
recurring revenue streams

1

DIFFERENTIATE THROUGH EXPERIENCE



“A focus on elevating the cleaning experience through digital capabilities that enable users to customize how, when and where our robots clean.”



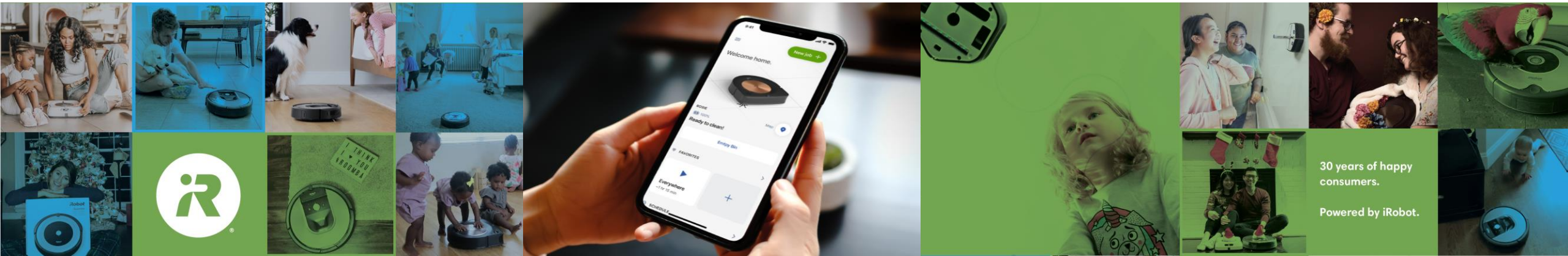
Integration into the Consumer's Lifestyle

be **thoughtful**

I know the robot will be respectful in my home
& responsive to my needs

I need **control**

I can easily manage the robot
in a way that's convenient for me



be **reliable**

I know the robot will consistently complete
whatever job I ask it to do

I need **support**

I understand what I can do & how it will
improve my experience

2 BUILD A RELATIONSHIP



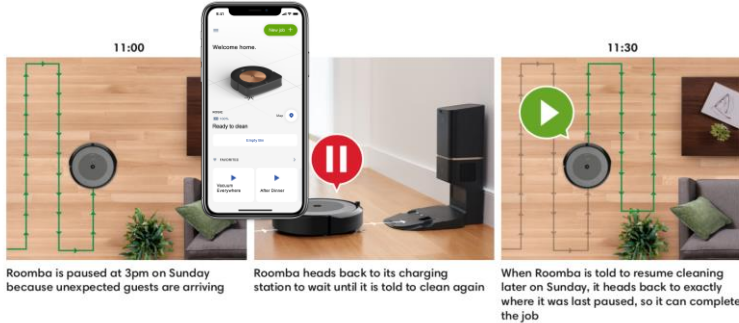
“We can uniquely identify both our customers’ true needs, and what parts of the experience enabled by our robots they value the most.”



Driving Personalization of the Experience

Roomba works around your schedule and your life

Resumes and finishes the job from where it was paused.

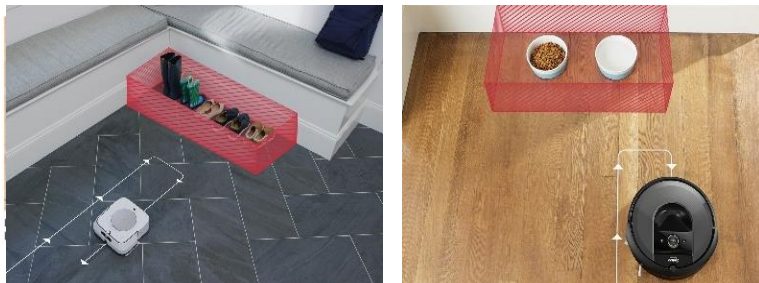


Unique Partnerships

Smart Home Integrations

Roomba learns your routine and makes suggestions that fit your life

Data science driving richer personalization



Home Understanding

Personalization

You can tell Roomba to go to specific spots to clean up messes right away:

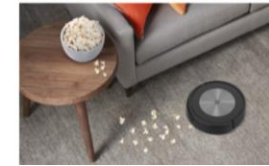
Under the Kitchen Table



By the Fireplace



In Front of The Family Room Sofa



By the Dog's Bed



Roomba knows the layout of your house, so it can avoid certain rooms and areas at your command

