iRobot Q1 2022 Financial Results Conference Call Prepared Remarks

May 5, 2022

iRobot First-Quarter 2022 Financial Results Conference Call

Operator:

Good day everyone and welcome to the iRobot first-quarter 2022 financial results conference call. This call is being recorded. At this time for opening remarks and introductions, I would like to turn the call over to Andrew Kramer of iRobot Investor Relations. Please go ahead.

Andrew:

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

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

This conference call may contain expressed or implied forward-looking statements relating to the company's financial results, operations and performance, including; expectations regarding market conditions; the introduction of new products or new capabilities and features to our products, and timing and impact thereof; our expectations regarding profitability; our expectations regarding revenue, non-GAAP EPS, non-GAAP gross margin, non-GAAP operating profit, income, loss and margin, non-GAAP operating expenses, sales & marketing expenses, general & administrative expenses, inventory and DII, non-GAAP tax rate, other expenses, diluted share count and cash flow; expectations regarding the growth of our direct-to-consumer channels and the impact thereof; our expectations regarding the impact of the recent tariffs exclusion for goods imported into the United States from China and the amount, timing and use of the associated refund; the impact of supply chain limitations; our efforts to preserve supply chain resiliency and potential impacts thereof; our expectations regarding costs for raw materials and transportation and the impact thereof; the impact of our investments; the impact of our software differentiation strategy; our plans and expectations regarding our air purification products; adoption by customers of new software features and functionality; our COGS optimization strategy and the expected impact thereof; the consolidation of our warehouse and distribution network activities; the impact of key operational initiatives; the impact of the Russia-Ukraine conflict on industry dynamics and our business; our plans to upsize and amen our unsecured revolving line of credit; our plans and ability to minimize the impact of higher costs including expected manufacturing production in different geographies; our strategy and the impact thereof; our market opportunity; and business conditions.

These statements are neither promises nor guarantees, but are subject to a variety of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those contemplated in the forward-looking statements. In particular, the risks and uncertainties include those contained in our public filings with the Securities and Exchange Commission. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. iRobot undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or circumstances or otherwise.

Related to our financial disclosures during this conference call, we will reference certain non-GAAP financial measures as defined by SEC Regulation G, including non-GAAP gross margin, non-GAAP operating expense, non-GAAP operating income and loss; non-GAAP operating profit and loss margin, non-GAAP effective tax rate, and non-GAAP net income and loss per share. We believe that our non-GAAP financial results help provide additional transparency into iRobot's underlying operating performance and potential. Our definitions of these non-GAAP financial measures, and reconciliations of each of these non-GAAP financial measures to the most directly comparable GAAP measure, are provided at the end of these prepared remarks and in the financial tables at the end of the first-quarter 2022 financial results press release we issued last evening, which is available on our website at www.irobot.com. Also, unless stated otherwise, our first-quarter 2022 financial metrics, as well as the financial metrics provided in our outlook, that will be discussed on today's conference call will be on a non-GAAP basis only and all historical comparisons are with the first quarter of 2021.

As a reminder, a live audio broadcast of this conference call is also available on the Investor Relations page of our website and an archived version of the broadcast will be available on the same Web page following the call. In addition, replay of the telephone conference call will be available through May 12, and can be accessed by dialing 402-220-2676 or 800-753-6121 (no conference ID necessary).

For today's call, our agenda will be as follows. Colin will briefly cover the company's first quarter financial results, discuss market conditions and recent achievements, and provide an update on our expectations for 2022. Julie will review our financial results in detail, and offer additional insight into our 2022 guidance. Colin will conclude our commentary with some closing remarks about important steps we're taking to elevate our responsiveness to customers and improve our profit profile. After that, we'll open the call for questions.

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

Colin:

Good morning and thank you for joining us. Yesterday, we reported a first-quarter 2022 operating loss of $18.5 million and a net loss per share of $0.66 on revenue of $292 million. Our Q1 profitability and EPS exceeded our February targets due primarily to our recent tariff exclusion and prudent cost management. Our top-line performance benefited from solid 33% growth in the U.S. and 25% growth in Japan. This helped us largely offset a decline in EMEA as we lapped an exceptionally strong quarter in that region one year ago. We also made important strategic progress that we believe will contribute to our anticipated revenue and EPS growth in FY22.

