

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

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
FOR THE QUARTERLY PERIOD ENDED **October 2, 2021**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
FOR THE TRANSITION PERIOD FROM                      TO  
COMMISSION FILE NUMBER **001-36414**

**iROBOT CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**77-0259335**  
(I.R.S. Employer  
Identification No.)

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

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

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

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

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

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

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

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Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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

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

The number of shares outstanding of the Registrant's Common Stock as of October 29, 2021 was 26,958,286.

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**iROBOT CORPORATION**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED OCTOBER 2, 2021**  
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**iROBOT CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share amounts)  
(unaudited)

	October 2, 2021	January 2, 2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 218,012	\$ 432,635
Short term investments	29,909	51,081
Accounts receivable, net	240,722	170,526
Inventory	353,724	181,756
Other current assets	46,367	45,223
Total current assets	888,734	881,221
Property and equipment, net	80,227	76,584
Operating lease right-of-use assets	39,096	43,682
Deferred tax assets	39,778	33,404
Goodwill	121,909	125,872
Intangible assets, net	8,348	9,902
Other assets	31,542	19,063
Total assets	<u>\$ 1,209,634</u>	<u>\$ 1,189,728</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 259,396	\$ 165,779
Accrued expenses	130,958	131,388
Deferred revenue and customer advances	11,076	10,400
Total current liabilities	401,430	307,567
Operating lease liabilities	45,206	50,485
Deferred tax liabilities	118	705
Other long-term liabilities	22,344	26,537
Total long-term liabilities	67,668	77,727
Total liabilities	469,098	385,294
Commitments and contingencies (Note 10)		
Preferred stock, 5,000 shares authorized and none outstanding	—	—
Common stock, \$0.01 par value, 100,000 shares authorized; 26,954 and 28,184 shares issued and outstanding, respectively	270	282
Additional paid-in capital	215,592	205,256
Retained earnings	517,221	599,389
Accumulated other comprehensive income (loss)	7,453	(493)
Total stockholders' equity	740,536	804,434
Total liabilities and stockholders' equity	<u>\$ 1,209,634</u>	<u>\$ 1,189,728</u>

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

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

	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Revenue	\$ 440,682	\$ 413,145	\$ 1,109,539	\$ 885,563
Cost of revenue:				
Cost of product revenue	277,703	214,079	684,190	429,060
Amortization of acquired intangible assets	225	225	675	1,695
Total cost of revenue	277,928	214,304	684,865	430,755
Gross profit	162,754	198,841	424,674	454,808
Operating expenses:				
Research and development	40,262	38,613	120,859	111,929
Selling and marketing	59,055	50,488	186,722	136,144
General and administrative	22,688	28,490	72,587	74,919
Amortization of acquired intangible assets	251	256	661	764
Total operating expenses	122,256	117,847	380,829	323,756
Operating income	40,498	80,994	43,845	131,052
Other income, net	26,585	42,240	26,139	41,837
Income before income taxes	67,083	123,234	69,984	172,889
Income tax expense	9,867	29,982	8,083	39,156
Net income	\$ 57,216	\$ 93,252	\$ 61,901	\$ 133,733
Net income per share:				
Basic	\$ 2.09	\$ 3.33	\$ 2.22	\$ 4.76
Diluted	\$ 2.06	\$ 3.27	\$ 2.17	\$ 4.69
Number of shares used in per share calculations:				
Basic	27,413	28,031	27,923	28,084
Diluted	27,803	28,539	28,475	28,502

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

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

	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Net income	\$ 57,216	\$ 93,252	\$ 61,901	\$ 133,733
Other comprehensive income:				
Net foreign currency translation adjustments	(3,974)	5,600	(8,743)	6,864
Net unrealized gains (losses) on cash flow hedges, net of tax	5,181	(8,418)	18,113	(5,379)
Net gains on cash flow hedge reclassified into earnings, net of tax	(878)	(745)	(1,420)	(3,533)
Net unrealized losses on marketable securities, net of tax	—	(30)	(4)	(10)
<b>Total comprehensive income</b>	<b>\$ 57,545</b>	<b>\$ 89,659</b>	<b>\$ 69,847</b>	<b>\$ 131,675</b>

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

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income ("AOCI")	Stockholders' Equity
	Shares	Value				
<b>Balance at July 3, 2021</b>	28,050	\$ 281	\$ 216,375	\$ 557,452	\$ 7,124	\$ 781,232
Issuance of common stock under employee stock plans	1	—	27			27
Vesting of restricted stock units	105	1	(1)			—
Stock-based compensation			2,073			2,073
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(4)	—	(362)			(362)
Other comprehensive income					329	329
Directors' deferred compensation			21			21
Stock repurchases	(1,198)	(12)	(2,541)	(97,447)		(100,000)
Net income				57,216		57,216
<b>Balance at October 2, 2021</b>	<u>26,954</u>	<u>\$ 270</u>	<u>\$ 215,592</u>	<u>\$ 517,221</u>	<u>\$ 7,453</u>	<u>\$ 740,536</u>

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) ("AOCI")	Stockholders' Equity
	Shares	Value				
<b>Balance at January 2, 2021</b>	28,184	\$ 282	\$ 205,256	\$ 599,389	\$ (493)	\$ 804,434
Issuance of common stock under employee stock plans	122	1	5,156			5,157
Vesting of restricted stock units	338	3	(3)			—
Stock-based compensation			16,195			16,195
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(45)	—	(5,161)			(5,161)
Other comprehensive income					7,946	7,946
Directors' deferred compensation			64			64
Stock repurchases	(1,645)	(16)	(5,915)	(144,069)		(150,000)
Net income				61,901		61,901
<b>Balance at October 2, 2021</b>	<u>26,954</u>	<u>\$ 270</u>	<u>\$ 215,592</u>	<u>\$ 517,221</u>	<u>\$ 7,453</u>	<u>\$ 740,536</u>