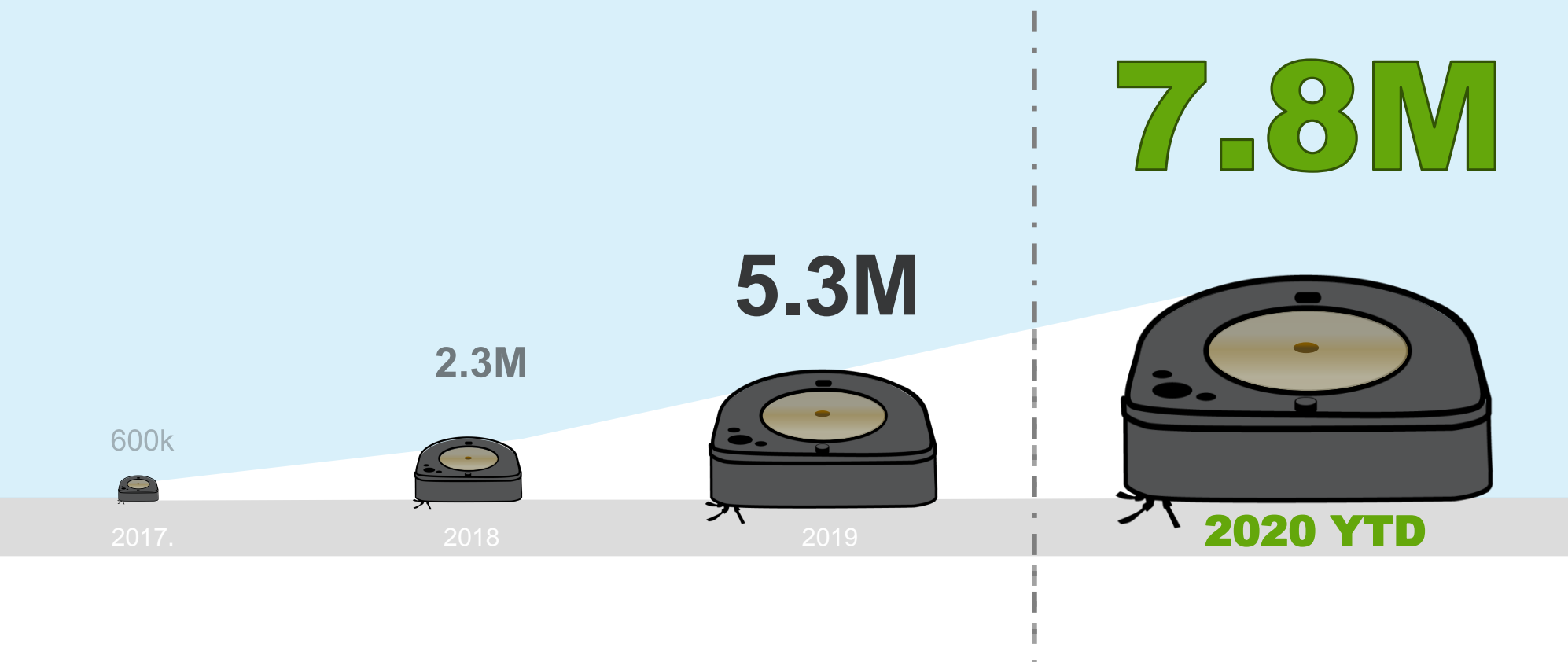


The deeper we integrate into your life, the more loyalty we earn



Strong Growth of Engaged, Connected Customer Base*

Continual OTA updates help drive growth of owners who opt-in to receive digital communications



As Roomba becomes increasingly integrated into the owner's life, it solidifies iRobot's relationship with the owner

*Connected customers defined as robot owners who have registered to receive digital communications (in-app messaging, email or both). Prior figures reflected robot owners who subscribed to in-app messaging.