However, our FY22 growth prospects are complicated by ongoing disruptions to the consumer marketplace, particularly in EMEA, due primarily to a combination of heightened inflation and reduced consumer confidence stemming from the Russia-Ukraine war. Although these emerging dynamics will limit our FY22 top-line growth ambitions, we have slightly increased the high end of our full-year operating profit and EPS targets. Before I cover our updated outlook in more detail, I'd like to review a number of Q1 accomplishments that we believe demonstrate that our "Innovate. Get. Keep. Grow" strategy is succeeding.

INNOVATE

The first element of our strategy is to drive innovation across our product lines, differentiating them through thoughtful intelligence that is delivered on high-performance, beautifully designed hardware.

- In March, we released version 4.0 of our operating software platform, which offers a range of pragmatic and convenient new experiences, adds smart mapping to our mid-tier Roomba i3 Series, and increases the range of specific objects that our Roomba j7 robot can identify and avoid.
- Based on sell-through trends thus far into the year as well as our commercial plans going forward, we believe that our software differentiation will enable us to successfully fortify our RVC share in key markets around the world this year.

GET

- The GET component of our strategy is all about winning new customers. During Q1, we increased the number of connected customers who have opted into our digital communications by 40% to 14.9 million over the same period a year ago.

KEEP

The KEEP part of our strategy involves making sure that our customers love our products and remain part of our franchise over the long term. That continues to be the case:

- Customers are consistently using our floor care robots. First-quarter 2022 utilization[1] was just over 90%.
- Our customers are increasingly taking advantage of our new software capabilities. Since launching the Roomba j7 Series last year, over 95% of j7 owners are using the robot's machine vision to detect and avoid an ever-expanding number of objects. We are also pleased that Roomba i3 owners are increasingly using the new smart mapping capability that we recently added. We expect adoption by i3 users to continue growing as the new i3 EVO model is rolled out in EMEA before the end of Q3.

GROW

The GROW element of our strategy is focused on increasing lifetime customer value by having more customers transact more often directly with us over the course of their ownership.

- Direct-to-consumer (DTC) revenue increased 17% in Q1 and represented 14% of total revenue.
- We are seeing our connected customers increasingly use our website and app to buy our products and accessories. Existing connected customers generated approximately 46% of our DTC revenue versus 35% in the same period one year ago. This is a promising trend that supports our plans for substantial DTC growth over the next several years.
- In addition, we made meaningful progress in Q1 with our digital transformation initiatives. We launched a new version of our UK website and conducted successful small-scale tests of our CRM systems and related tools.
- In terms of product diversification, we are advancing our efforts to integrate the Aeris air purification business, which contributed $3 million to our Q1 revenue.

[1] Defined as percentage of robots running missions from one quarter to the next quarter.

In addition to these accomplishments, we took steps across our operations that will help us enhance our responsiveness to customers, advance key commercial and R&D initiatives, and increase our profitability. I will cover this in more detail later on this call.

2022 Outlook

Consistent with our commentary in February, our 2022 outlook remains anchored by our expectation for a substantially better second-half performance. Since our last call, however, market conditions have become more challenging, which has impacted our view into overall category growth and our second-half growth rates. Most notably, rising inflation threatens to curb consumer spending while the Russia-Ukraine conflict has further eroded consumer confidence in Europe and elsewhere. Given these dynamics, we now anticipate that modest category growth in EMEA during the second half of this year will essentially offset an expected first-half decline. Our updated outlook now assumes low double-digit category expansion in North America, complemented by strengthening RVC demand in Japan.

As a result, we now anticipate FY22 revenue in the range of $1.64 billion to $1.74 billion, which equates to annual growth of 5% to 11%. Much of this revision is tied to EMEA, where we have lowered our full-year top-line targets considerably from prior plans that assumed at least low double-digit growth. Despite the moderation in anticipated U.S. category expansion, we still expect solid mid-teens revenue growth in this region for 2022, complemented by even faster expansion in Japan.