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

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

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

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

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



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

	Nine Months Ended	
	October 2, 2021	September 26, 2020
<b>Cash flows from operating activities:</b>		
Net income	\$ 61,901	\$ 133,733
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	23,978	25,705
Gain on equity investment	(26,929)	(43,480)
Stock-based compensation	16,195	20,904
Deferred income taxes, net	(8,190)	10,939
Other	4,496	4,785
Changes in operating assets and liabilities — (use) source		
Accounts receivable	(71,368)	(32,572)
Inventory	(173,986)	(61,006)
Other assets	(5,851)	(20,718)
Accounts payable	93,530	46,098
Accrued expenses and other liabilities	(4,551)	12,358
Net cash (used in) provided by operating activities	<u>(90,775)</u>	<u>96,746</u>
<b>Cash flows from investing activities:</b>		
Additions of property and equipment	(25,302)	(25,031)
Purchase of investments	(9,641)	(3,729)
Sales and maturities of investments	63,976	10,500
Net cash provided by (used in) investing activities	<u>29,033</u>	<u>(18,260)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from employee stock plans	5,157	4,048
Income tax withholding payment associated with restricted stock vesting	(5,161)	(1,845)
Stock repurchases	(150,000)	(25,000)
Net cash used in financing activities	<u>(150,004)</u>	<u>(22,797)</u>
Effect of exchange rate changes on cash and cash equivalents	(2,877)	2,125
Net (decrease) increase in cash and cash equivalents	(214,623)	57,814
Cash and cash equivalents, at beginning of period	432,635	239,392
Cash and cash equivalents, at end of period	<u>\$ 218,012</u>	<u>\$ 297,206</u>

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

**iROBOT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**1. Description of Business**

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

**2. Summary of Significant Accounting Policies**

***Basis of Presentation and Foreign Currency Translation***

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

In the opinion of management, all adjustments necessary to the unaudited interim consolidated financial statements have been made to state fairly the Company's financial position. Interim results are not necessarily indicative of results for the full fiscal year or any future periods. The information included in this Form 10-Q should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in its Annual Report on Form 10-K for the fiscal year ended January 2, 2021, filed with the Securities and Exchange Commission on February 16, 2021.

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

***Recently Adopted Accounting Standards***

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2019-12, "Income Taxes - Simplifying the Accounting for Income Taxes." The ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles as well as clarifying and amending existing guidance to improve consistent application. The amendments to this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. Depending on the amendment, adoption may be applied on the retrospective, modified retrospective or prospective basis. The Company adopted the standard in the first quarter of 2021 and the adoption had no impact on the Company's consolidated financial statements.

***Recently Issued Accounting Standards***

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

***Use of Estimates***

The preparation of these financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses. These estimates and judgments include, but are not limited to, revenue recognition, including performance obligations, variable consideration and other obligations such as product returns and incentives; allowance for credit losses; product warranties; valuation of goodwill and acquired intangible assets; valuation of non-marketable equity investments; evaluating loss contingencies; accounting for stock-based compensation including performance-based assessments; and accounting for income taxes and related valuation allowances. The Company bases its estimates and assumptions on historical experience, market participant fair value considerations, projected future cash flows, current conditions, including estimated economic implications of the COVID-19 pandemic and various other factors that the Company believes are reasonable under the circumstances. While there was not a material change to the consolidated financial statements related to these estimates as of and for the nine months ended October 2, 2021, the Company's future assessment of the magnitude and duration of the COVID-19 pandemic as well as other factors, could result in material impacts to the Company's consolidated financial statements in future reporting periods. The extent and continued impact of COVID-19 has been taken into account by management in making the significant assumptions and estimates related to the above. Actual results may differ from the Company's estimates.

***Credit Losses***

The Company is exposed to credit losses primarily through sales of its products. The Company assesses each customer's ability to pay by conducting a credit review which includes consideration of established credit ratings or an internal assessment of the customer's creditworthiness based on an analysis of their financial information when a credit rating is not available. The Company monitors the credit exposure through active review of customer balances. The Company's expected loss methodology for accounts receivable is developed through consideration of factors including, but not limited to, historical collection experience, current customer credit ratings, current and future economic and market conditions and age of the receivable. Although the Company historically has not experienced significant credit losses as it relates to trade accounts receivable, the COVID-19 pandemic has caused uncertainty in some customer accounts. The Company did not have an adjustment to its estimate of credit losses during the three months ended October 2, 2021. The Company recorded a decrease to the reserve and bad debt expense of \$2.1 million during the nine months ended October 2, 2021. As of October 2, 2021 and January 2, 2021, the Company had an allowance for credit losses of \$2.7 million and \$4.8 million, respectively.

***Inventory***

Inventory is stated at the lower of cost or net realizable value with cost being determined using the first-in, first-out method. The Company writes down its inventory for estimated obsolescence or excess inventory based upon assumptions around market conditions and estimates of future demand. Adjustments to reduce inventory to net realizable value are recognized in cost of revenue and have not been significant for the periods presented. Inventory primarily consists of finished goods at October 2, 2021 and January 2, 2021.

***Strategic Investments***

The Company holds non-marketable equity securities as part of its strategic investments portfolio. The Company classifies the majority of these securities as equity securities without readily determinable fair values and measures these investments at cost, less any impairment, adjusted for observable price changes. These investments are valued using significant unobservable inputs or data in an inactive market and the valuation requires the Company's judgment due to the absence of market prices and inherent lack of liquidity. The estimated fair value is based on quantitative and qualitative factors including, but not limited to, subsequent financing activities by the investee and projected discounted cash flows. At October 2, 2021 and January 2, 2021, the Company's equity securities without readily determinable fair values totaled \$15.1 million and \$17.4 million, respectively, and are included in other assets on the consolidated balance sheets.

On July 1, 2020, Teladoc Health, Inc. ("Teladoc") closed on its previously announced acquisition of InTouch Health, of which the Company held non-marketable equity securities. In exchange for its shares of InTouch Health, the Company received 0.2 million shares of Teladoc and recorded a gain of \$38.6 million to other income, net during the second quarter of 2020. The Teladoc shares received were subject to time based contractual sales restrictions which expired in January 2021. These shares were accounted for as marketable equity securities and measured at fair value with unrealized gains and losses recognized in other income, net at the end of each reporting period. As a result, the Company entered into an economic hedge in July 2020 to reduce the Company's exposure to stock price fluctuations during the restricted period. During the first quarter of 2021, the Company received net proceeds of \$51.5 million related to the sale of Teladoc shares with gross proceeds of \$60.1 million, net of settlement payment of \$8.6 million for the related economic hedge.