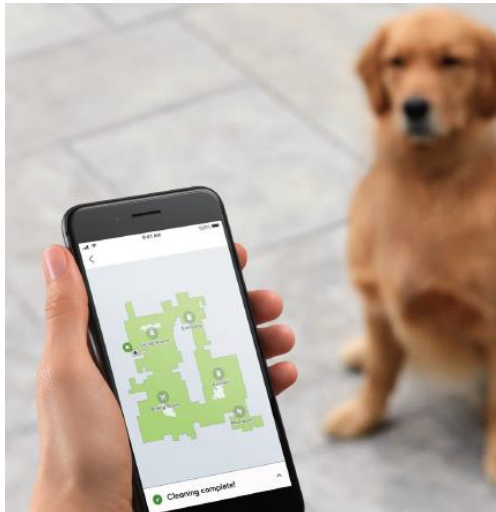
November 11, 2020

17



3

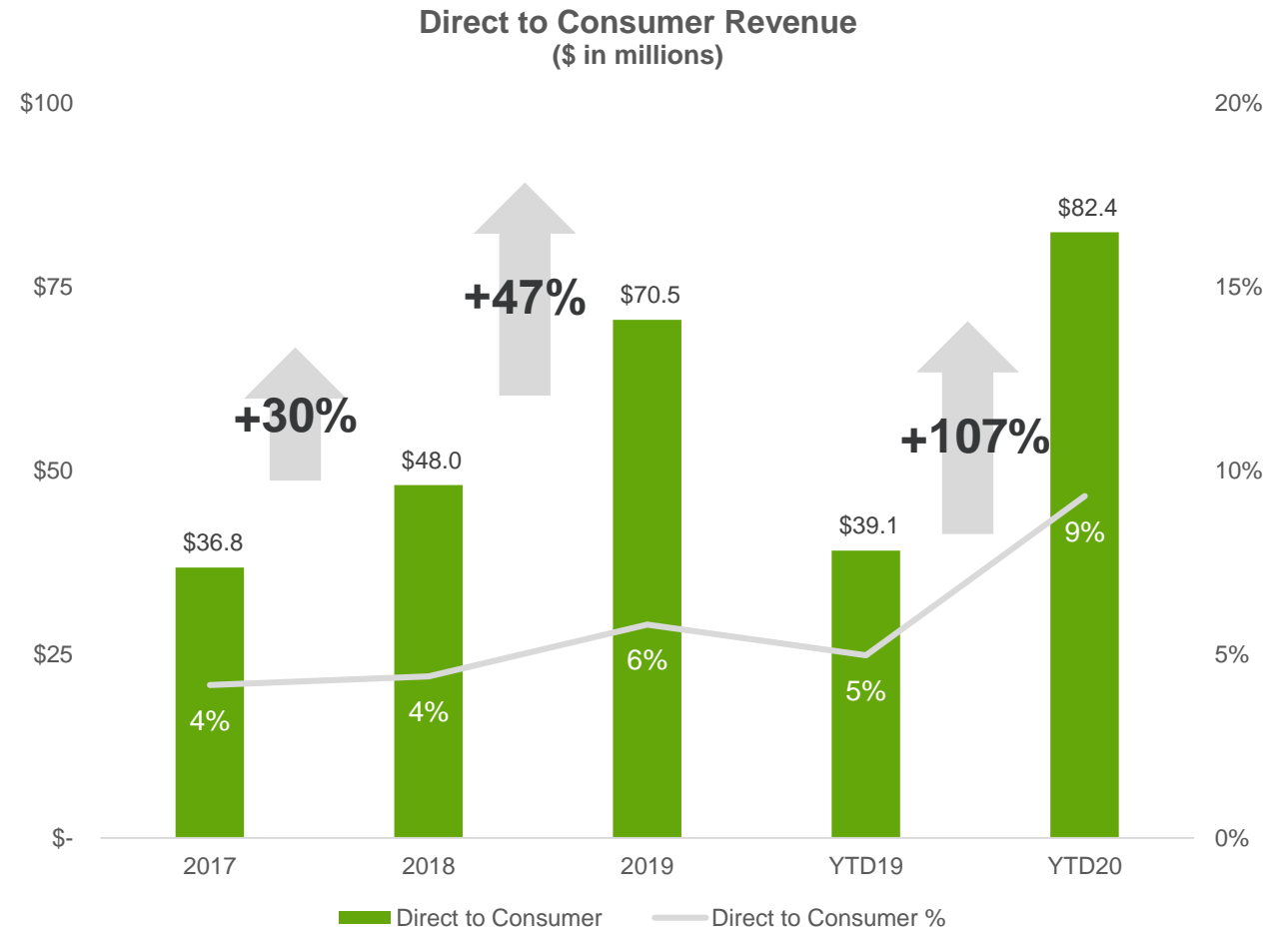
NURTURE VALUE

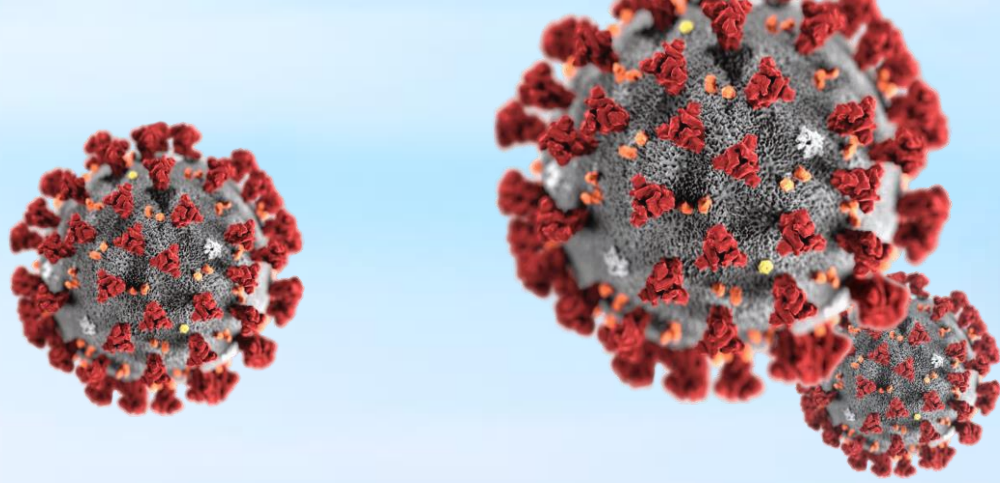


***“With increased
loyalty comes
increased
opportunity.”***

Potential to Scale Direct-to-Consumer Sales Channel

- **Increase transactional velocity** for product upgrades and cross-selling
- **Leverage robust usage data** to drive accessory sales
- Pilot new offerings to increase purchase flexibility and **create new recurring revenue streams**
 - Care as a Service
 - Digital as a Service
 - Robotic Cleaning as a Service



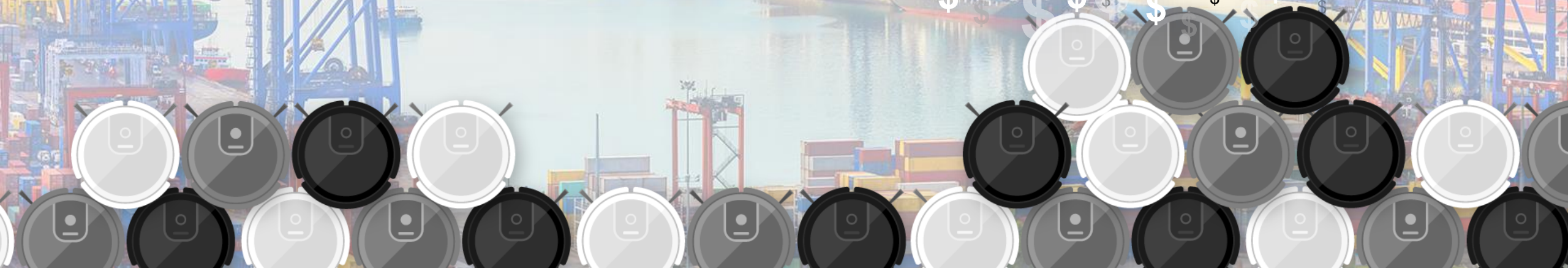


COVID-19 PANDEMIC

RESILIENCE & GROWTH WHILE NAVIGATING CHALLENGING MARKET CONDITIONS

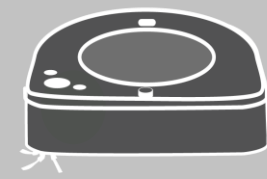
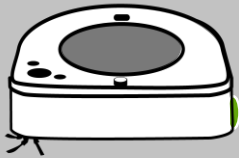
COMPETITION

TARIFFS



2020 Brings Unprecedented Change, Challenges & Resilience

Major Milestones & Developments



COVID-19 disrupts supply chain and sales activities

- Impacts Q120 revenue
- Continues to slow our efforts to expand Malaysia production

Executed cost-reduction initiative

- Reduced headcount 5%
- Shifted R&D resources to software
- Suspended Terra robot mower launch
- Accelerated direct-to-consumer initiatives

Tariff exclusion granted & extended

- \$60m refund from prior tariffs paid
- Extended from August 7 through until December 31, 2020

Delivering high-impact innovation

- Introduced iRobot Genius
- Introduced the i3 / i3+,

Strong Q2 and Q3 results

- Maintaining a clean home takes on a higher priority
- Stronger-than-expected Q2 and Q3 revenue
- Profitability benefits from strong top-line plus higher-than-expected gross margin and prudent spending