While we have revised our full-year 2022 revenue targets, we still anticipate a meaningful acceleration in our second-half revenue. We now expect second-half revenue growth of 18% to 26% over last year's relatively soft second half, which was impacted by component constraints. Along with a better second-half gross margin, we also plan to carefully manage spending, which will translate into a low double-digit operating profit margin in the second half of the year. That will enable us to convert a full-year operating profit margin of 3% to 4% into 2022 EPS that ranges from $1.50 to $2.10.

In summary, although today's playing field is less than optimal, we are moving forward with confidence that our strategy is working. Our competitive position is strengthening. Our connected customer base continues to grow. Our customers are happy and we are putting new systems to work to increase how much these customers spend directly with us this year and in the years to come. As a result, we believe that our anticipated second-half revenue trajectory and improved profitability will enable us to end the year with the momentum necessary to achieve our long-term financial targets. That concludes my initial remarks. I'll now turn the call over to Julie.

Julie:

Thank you Colin. As Andy mentioned earlier, my review of our financial results and outlook will be done on a non-GAAP basis, so unless stated otherwise, each mention of gross margin, operating expense, operating income and loss, operating profit margin, effective tax rate and net income and loss per share will mean the corresponding non-GAAP metric. All quarterly comparisons are against the first quarter of 2021 unless otherwise noted.

iRobot's first-quarter 2022 revenue of $292 million declined 4% and was slightly behind our February color due to unanticipated order delays and cancelations from certain EMEA retailers and distributors. From a product mix perspective, Roomba represented 89% of our Q1 revenue mix with Braava and other products making up the remainder. We continued to see strength in our premium robots[2], which grew over 30% in the first quarter.

Our gross margin of 34.5% exceeded the low 30% range target we outlined in February due primarily to the reinstatement of our tariff exclusion, which saved us approximately $6 million. Our Q1 gross margin declined nearly 6 percentage points from the same period last year. The decrease was driven by several factors, which in order of magnitude comprised unfavorable increases in raw materials, transportation and componentry, pricing reductions and higher promotional intensity, and product mix. These combined to more than offset the benefits from our tariff exclusion and lower warranty expense.

In terms of the tariff exclusion, we were granted a temporary exclusion from Section 301 List 3 tariffs in late March by the USTR (United States Trade Representative). This exclusion eliminates the 25% tariff on Roomba products imported from China beginning on October 12, 2021 and continuing until December 31, 2022. We expect to receive refunds totaling approximately $30 million, where are composed of $6 million for Q1 tariffs paid; $12

[2] Defined as floor cleaning robots with an MSRP of $500 and higher.

million in tariffs paid on Roomba robots imported after October 12 and sold in the fourth quarter; and $12 million for on-hand inventory imported after October 12. Similar to the refunds we received for our 2020 tariff exclusion, we expect that U.S. Customs will issue multiple refund payments over the next 12 months although the timing of any and all payments is at the discretion of U.S. Customs.

First-quarter 2022 operating expenses of $119 million increased by 10% due to primarily higher sales and marketing costs attributable to working media programs and increased personnel costs. We continued to carefully manage our spending in the first quarter. Operating costs for Q1 were 41% of revenue versus our prior target of the mid-40% range. Our Q1 operating loss was $19 million.

Our first-quarter effective tax rate was approximately 2% and our net loss per share was $0.66. We ended the first quarter with $113 million in cash and short-term investments, a decline of $121 million from year-end. The decrease primarily reflects the quarterly net loss and unfavorable changes in working capital. We have received a waiver from certain credit facility covenants that will increase our near-term fiscal flexibility. This is the first part of our plans to ultimately upsize and amend our $150 million unsecured revolving line of credit.

First-quarter DSOs were 33 days, an increase of 13 days from the same period one year ago due primarily to customer mix and, to a lesser extent, the timing of orders within the quarter.

Our inventory balance at the end of the first quarter was $331 million[3], or 158 days, versus $233 million, or 118 days, at the end of Q1 last year. In-transit inventory continues to skew our inventory balance, representing an additional 13 days versus the same period last year. The increase also reflects healthy inventory that, due to shipping delays in the fourth quarter of 2021, missed key promotional windows last year. We plan to sell this inventory into our customers over the next three quarters, which will help us improve our inventory levels by year-end. Consistent with our commentary last quarter, we still expect that inventory, measured in dollars and days, will stay elevated through Q3 before showing improvement to the low 70-day range at the end of 2022.