On July 22, 2021, Matterport, Inc. ("Matterport"), of which the Company held non-marketable equity securities, completed a merger with a special purpose acquisition company and began trading on Nasdaq under the symbol "MTTR." Prior to the merger, the Company accounted for the shares in Matterport as equity securities without readily determinable fair value. Upon consummation of the merger, the Company received 1.6 million shares of MTTR and recorded a gain of \$20.3 million to other income, net. The post merger Matterport shares received are subject to time based contractual sales restrictions which expire in January 2022. These shares are accounted for as marketable equity securities and measured at fair value with unrealized gains and losses recognized in other income, net at the end of each reporting period. During the three months ended October 2, 2021, the Company recorded gains of \$6.7 million associated with marking the shares to fair value. As of October 2, 2021, the shares in MTTR were valued at \$29.8 million and are recorded in short term investments on the consolidated balance sheet.

***Net Income Per Share***

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

**iROBOT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)**

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

	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Net income	\$ 57,216	\$ 93,252	\$ 61,901	\$ 133,733
Basic weighted-average common shares outstanding	27,413	28,031	27,923	28,084
Dilutive effect of employee stock awards	390	508	552	418
Diluted weighted-average common shares outstanding	27,803	28,539	28,475	28,502
Net income per share - Basic	\$ 2.09	\$ 3.33	\$ 2.22	\$ 4.76
Net income per share - Diluted	\$ 2.06	\$ 3.27	\$ 2.17	\$ 4.69

Employee stock awards representing approximately 0.2 million and 0.1 million shares of common stock for the three months ended October 2, 2021 and September 26, 2020, and approximately 0.1 million and 0.2 million shares of common stock for the nine months ended October 2, 2021 and September 26, 2020, respectively, were excluded from the computation of diluted earnings per share as their effect would have been antidilutive.

### 3. Revenue Recognition

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

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

For contracts that contain multiple performance obligations, the transaction price is allocated to each performance obligation based on a relative standalone selling price ("SSP"). The Company estimates SSP for items that are not sold separately, using market data if available or analysis of the cost of providing the products or services plus a reasonable margin. The transaction price allocated to the robots is recognized as revenue at a point in time when control is transferred and when collection is considered probable. The transaction price allocated to the Cloud Services is deferred and recognized on a straight-line basis over the estimated term of the Cloud Services. For contracts with a duration of greater than one year, the transaction price allocated to performance obligations that are unsatisfied as of October 2, 2021 and January 2, 2021 was \$17.8 million and \$11.5 million, respectively. The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less.

The Company's products generally carry a one-year or two-year limited warranty that promises customers that delivered products are as specified. The Company does not consider these assurance-type warranties as a separate performance obligation and therefore, the Company accounts for such warranties under ASC 460, "Guarantees." During the fourth quarter of 2020, the Company began offering its customers the option to purchase an extended warranty for a fee. Amounts paid for the extended warranty plans are deferred and recognized as revenue on a straight-line basis over the service period.

The Company provides limited rights of returns for direct-to-consumer sales generated through its online stores and certain resellers and distributors. The Company records an allowance for product returns based on specific terms and conditions included in the customer agreements or based on historical experience and the Company's expectation of future returns. In addition, the Company may provide other credits or incentives which are accounted for as variable consideration when estimating the amount of revenue to recognize. Where appropriate, these estimates take into consideration relevant factors such as the Company's historical experience, current contractual requirements, specific known market events and forecasted inventory level in the channels. Overall, these reserves reflect the Company's best estimates, and the actual amounts of

**iROBOT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)**

consideration ultimately received may differ from the Company's estimates. Returns and credits are estimated at the time of sale and updated at the end of each reporting period as additional information becomes available. As of October 2, 2021, the Company has reserves for product returns of \$54.9 million and other credits and incentives of \$75.3 million. As of January 2, 2021, the Company had reserves for product returns of \$64.3 million and other credits and incentives of \$142.2 million. Revenue recognized during the three and nine months ended October 2, 2021 and September 26, 2020 related to performance obligations satisfied in a prior period was not material.

**Disaggregation of Revenue**

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

	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
United States	\$ 216,542	\$ 206,276	\$ 528,138	\$ 428,389
EMEA	132,130	114,477	339,918	252,184
Japan	66,823	65,490	154,652	136,215
Other	25,187	26,902	86,831	68,775
Total revenue	\$ 440,682	\$ 413,145	\$ 1,109,539	\$ 885,563

**Contract Balances**

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

	October 2, 2021	January 2, 2021
Accounts receivable, net	\$ 240,722	\$ 170,526
Contract liabilities	21,001	17,700

The Company invoices customers based upon contractual billing schedules, and accounts receivable are recorded when the right to consideration becomes unconditional. Contract liabilities include deferred revenue associated with the Cloud Services and extended warranty plans as well as prepayments received from customers in advance of product shipments. The change in the opening and closing balances of the Company's contract assets and contract liabilities primarily results from the timing difference between the Company's performance and the customer's payment. During the three months ended October 2, 2021 and September 26, 2020, the Company recognized \$6.6 million and \$1.8 million, respectively, of the contract liability balance as revenue upon transfer of the products or services to customers. During the nine months ended October 2, 2021 and September 26, 2020, the Company recognized \$10.5 million and \$4.6 million, respectively, of the contract liability balance as revenue upon transfer of the products or services to customers.

**4. Leases**

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

The Company's existing leases do not provide a readily determinable implicit rate. Therefore, the Company estimates its incremental borrowing rate to discount the lease payments. At October 2, 2021, the Company's weighted average discount rate was 3.58%, while the weighted average remaining lease term was 7.79 years.

**iROBOT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)**

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

	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Operating lease cost	\$ 2,181	\$ 2,287	\$ 6,315	\$ 6,932
Variable lease cost	837	823	2,765	2,827
<b>Total lease cost</b>	<b>\$ 3,018</b>	<b>\$ 3,110</b>	<b>\$ 9,080</b>	<b>\$ 9,759</b>

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

	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 2,150	\$ 2,750	\$ 6,529	\$ 7,516
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	\$ —	\$ 744	\$ —	\$ 2,310

Maturities of operating lease liabilities were as follows as of October 2, 2021 (in thousands):

Remainder of 2021	\$	1,598
2022		8,561
2023		7,627
2024		6,571
2025		6,600
Thereafter		28,525
<b>Total minimum lease payments</b>	<b>\$</b>	<b>59,482</b>
Less: imputed interest		7,985
<b>Present value of future minimum lease payments</b>	<b>\$</b>	<b>51,497</b>
Less: current portion of operating lease liabilities (Note 6)		6,291
<b>Long-term lease liabilities</b>	<b>\$</b>	<b>45,206</b>