Optimism for a Strong Finish to 2020



- iRobot's global year-to-date sell-through growth rate on Week 40* has **accelerated further** from Q2 levels
 - YTD sell-through growth rate in the U.S. has more than tripled since mid-April
 - In EMEA, our YTD sell-through growth rate has improved modestly into the low double-digit range since the end of July
 - YTD sell-through growth rate in Japan turned negative as we lapped an extremely strong September 2019 period
 - Inventory levels at retailers in good shape entering Q420
- Expect 2020 revenue between **\$1.365 billion to \$1.375 billion – 12% to 13% growth** over 2019 revenue of \$1.214 billion
- Anticipate 2020 operating profit margin to be approximately **9%** with full-year **2020 EPS ranging from \$3.43 to \$3.53**
- Position the business to **navigate looming profitability headwinds in 2021** associated with the reinstatement of tariffs, scaling production in Malaysia and building out the infrastructure to support growth in our direct-to-consumer channel

* As measured in units through week 40 using third-party market data and iRobot internal estimates. Comparison with 2019 sell-through levels exclude 2019 Prime Day units.



Framework for

**DRIVING
IMPROVED
GROSS
MARGIN
OVER
TIME**



SUBSCRIPTIONS



CROSS-SELL & UPSELL



FULFILLMENT SCALE & EFFICIENCY



SCALE VOLUME IN MALAYSIA



HIGHER SOFTWARE CONTENT & COST-OPTIMIZED HARDWARE



MANUFACTURING SUPPLY CHAIN EFFICIENCY

Direct-to-Consumer Channel

Summary

Category creator, innovator and leader in Robotic Floor Care & AI

- Strong revenue growth with continued runway
- Cutting-edge robotic AI and home understanding
- Consistent innovation, category leadership and portfolio expansion

Accelerating strategic initiatives aimed at

- Differentiating the cleaning experience
- Building direct relationships with ~8m connected, engaged owners
- Nurturing lifetime value of customer relationships

Resilience and growth despite challenging market conditions

- Expect 2020 financial performance will exceed our original targets
- Focused on sustaining strong growth and navigating profitability headwinds in 2021
- Strong financial foundation to fund continued growth



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

Q3 and First 9 Months 2020 GAAP Actuals to Q3 and First 9 Months 2019 Non-GAAP Actuals

iRobot Corporation
Supplemental Reconciliation of GAAP Actuals to Non-GAAP Actuals
(in thousands, except per share amounts)
(unaudited)

	For the three months ended		For the nine months ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
GAAP Revenue	\$ 413,145	\$ 289,399	\$ 885,563	\$ 787,232
GAAP Gross Profit	\$ 198,841	\$ 136,841	\$ 454,808	\$ 374,557
Amortization of acquired intangible assets	225	3,095	1,695	9,283
Stock-based compensation	331	337	1,150	1,120
Tariff refunds	-	-	(40,017)	-
Non-GAAP Gross Profit	<u>\$ 199,397</u>	<u>\$ 140,273</u>	<u>\$ 417,636</u>	<u>\$ 384,960</u>
Non-GAAP Gross Profit Margin	48.3 %	48.5 %	47.2 %	48.9 %
GAAP Operating Expenses	\$ 117,847	\$ 94,286	\$ 323,756	\$ 304,489
Amortization of acquired intangible assets	(256)	(256)	(764)	(796)
Stock-based compensation	(9,512)	(3,947)	(19,754)	(17,622)
Net merger, acquisition and divestiture (expense) income	-	(32)	566	(328)
IP litigation expense, net	(1,607)	157	(3,360)	365
Restructuring and other	(200)	-	(2,063)	-
Non-GAAP Operating Expenses	<u>\$ 106,272</u>	<u>\$ 90,208</u>	<u>\$ 298,381</u>	<u>\$ 286,108</u>
Non-GAAP Operating Expenses as a % of Non-GAAP Revenue	25.7 %	31.2 %	33.7 %	36.3 %
GAAP Operating Income	\$ 80,994	\$ 42,555	\$ 131,052	\$ 70,068
Amortization of acquired intangible assets	481	3,351	2,459	10,079
Stock-based compensation	9,843	4,284	20,904	18,742
Tariff refunds	-	-	(40,017)	-
Net merger, acquisition and divestiture expense (income)	-	32	(566)	328
IP litigation expense, net	1,607	(157)	3,360	(365)
Restructuring and other	200	-	2,063	-
Non-GAAP Operating Income	<u>\$ 93,125</u>	<u>\$ 50,065</u>	<u>\$ 119,255</u>	<u>\$ 98,852</u>
Non-GAAP Operating Margin	22.5 %	17.3 %	13.5 %	12.6 %
GAAP Income Tax Expense	\$ 29,982	\$ 7,923	\$ 39,156	\$ 8,522
Tax effect of non-GAAP adjustments	(12,119)	(132)	(15,842)	3,490
Other tax adjustments	290	133	(888)	5,660
Non-GAAP Income Tax Expense	<u>\$ 18,153</u>	<u>\$ 7,924</u>	<u>\$ 22,426</u>	<u>\$ 17,672</u>