[3] Q122 inventory reflects the aforementioned $12 million tariff-related adjustment to on-hand inventory.

Outlook

With the quarterly review complete, I'd like to focus on our updated 2022 outlook.

Q222 & FY22 Revenue

Given the potential for disruption in the European consumer marketplace, our revised FY22 revenue targets now range from $1.64 billion to $1.74 billion. We currently anticipate that approximately 65% of our 2022 revenue will be generated in the second half, which implies Q2 revenue in the range of $290 million to $318 million. In contrast to an expected first-half revenue decline between 9% and 13%, we anticipate 18% to 26% growth in the second half of 2022 over the same period last year. We believe our Q3 revenue growth rate will range from low double-digits to the high teens over last year's Q3 with our Q4 growth rate well above that. As we look ahead, it is important to remember that our second-half 2022 outlook will compare against a prior-year period that was impacted by limited availability of components. Our ability to support this year's second-half revenue targets are underpinned by existing inventory levels and the steps we've taken to improve supply chain continuity and resiliency. In terms of product diversification, we remain on track to generate over $40 million in 2022 air purifier revenue with more than 70% of that coming in the second half of the year.

As a reminder, we manage our business on a full-year basis since the timing of larger orders may shift between quarters, especially in the second half of any year. That's why we encourage investors to focus on our annual targets. Our revenue expectations contemplate Yen and Euro exchange rates roughly in line with quarter-end rates, plus or minus 5%.

Q2 & FY22 Gross Margin

Our 2022 gross margin outlook is unchanged at 36% to 37% despite the change to our full-year revenue targets. We anticipate that our second-half gross margin will improve from first-half levels into the 37% to 38% range primarily as we begin to see the benefits from some of our productivity initiatives, lower shipping costs and fixed-cost leverage on higher sales.

If our tariff exclusion had not been reinstated, we would have expected to pay more than $40 million in tariff costs this year. Our updated outlook reflects our plans to redirect approximately half of our tariff-related savings to increase our promotional intensity in support of both category growth and increased sell through. The remainder of the savings will help us absorb the anticipated impact of lower revenue as well as our plans to work down on-hand inventory that was burdened by incrementally higher supply chain costs. As Colin outlined, we have taken and will continue to take a range of actions to optimize our COGs, which are expected to support a meaningful improvement in gross margin next year.

We expect our Q2 gross margin to be lower than Q1 at between 31% and 33% as increased promotional intensity associated with seasonal events will more than offset favorable channel mix shifts and improved leverage on fixed costs.

Q2 & FY22 Operating Costs & Operating Profitability

We are targeting 2022 operating costs in the range of $538 to $574 million, or approximately 33% of total revenue. We have adjusted our hiring plans and working marketing, and accelerated other cost optimization programs to better align our cost structure with anticipated revenue. Given our top-line guidance and spending plans, we currently expect an operating profit ranging from $45 million to $61 million, with an operating margin between 3% and 4%.

In terms of our second-quarter spending, we anticipate Q2 operating costs of $143 to $144 million, or 45% to 50% of total revenue. This implies an operating loss between $39 million and $53 million. The combination of substantially stronger revenue, gross margin improvement and prudent spending is expected to enable us to deliver second-half operating income of $116 million to $119 million.

Q2 & FY22 EPS & Other Assumptions

In terms of other notable modeling assumptions for 2022, we anticipate other expense of around $2 million and an effective tax rate of approximately 2%. As a reminder, relatively small dollar changes in pre-tax income along with the jurisdictional mix of those profits can cause meaningful changes in the effective tax rate. We anticipate a diluted share count of approximately 27 million shares. As a result, we now expect our full-year EPS to range from $1.50 to $2.10. For Q2, we anticipate a net loss per share between $1.41 and $1.90.

In summary, we've moderated our top-line growth expectations to reflect greater potential for macroeconomic trends and geopolitical events to temporarily disrupt RVC adoption, particularly in EMEA, over the coming quarters. We have taken actions to preserve our profitability, which has enabled us to slightly increase the high end of our FY22 EPS range. Most notably, we still anticipate a meaningful inflection in our top-line growth and profitability during the second half of this year. I will now turn the call back to Colin for some additional thoughts on our near-term prospects.