#### 5. Goodwill and Other Intangible Assets

The following table summarizes the activity in the carrying amount of goodwill and intangible assets for the nine months ended October 2, 2021 (in thousands):

	Goodwill	Intangible assets
Balance as of January 2, 2021	\$ 125,872	\$ 9,902
Amortization	—	(1,336)
Effect of foreign currency translation	(3,963)	(218)
<b>Balance as of October 2, 2021</b>	<b>\$ 121,909</b>	<b>\$ 8,348</b>

**6. Accrued Expenses**

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

	October 2, 2021	January 2, 2021
Accrued manufacturing and logistics cost	\$ 28,967	\$ 20,093
Accrued warranty	28,061	24,392
Accrued compensation and benefits	17,471	17,635
Accrued income taxes	10,777	3,806
Accrued bonus	8,617	31,523
Current portion of operating lease liabilities	6,291	6,315
Accrued sales and other indirect taxes payable	5,343	15,480
Derivative liability	3,799	4,268
Accrued other	21,632	7,876
	<u>\$ 130,958</u>	<u>\$ 131,388</u>

**7. Derivative Instruments and Hedging Activities**

The Company operates internationally and, in the normal course of business, is exposed to fluctuations in foreign currency exchange rates. The foreign currency exposures typically arise from transactions denominated in currencies other than the functional currency of the Company's operations, primarily the British Pound, Canadian Dollar, Euro and Japanese Yen. The Company uses derivative instruments that are designated in cash flow hedge relationships to reduce or eliminate the effects of foreign exchange rate change on sales. These contracts typically have maturities of three years or less. At October 2, 2021 and January 2, 2021, the Company had outstanding cash flow hedges with a total notional value of \$381.5 million and \$431.9 million, respectively.

The Company also enters into economic hedges that are not designated as hedges from an accounting standpoint to reduce or eliminate the effects of foreign exchange rate changes typically related to short term trade receivables and payables. These contracts typically have maturities of twelve months or less. At October 2, 2021 and January 2, 2021, the Company had outstanding foreign currency economic hedges with a total notional value of \$299.1 million and \$192.2 million, respectively.

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

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

	Classification	Fair Value	
		October 2, 2021	January 2, 2021
<b>Derivatives not designated as hedging instruments:</b>			
Foreign currency forward contracts	Other current assets	\$ 5,658	\$ 261
Foreign currency forward contracts	Other assets	2,931	—
Foreign currency forward contracts	Accrued expenses	3,171	2,176
Forward sale contract	Other current assets	—	3,904
<b>Derivatives designated as cash flow hedges:</b>			
Foreign currency forward contracts	Other current assets	\$ 3,258	\$ 362
Foreign currency forward contracts	Other assets	5,639	679
Foreign currency forward contracts	Accrued expenses	628	2,092
Foreign currency forward contracts	Long-term liabilities	591	8,554

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)**

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

	Classification	Three Months Ended		Nine Months Ended	
		October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Loss recognized in income	Other income, net	\$ (1,606)	\$ (2,232)	\$ (11,229)	\$ (3,475)

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

	Gain (loss) recognized in OCI on Derivative (1)			
	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Foreign currency forward contracts	\$ 6,851	\$ (11,230)	\$ 23,959	\$ (7,177)

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

	Gain recognized in earnings on cash flow hedging instruments			
	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
	Revenue		Revenue	
Consolidated statements of operations in which the effects of cash flow hedging instruments are recorded	\$ 440,682	\$ 413,145	\$ 1,109,539	\$ 885,563

Gain on cash flow hedging relationships:

Foreign currency forward contracts:				
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Amount of gain reclassified from AOCI into earnings	\$ 1,161	\$ 993	\$ 1,878	\$ 4,711

## 8. Fair Value Measurements

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

	Fair Value Measurements as of October 2, 2021		
	Level 1	Level 2 (1)	Level 3
<b>Assets:</b>			
Money market funds	\$ 95,501	\$ —	\$ —
Marketable equity securities, \$23,286 at cost (2)	29,909	—	—
Derivative instruments (Note 7)	—	17,486	—
<b>Total assets measured at fair value</b>	<b>\$ 125,410</b>	<b>\$ 17,486</b>	<b>\$ —</b>
<b>Liabilities:</b>			
Derivative instruments (Note 7)	\$ —	\$ 4,390	\$ —
<b>Total liabilities measured at fair value</b>	<b>\$ —</b>	<b>\$ 4,390</b>	<b>\$ —</b>



**iROBOT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)**

	Fair Value Measurements as of January 2, 2021		
	Level 1	Level 2 (1)	Level 3
<b>Assets:</b>			
Money market funds	\$ 47,529	\$ —	\$ —
Marketable equity securities, \$46,578 at cost	47,576	—	—
Corporate and government bonds, \$3,498 at cost	—	3,505	—
Derivative instruments (Note 7)	—	5,206	—
<b>Total assets measured at fair value</b>	<b>\$ 95,105</b>	<b>\$ 8,711</b>	<b>\$ —</b>
<b>Liabilities:</b>			
Derivative instruments (Note 7)	\$ —	\$ 12,822	\$ —
<b>Total liabilities measured at fair value</b>	<b>\$ —</b>	<b>\$ 12,822</b>	<b>\$ —</b>

- (1) Level 2 fair value estimates are based on observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- (2) The related unrealized gain recorded in other income, net was \$6.6 million for the three months ended October 2, 2021. Marketable equity securities are included in short term investments on the consolidated balance sheet.

## 9. Stockholders' Equity

### *Share Repurchase Activity*

The Company's Board of Directors approved a stock repurchase program authorizing up to \$200.0 million in share repurchases from time to time until September 5, 2021 which was extended until March 31, 2022. As of October 2, 2021, \$25.0 million remained available for further repurchase under the program.

On August 2, 2021, the Company entered into an accelerated share repurchase ("ASR") agreement with Wells Fargo Bank, National Association ("Wells Fargo"), under which the Company paid \$100.0 million and received an aggregate initial share delivery of 943,285 shares of its common stock, which were immediately retired. In September 2021, Wells Fargo delivered an additional 254,933 shares of the Company's common stock to complete settlement of the ASR agreement. Under this agreement, the Company repurchased a total of 1,198,218 shares of its common stock at an average price of \$83.46, totaling \$100.0 million during the three months ended October 2, 2021. The final number of shares repurchased was based on the volume-weighted average price of its common stock over the duration of the ASR agreement, less a discount.