	For the three months ended		For the nine months ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
GAAP Net Income	\$ 93,252	\$ 35,532	\$ 133,733	\$ 65,259
Amortization of acquired intangible assets	481	3,351	2,459	10,079
Stock-based compensation	9,843	4,284	20,904	18,742
Tariff refunds	-	-	(40,017)	-
Net merger, acquisition and divestiture expense (income)	-	32	(1,241)	328
IP litigation expense, net	1,607	(157)	3,360	(365)
Restructuring and other	200	-	2,063	-
Gain on strategic investments	(43,480)	-	(43,567)	(572)
Income tax effect	11,829	(1)	16,730	(9,150)
Non-GAAP Net Income	<u>\$ 73,732</u>	<u>\$ 43,041</u>	<u>\$ 94,424</u>	<u>\$ 84,321</u>
GAAP Net Income Per Diluted Share	\$ 3.27	\$ 1.24	\$ 4.69	\$ 2.27
Amortization of acquired intangible assets	0.02	0.12	0.08	0.35
Stock-based compensation	0.34	0.15	0.73	0.65
Tariff refunds	-	-	(1.40)	-
Net merger, acquisition and divestiture expense (income)	-	-	(0.04)	0.01
IP litigation expense, net	0.06	(0.01)	0.12	(0.01)
Restructuring and other	-	-	0.07	-
Gain on strategic investments	(1.52)	-	(1.53)	(0.02)
Income tax effect	0.41	-	0.59	(0.32)
Non-GAAP Net Income Per Diluted Share	<u>\$ 2.58</u>	<u>\$ 1.50</u>	<u>\$ 3.31</u>	<u>\$ 2.93</u>
Number of shares used in diluted per share calculation	28,539	28,650	28,502	28,759
Section 301 Tariff Costs				
Section 301 tariff costs	\$ -	\$ 7,466	\$ -	\$ 15,966
Impact of Section 301 tariff costs to gross and operating margin (GAAP & non-GAAP)	- %	(2.6)%	- %	(2.0)%
Impact of Section 301 tariff costs to net (loss) income per diluted share (GAAP & non-GAAP)	\$ -	\$ (0.26)	\$ -	\$ (0.56)
Supplemental Information				
Days sales outstanding	40	53		
Days in inventory	93	152		



GAAP-Non-GAAP Reconciliation

2020 Outlook

	FY-20
GAAP Gross Profit	\$649 - \$657 million
Amortization of acquired intangible assets	~\$2 million
Stock-based compensation	~\$2 million
Tariff refunds	~(\$40 million)
Total adjustments	~(\$36 million)
Non-GAAP Gross Profit	<u>\$613 - \$621 million</u>
	FY-20
GAAP Operating Income	\$127 - \$132 million
Amortization of acquired intangible assets	~\$3 million
Stock-based compensation	~\$28 million
Tariff refunds	~(\$40 million)
Net merger, acquisition and divestiture expense (income)	~(\$1 million)
IP litigation expense, net	~\$6 million
Restructuring and other	~\$2 million
Total adjustments	~(\$2 million)
Non-GAAP Operating Income	<u>\$125 - \$130 million</u>
	FY-20
GAAP Net Income Per Diluted Share	\$4.52 - \$4.62
Amortization of acquired intangible assets	~\$0.10
Stock-based compensation	~\$0.98
Tariff refunds	~(\$1.40)
Net merger, acquisition and divestiture expense (income)	~(\$0.04)
IP litigation expense, net	~\$0.21
Restructuring and other	~\$0.07
Gain on strategic investments	~(\$1.52)
Income tax effect	~\$0.51
Total adjustments	~(\$1.09)
Non-GAAP Net Income Per Diluted Share	<u>\$3.43 - \$3.53</u>
Number of shares used in diluted per share calculations	~28.6 million



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