Colin:

Thank you Julie. As the RVC category creator and leader, we continue to be very enthusiastic about the global growth potential for both the category and iRobot. Household penetration is relatively low; we design and deliver great products with a compelling and increasingly differentiated value proposition; we have a powerful brand; we enjoy great access to consumers worldwide through vibrant retailer and distributor relationships; and we are rapidly expanding our commercial capabilities to drive DTC revenue growth that will contribute to higher gross margin and increased profitability as we expect more connected customers will transact directly with us.

Across all areas of our company, we are mobilizing to navigate short-term turbulence and support the evolving needs of our retail partners and consumers around the world.

- To elevate our responsiveness, optimize inventory levels and increase efficiency, we are consolidating our warehouse and distribution networks around the world.
- We have also made meaningful progress in our efforts to increase supply chain continuity and resiliency.
- While we were thrilled that the USTR has reinstated our Section 301 tariff exclusion through the end of this year, our plans to scale production in Malaysia are unchanged. As a result, we expect to enter 2023 without any meaningful exposure to these tariffs.
- Additionally, we believe that our ongoing efforts to improve efficiency, carefully manage headcount and control discretionary spending are critical for achieving this year’s profitability targets and helping us further refine our cost structure over the longer term.
- And while we have adjusted our overall spending plans for FY22, we are not sacrificing investment in those R&D projects that we believe will make the biggest impact on our business. We still plan to deliver additional major software upgrades and bring a new Roomba model to market this year. We also are taking important steps to support further product diversification. More specifically, we continue to realign our engineering

resources and allocate more funding for internal development of new robotic products targeting adjacent categories. While it would be premature to offer insight into these activities right now, we look forward to sharing more in the future when we are closer to commercial launch.

As Julie detailed, our updated guidance for 2022 assumes a substantial acceleration in our second-half financial performance. We expect that this momentum will enable us to exit this year well positioned to keep us on the path toward achieving the long-term financial targets we've outlined, and, in the process, create substantial value for our shareholders, employees and customers.

That concludes our remarks. Operator, we are ready to take questions now.

iRobot Corporation
Explanation of Non-GAAP Measures

In addition to disclosing financial results in accordance with U.S. GAAP, this earnings release contains references to the non-GAAP financial measures described below. 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.

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 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. 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.

Tariff Refunds: iRobot's Section 301 List 3 Tariff Exclusion was reinstated in March 2022, which temporarily eliminates tariffs on the Company's products imported from China until December 31, 2022 and entitles the Company to a refund of all related tariffs previously paid since October 12, 2021. We exclude the refunds for tariffs paid in 2021 from our 2022 first-quarter non-GAAP measures because those tariff refunds associated with tariff costs incurred in the past have no impact to our current period earnings.

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.

Restructuring and Other: Restructuring charges are related to one-time actions associated with realigning resources, enhancing operational productivity and efficiency, or improving the company's cost structure in support of the company's strategy. Such actions are not reflective of ongoing operations and include costs primarily associated with severance costs, certain professional fees, costs associated with consolidation of warehouses, and other non-recurring costs directly associated with resource realignments tied to strategic initiatives or changes in business conditions. We exclude this item from our non-GAAP measures when evaluating our recent and prospective business performance as such items vary significantly based on the magnitude of the action and do not reflect anticipated future operating costs. In addition, these charges do not necessarily provide meaningful insight into the fundamentals of current or past operations of our business.

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, including impact from stock-based compensation windfalls/shortfalls, that are not reflective of income tax expense incurred as a result of current period earnings. 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.