On March 11, 2021, the Company entered into a Rule 10b5-1 plan to repurchase \$50.0 million of common stock and the Company repurchased 446,954 shares of its common stock at an average price of \$111.85, totaling \$50.0 million during the second quarter of 2021.

On March 10, 2020, the Company entered into a Rule 10b5-1 plan to repurchase \$25.0 million of common stock and the Company repurchased 663,602 shares of its common stock at an average price of \$37.65, totaling \$25.0 million in March 2020.

## 10. Commitments and Contingencies

### *Legal Proceedings*

From time to time and in the ordinary course of business, the Company is subject to various claims, charges and litigation. The outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to us, which could materially affect our financial condition or results of operations.

### *Guarantees and Indemnification Obligations*

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

**iROBOT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)**

Accordingly, the Company has no liabilities recorded for these agreements as of October 2, 2021 and January 2, 2021, respectively.

**Warranty**

The Company provides warranties on most products and has established a reserve for warranty obligations based on estimated warranty costs. The reserve is included as part of accrued expenses (Note 6) in the accompanying consolidated balance sheets.

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

	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Balance at beginning of period	\$ 24,718	\$ 13,769	\$ 24,392	\$ 13,856
Provision	10,913	5,525	31,334	13,395
Warranty usage	(7,570)	(4,633)	(27,665)	(12,590)
Balance at end of period	\$ 28,061	\$ 14,661	\$ 28,061	\$ 14,661

**11. Income Taxes**

The Company recorded an income tax expense of \$9.9 million and \$30.0 million for the three months ended October 2, 2021 and September 26, 2020, respectively. The \$9.9 million income tax expense for the three months ended October 2, 2021 resulted in an effective income tax rate of 14.7%. The \$30.0 million income tax expense for the three months ended September 26, 2020 resulted in an effective tax rate of 24.3%. The decrease in the effective income tax rate was primarily due to the greater impact of tax benefits, such as the research and development tax credit, on a lower pretax income base.

The Company's 14.7% effective rate of income tax expense for the three months ended October 2, 2021 was lower than the federal statutory tax rate of 21% primarily because of the impact of tax benefit from foreign derived intangible income ("FDII") and research and development tax credits.

The Company recorded an income tax expense of \$8.1 million and \$39.2 million for the nine months ended October 2, 2021 and September 26, 2020, respectively. The \$8.1 million income tax expense for the nine months ended October 2, 2021 resulted in an effective tax rate of 11.5%. The \$39.2 million income tax expense for the nine months ended September 26, 2020 resulted in an effective tax rate of 22.6%. The decrease in the effective income tax rate was primarily due to the recognition of discrete tax benefits related to stock-based compensation as well as the greater impact of tax benefits, such as the research and development income credit, on a lower pretax income base.

The Company's effective income tax rate of 11.5% for the nine months ended October 2, 2021 differed from the federal statutory tax rate of 21% primarily due to the recognition of discrete tax benefits related to stock-based compensation as well as the impact of tax benefits from FDII and research and development tax credits.

**12. Industry Segment, Geographic Information and Significant Customers**

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

**Significant Customers**

For each of the three months ended October 2, 2021 and September 26, 2020, the Company generated 26.6% of total revenue from one of its retailers.

For the nine months ended October 2, 2021 and September 26, 2020, the Company generated 25.9% and 26.4% of total revenue, respectively, from one of its retailers.

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

*The information contained in this section has been derived from our consolidated financial statements and should be read together with our consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and are subject to the "safe harbor" created by those sections. In particular, statements contained in this Quarterly Report on Form 10-Q that are not historical facts, including, but not limited to statements concerning the impact of COVID-19 on our business, new product sales, product development and offerings, our consumer robots, our competition, our strategy, our market position, market acceptance of our products, seasonal factors, revenue recognition, our profits, growth of our revenues, composition of our revenues, our cost of revenues, units shipped, average selling prices, the impact of promotional activity and tariffs, the impact of semiconductor chip availability, operating expenses, diversification of our manufacturing supply chain, selling and marketing expenses, general and administrative expenses, research and development expenses, and compensation costs, our projected income tax rate, our credit and letter of credit facilities, our valuations of investments, valuation and composition of our stock-based awards, and liquidity, constitute forward-looking statements and are made under these safe harbor provisions. Some of the forward-looking statements can be identified by the use of forward-looking terms such as "believes," "expects," "may," "will," "should," "could," "seek," "intends," "plans," "estimates," "anticipates," or other comparable terms. Forward-looking statements involve inherent risks and uncertainties, which could cause actual results to differ materially from those in the forward-looking statements. We urge you to consider the risks and uncertainties discussed in greater detail under the heading "Risk Factors" in this Quarterly Report on Form 10-Q and in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended January 2, 2021 in evaluating our forward-looking statements. We have no plans to update our forward-looking statements to reflect events or circumstances after the date of this report. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made.*

### Overview

iRobot is a leading global consumer robot company that designs and builds robots that empower people to do more. Our consumer robots help people find smarter ways to clean and accomplish more in their daily lives. iRobot's portfolio of floor cleaning robots features proprietary technologies for the connected home and advanced concepts in cleaning, robot-based artificial intelligence, mapping and navigation, machine vision, home understanding, human-robot interaction and physical solutions. Leveraging this portfolio, our engineers are building an ecosystem of robots to help realize the smart home's potential. For more than 30 years, we have been a pioneer and leader in consumer robotics, robotic floor care and robotic artificial intelligence.

As of October 2, 2021, we had 1,343 full-time employees. Since our founding in 1990, we have developed expertise in the disciplines necessary to design, build, sell and support durable, high-performance and cost-effective robots through the close integration of software, electronics and hardware. Our core technologies serve as reusable building blocks that we adapt and expand to create next-generation robotic platforms. We believe that this approach accelerates the time to market, while also reducing the costs and risks associated with product development. These capabilities are amplified by the integration of a range of software-centric capabilities spanning artificial intelligence, home understanding and machine vision technologies that further improve cleaning performance and help personalize the cleaning experience, enabling customers to have greater control over where, when and how our robots clean. We believe that our significant expertise in robot design, engineering, and smart home technologies and targeted focus on understanding and addressing consumer needs, positions us well to capitalize on the anticipated growth in the market for robot-based consumer products.

From September 2018 until April 2020, our Roomba products were subject to Section 301 tariffs. In April 2020, we were granted a temporary exclusion from Section 301 List 3 tariffs by the United States Trade Representative ("USTR"). This exclusion, as extended in August 2020, eliminated the 25% tariff on Roomba products imported from China until December 31, 2020 and entitled us to a refund of approximately \$57.0 million in tariffs paid since the date the Section 301 List 3 tariffs were imposed. Effective January 1, 2021, the 25% Section 301 tariff again applies to our Roomba products imported from China. For the three and nine months ended October 2, 2021, the incremental Section 301 tariff cost was \$14.1 million and \$29.2 million, respectively. We expect this incremental cost will continue to impact our gross profit for the remainder of fiscal 2021. To diversify our manufacturing and help offset the adverse financial impact on our business of the 25% Section 301 tariff, we are focused on scaling the manufacture of our products in Malaysia. We commenced production of our products in Malaysia in late 2019 and we remain on track to have Malaysia manufacturing at scale by the end of 2021.

To continue expanding our business globally and increase our profitability in a highly competitive marketplace, we have continued to make progress on each key element of our strategy: 1) differentiating the iRobot experience; 2) building strong relationships with the consumer; and 3) nurturing the lifetime value of our customer relationships.

We strive to differentiate the iRobot experience through the ongoing innovation of our existing product offerings and by bringing new products and services to market. During the first quarter of 2021, we enhanced the iRobot Genius Home Intelligence Platform ("Genius"), a powerful AI-based robot platform that gives users greater personalization and control over their cleaning robots. In September 2021, we introduced the latest upgrade to the Genius platform and launched our Roomba j7 Series robots featuring PrecisionVision Navigation technology in the U.S. and EMEA. Roomba j7 Series robots, powered by

Genius, learn how to navigate the home, understand the owner's cleaning preferences and even recognize and avoid specific objects. The Roomba j7 Series with Genius provides greater levels of personalization, object detection and avoidance, new home automations and the ability to get smarter over time as it learns the home environment through the AI capabilities within Genius and receives over-the-air updates, allowing the robot to deliver a more intuitive cleaning experience.

To continue building strong relationships with our consumers worldwide, we are focused on enhancing all aspects of the consumer experience, including investing in our digital marketing and e-commerce capabilities. At the end of the third quarter of 2021, our connected customer base grew 60% from the same period one year ago to 12.5 million customers who have opted in to our digital communications.

We also continued to make important progress in nurturing the lifetime value of our customer relationships. In early April 2021, we introduced our new iRobot H1 handheld vacuum, enabling customers to purchase a complementary vacuum to clean in areas that our Roomba or Braava robots are typically unable to reach. In addition, we are now offering extended warranty plans to customers who purchase our products directly from us. During the third quarter of 2021, the Roomba j7+ joined the Roomba i7+ as one of two Roomba robots available for customers to choose when they join iRobot Select, a subscription-based membership program in which members may pay an initiation fee and a recurring monthly fee to use their robot along with dedicated customer support, automatic accessory replacement services, premium protection services and eligibility for robot upgrades every three years. Since the start of the pandemic over 18 months ago, more consumers are buying our products online. Our direct-to-consumer, or DTC, sales were \$39.7 million and \$119.7 million, 9.0% and 10.8% of total revenue, for the three and nine months ended October 2, 2021, respectively. DTC sales grew 13.0% and 45.2% during the three and nine months ended October 2, 2021, respectively, compared to the same periods a year ago. We continue to invest in initiatives aimed at increasing the frequency and range of products, services and accessories that customers purchase directly from us.

In addition to the pandemic's positive impact on accelerating demand for a wide range of consumer products including ours, it has also stressed the global supply chain involved in manufacturing these products. More specifically, semiconductor chip suppliers have been unable to keep pace with demand, the cost of raw materials such as resins has risen meaningfully along with oceanic transport and air freight costs. In addition to higher costs, it is also taking longer to transport products, regardless of the mode of transportation. We are taking a range of actions to manage through these supply chain challenges, from entering into longer-term supply agreements, qualifying new suppliers and leveraging our relationships with our contract manufacturers to efficiently export our products. During the third quarter of 2021, ocean transportation and air freight costs rose even higher than anticipated. We expect the higher transportation costs to remain elevated through at least the first three quarters of next year. We will continue to assess and implement measures to mitigate resulting adverse impacts on our operations and financial results.

## Key Financial Metrics

In addition to the measures presented in our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), we use the following key metrics, including non-GAAP financial measures, to evaluate and analyze our core operating performance and trends, and to develop short-term and long-term operational plans. A summary of key metrics for the three and nine months ended October 2, 2021, as compared to the three and nine months ended September 26, 2020, is as follows:

	Three Months Ended				Nine Months Ended			
	October 2, 2021		September 26, 2020		October 2, 2021		September 26, 2020	
	(dollars in thousands, except average gross selling prices) (unaudited)							
Total Revenue	\$	440,682	\$	413,145	\$	1,109,539	\$	885,563
Non-GAAP Gross Profit	\$	162,993	\$	199,397	\$	426,008	\$	417,636
Non-GAAP Gross Margin		37.0 %		48.3 %		38.4 %		47.2 %
Non-GAAP Operating Income	\$	47,981	\$	93,125	\$	71,885	\$	119,255
Non-GAAP Operating Margin		10.9 %		22.5 %		6.5 %		13.5 %
Total robot units shipped (in thousands)		1,543		1,538		3,945		3,301
Average gross selling prices for robot units	\$	322	\$	312	\$	322	\$	311

## Use of Non-GAAP Financial Measures

Our non-GAAP financial measures reflect adjustments based on the following items. We exclude these items from our non-GAAP measures to facilitate an evaluation of our current operating performance and comparisons to our past operating performance. These items may vary significantly in magnitude or timing and do not necessarily reflect anticipated future operating activities. In addition, we believe that providing these non-GAAP measures affords investors a view of our operating results that may be more easily compared with our peer companies. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations from these results, provided below, should be carefully evaluated.