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

	For the three months ended	
	April 2, 2022	April 3, 2021
GAAP Revenue	$ 291,969	$ 303,261
GAAP Gross Profit	$ 107,515	$ 122,944
Amortization of acquired intangible assets	821	225
Stock-based compensation	441	362
Tariff refunds	(11,727)	-
Restructuring and other	3,538	-
Non-GAAP Gross Profit	$ 100,588	$ 123,531
Non-GAAP Gross Margin	34.5%	40.7%
GAAP Operating Expenses	$ 130,802	$ 116,555
Amortization of acquired intangible assets	(510)	(205)
Stock-based compensation	(6,767)	(6,420)
Net merger, acquisition and divestiture expense	(109)	-
IP litigation expense, net	(3,487)	(1,140)
Restructuring and other	(825)	(213)
Non-GAAP Operating Expenses	$ 119,104	$ 108,577
Non-GAAP Operating Expenses as a % of Non-GAAP Revenue	40.8%	35.8%
GAAP Operating (Loss) Income	$ (23,287)	$ 6,389
Amortization of acquired intangible assets	1,331	430
Stock-based compensation	7,208	6,782
Tariff refunds	(11,727)	-
Net merger, acquisition and divestiture expense	109	-
IP litigation expense, net	3,487	1,140
Restructuring and other	4,363	213
Non-GAAP Operating (Loss) Income	$ (18,516)	$ 14,954
Non-GAAP Operating Margin	-6.3%	4.9 %

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

	For the three months ended	
	April 2, 2022	April 3, 2021
GAAP Income Tax Benefit	$ (9,627)	$ (1,214)
Tax effect of non-GAAP adjustments	9,891	1,398
Other tax adjustments	(706)	2,653
Non-GAAP Income Tax (Benefit) Expense	$ (442)	$ 2,837
GAAP Net (Loss) Income	$ (30,406)	$ 7,443
Amortization of acquired intangible assets	1,331	430
Stock-based compensation	7,208	6,782
Tariff refunds	(11,727)	-
Net merger, acquisition and divestiture expense	109	-
IP litigation expense, net	3,487	1,140
Restructuring and other	4,363	213
Loss (gain) on strategic investments	16,835	(38)
Income tax effect	(9,185)	(4,051)
Non-GAAP Net (Loss) Income	$ (17,985)	$ 11,919
GAAP Net (Loss) Income Per Diluted Share	$ (1.12)	$ 0.26
Amortization of acquired intangible assets	0.05	0.01
Stock-based compensation	0.27	0.23
Tariff refunds	(0.43)	-
Net merger, acquisition and divestiture expense	-	-
IP litigation expense, net	0.13	0.04
Restructuring and other	0.16	0.01
Loss (gain) on strategic investments	0.62	-
Income tax effect	(0.34)	(0.14)
Non-GAAP Net (Loss) Income Per Diluted Share	$ (0.66)	$ 0.41
Number of shares used in diluted per share calculation	27,051	29,086
Supplemental Information		
Days sales outstanding	33	20
GAAP Days in inventory	164	118
Non-GAAP Days in inventory	158	118

iRobot Corporation
Supplemental Reconciliation of Fiscal Year 2022 GAAP to Non-GAAP Guidance
(unaudited)

	FY-22
GAAP Gross Profit	$586 - $638 million
Amortization of acquired intangible assets	~$3 million
Stock-based compensation	~$2 million
Tariff refunds	~($12) million
Restructuring and other	~$4 million
Total adjustments	~($3) million
Non-GAAP Gross Profit	$583 - $635 million

	FY-22
GAAP Operating Income	$5.3 - $21.3 million
Amortization of acquired intangible assets	~$5 million
Stock-based compensation	~$36.7 million
Tariff refunds	~($11.7) million
Net merger, acquisition and divestiture expense	~$0.1 million
IP litigation expense, net	~$5.2 million
Restructuring and other	~$4.4 million
Total adjustments	~$39.7 million
Non-GAAP Operating Income	$45 - $61 million

	FY-22
GAAP Net (Loss) Income Per Diluted Share	($0.37) - $0.23
Amortization of acquired intangible assets	~$0.18
Stock-based compensation	~$1.34
Tariff refunds	~($0.43)
Net merger, acquisition and divestiture expense (income)	~$0.00
IP litigation expense, net	~$0.19
Restructuring and other	~$0.16
Loss on strategic investments	~$0.62
Income tax effect	~($0.19)
Total adjustments	~$1.87
Non-GAAP Net Income Per Diluted Share	$1.50 - $2.10
Number of shares used in diluted per share calculations	~ 27.3 million