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

**Tariff Refunds:** iRobot was granted a Section 301 List 3 Tariff Exclusion in April 2020, which temporarily eliminated tariffs on the Company's products imported from China until December 31, 2020 and entitled the Company to a refund of all related tariffs previously paid since September 2018. We exclude the refunds for tariff costs expensed during fiscals 2018 and 2019 from our fiscal 2020 non-GAAP measures because those tariff refunds associated with tariff costs incurred in the past have no impact to our current period earnings.

**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 after the measurement period has ended.

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

**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.

**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.

**Restructuring and Other:** Restructuring charges are related to one-time actions associated with workforce reductions, including severance costs, certain professional fees and other costs directly associated with resource realignments tied to strategic initiatives or changes in business conditions.

*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.

The following table reconciles gross profit, operating income, net income and net income per share on a GAAP and non-GAAP basis for the three and nine months ended October 2, 2021 and September 26, 2020 (dollars in thousands, other than per share data):

	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
GAAP Gross Profit	\$ 162,754	\$ 198,841	\$ 424,674	\$ 454,808
Amortization of acquired intangible assets	225	225	675	1,695
Stock-based compensation	284	331	929	1,150
Tariff refunds	(270)	—	(270)	(40,017)
Non-GAAP Gross Profit	\$ 162,993	\$ 199,397	\$ 426,008	\$ 417,636
Non-GAAP Gross Margin	37.0 %	48.3 %	38.4 %	47.2 %
GAAP Operating Income	\$ 40,498	\$ 80,994	\$ 43,845	\$ 131,052
Amortization of acquired intangible assets	476	481	1,336	2,459
Stock-based compensation	2,073	9,843	16,195	20,904
Tariff refunds	(270)	—	(270)	(40,017)
Net merger, acquisition and divestiture expense (income)	635	—	1,274	(566)
IP litigation expense, net	4,569	1,607	9,292	3,360
Restructuring and other	—	200	213	2,063
Non-GAAP Operating Income	\$ 47,981	\$ 93,125	\$ 71,885	\$ 119,255
Non-GAAP Operating Margin	10.9 %	22.5 %	6.5 %	13.5 %
GAAP Net Income	\$ 57,216	\$ 93,252	\$ 61,901	\$ 133,733
Amortization of acquired intangible assets	476	481	1,336	2,459
Stock-based compensation	2,073	9,843	16,195	20,904
Tariff refunds	(270)	—	(270)	(40,017)
Net merger, acquisition and divestiture expense (income)	635	—	1,274	(1,241)
IP litigation expense, net	4,569	1,607	9,292	3,360
Restructuring and other	—	200	213	2,063
Gain on strategic investments	(27,141)	(43,480)	(26,929)	(43,567)
Income tax effect	8,749	11,829	3,066	16,730
Non-GAAP Net Income	\$ 46,307	\$ 73,732	\$ 66,078	\$ 94,424
GAAP Net Income Per Diluted Share	\$ 2.06	\$ 3.27	\$ 2.17	\$ 4.69
Dilutive effect of non-GAAP adjustments	(0.39)	(0.69)	0.15	(1.38)
Non-GAAP Net Income Per Diluted Share	\$ 1.67	\$ 2.58	\$ 2.32	\$ 3.31

### Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses. These estimates and judgments, include but are not limited to, revenue recognition including performance obligations, variable consideration and other obligations such as product returns and incentives; allowance for credit losses; product warranties; valuation of goodwill and acquired intangible assets; valuation of non-marketable equity investments; evaluating loss contingencies; accounting for stock-based compensation including performance-based assessments; and accounting for income taxes and related valuation allowances. We base these estimates and judgments on historical experience, market participant fair value considerations,

projected future cash flows and various other factors that we believe are reasonable under the circumstances. Actual results may differ from our estimates. Additional information about these critical accounting policies may be found in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section included in our Annual Report on Form 10-K for the fiscal year ended January 2, 2021.

## Overview of Results of Operations

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

	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue:				
Cost of product revenue	63.0	51.8	61.6	48.5
Amortization of acquired intangible assets	0.1	0.1	0.1	0.1
Total cost of revenue	63.1	51.9	61.7	48.6
Gross profit	36.9	48.1	38.3	51.4
Operating expenses:				
Research and development	9.1	9.3	10.9	12.6
Selling and marketing	13.4	12.2	16.8	15.4
General and administrative	5.1	6.9	6.5	8.5
Amortization of acquired intangible assets	0.1	0.1	0.1	0.1
Total operating expenses	27.7	28.5	34.3	36.6
Operating income	9.2	19.6	4.0	14.8
Other income, net	6.0	10.2	2.3	4.7
Income before income taxes	15.2	29.8	6.3	19.5
Income tax expense	2.2	7.2	0.7	4.4
Net income	13.0 %	22.6 %	5.6 %	15.1 %

## Comparison of Three and Nine Months Ended October 2, 2021 and September 26, 2020

### Revenue

	Three Months Ended				Nine Months Ended			
	October 2, 2021	September 26, 2020	Dollar Change	Percent Change	October 2, 2021	September 26, 2020	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Revenue	\$ 440,682	\$ 413,145	\$ 27,537	6.7 %	\$ 1,109,539	\$ 885,563	\$ 223,976	25.3 %

Revenue for the three months ended October 2, 2021 increased \$27.5 million to \$440.7 million, or 6.7%, from \$413.1 million for the three months ended September 26, 2020. The \$27.5 million increase in revenue was partially driven by 14.4% growth in sales of our mid and premium tier floor cleaning robots, which contributed to a 3.2% increase in gross average selling price for the three months ended October 2, 2021 compared to the three months ended September 26, 2020. In the three months ended October 2, 2021, international revenue increased \$17.3 million, or 8.3%, which primarily reflected 15.4% growth in EMEA and a 2.0% increase in Japan, while domestic revenue increased \$10.3 million, or 5.0%. Our DTC revenue growth of 13.0% to \$39.7 million, or 9.0% of total revenue, reflected continued expansion of this channel as we invested in enhancing the online buying experience and upgrading our digital marketing capabilities.

Revenue for the nine months ended October 2, 2021 increased \$224.0 million to \$1,109.5 million, or 25.3%, compared to \$885.6 million for the nine months ended September 26, 2020. The \$224.0 million increase in revenue was primarily attributable to a 19.5% increase in units shipped and a 3.5% increase in gross average selling price for the nine months ended October 2, 2021 compared to the nine months ended September 26, 2020. The increase in gross average selling price was primarily driven by a 33.7% growth in sales of our mid and premium tier floor cleaning robots. In the nine months ended October 2, 2021, international revenue increased \$124.2 million, or 27.2% due primarily to 34.8% growth in EMEA and a 13.5% increase in Japan, while domestic revenue increased \$99.7 million, or 23.3%. Our DTC revenue growth of 45.2% to \$119.7 million, or 10.8% of total revenue, contributed to these increases.

### Cost of Product Revenue

	Three Months Ended				Nine Months Ended			
	October 2, 2021	September 26, 2020	Dollar Change	Percent Change	October 2, 2021	September 26, 2020	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Cost of product revenue	\$ 277,703	\$ 214,079	\$ 63,624	29.7 %	\$ 684,190	\$ 429,060	\$ 255,130	59.5 %
As a percentage of revenue	63.0 %	51.8 %			61.6 %	48.5 %		

Cost of product revenue increased to \$277.7 million in the three months ended October 2, 2021, compared to \$214.1 million in the three months ended September 26, 2020. The \$63.6 million increase in cost of product revenue is due to the 6.7% increase in revenue. In addition, cost of product revenue during the three months ended October 2, 2021 included \$14.1 million in tariff costs, whereas last year, we did not have any tariff costs as we were granted temporary exclusion from Section 301 List 3 tariffs. The increase in cost of product revenue was also impacted by higher warranty costs and global supply chain challenges associated with increased oceanic transport and air freight expenses and higher raw materials and component costs associated with limited semiconductor chip availability.

Cost of product revenue increased to \$684.2 million in the nine months ended October 2, 2021, compared to \$429.1 million in the nine months ended September 26, 2020. The \$255.1 million increase in cost of product revenue is due to the 25.3% increase in revenue. In addition, cost of product revenue during the nine months ended October 2, 2021 included \$29.2 million in tariff costs, whereas last year, we recognized a benefit of \$40.0 million from tariff refunds. The increase in cost of product revenue was also impacted by higher warranty costs and global supply chain challenges associated with increased oceanic transport and air freight expenses and higher raw materials and component costs associated with limited semiconductor chip availability.

### Gross Profit

	Three Months Ended				Nine Months Ended			
	October 2, 2021	September 26, 2020	Dollar Change	Percent Change	October 2, 2021	September 26, 2020	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Gross profit	\$ 162,754	\$ 198,841	\$ (36,087)	(18.1)%	\$ 424,674	\$ 454,808	\$ (30,134)	(6.6)%
Gross margin	36.9 %	48.1 %			38.3 %	51.4 %		

Gross margin decreased to 36.9% in the three months ended October 2, 2021, compared to 48.1% in the three months ended September 26, 2020. Gross margin decreased 11.2% driven by Section 301 List 3 tariff costs of \$14.1 million included in the three months ended October 2, 2021 compared to no tariff costs during the same period last year. The remainder of the decrease in gross margin was driven by supply chain headwinds with increases in freight and material costs, pricing and promotional activity and higher warranty expense. We expect gross margin pressure to continue over the next few quarters as we anticipate continued elevated costs associated with increased raw materials, oceanic transport and air freight expenses as well as higher component costs associated with limited semiconductor chip availability.

Gross margin decreased to 38.3% in the nine months ended October 2, 2021 compared to 51.4% in the nine months ended September 26, 2020. Gross margin decreased 13.1% driven by Section 301 List 3 tariff costs of \$29.2 million included in the nine months ended October 2, 2021, while we recognized a benefit of \$40.0 million from tariff refunds during the nine months ended September 26, 2020. The remainder of the decrease in gross margin was mainly driven by supply chain headwinds with increased component costs and transportation fees, pricing and promotional activity and product mix.

### Research and Development

	Three Months Ended				Nine Months Ended			
	October 2, 2021	September 26, 2020	Dollar Change	Percent Change	October 2, 2021	September 26, 2020	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Research and development	\$ 40,262	\$ 38,613	\$ 1,649	4.3 %	\$ 120,859	\$ 111,929	\$ 8,930	8.0 %
As a percentage of revenue	9.1 %	9.3 %			10.9 %	12.6 %		

Research and development expenses increased \$1.6 million, or 4.3%, to \$40.3 million (9.1% of revenue) in the three months ended October 2, 2021 from \$38.6 million (9.3% of revenue) in the three months ended September 26, 2020. This increase is primarily due to a \$2.8 million increase in program-related costs and \$3.8 million higher people-related costs



associated with additional headcount. These increases were offset by lower short-term incentive compensation cost of \$4.5 million resulting from changes in assessments driven by supply chain challenges as further discussed elsewhere in this Quarterly Report on Form 10-Q.

Research and development expenses increased \$8.9 million, or 8.0%, to \$120.9 million (10.9% of revenue) in the nine months ended October 2, 2021 from \$111.9 million (12.6% of revenue) in the nine months ended September 26, 2020. This increase is primarily due to a \$7.7 million increase in program-related costs and a \$7.0 million increase in people-related costs associated with additional headcount offset by lower short-term incentive compensation of \$5.2 million resulting from changes in assessments driven by supply chain challenges as further discussed elsewhere in this Quarterly Report on Form 10-Q.

#### *Selling and Marketing*

	Three Months Ended				Nine Months Ended			
	October 2, 2021	September 26, 2020	Dollar Change	Percent Change	October 2, 2021	September 26, 2020	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Selling and marketing	\$ 59,055	\$ 50,488	\$ 8,567	17.0 %	\$ 186,722	\$ 136,144	\$ 50,578	37.2 %
As a percentage of revenue	13.4 %	12.2 %			16.8 %	15.4 %		

Selling and marketing expenses increased \$8.6 million, or 17.0%, to \$59.1 million (13.4% of revenue) in the three months ended October 2, 2021 from \$50.5 million (12.2% of revenue) in the three months ended September 26, 2020. This increase was primarily attributable to higher marketing spend of \$5.9 million associated with increased use of working media to support our new launches and drive sales growth, \$4.0 million increase in people-related costs associated with additional headcount as well as \$2.0 million higher technology related cost including cloud service and maintenance and support fees as we continue to invest in our digital marketing and e-commerce capabilities. These increases were offset by lower short-term incentive compensation of \$2.2 million resulting from changes in assessments driven by supply chain challenges as further discussed elsewhere in this Quarterly Report on Form 10-Q.

Selling and marketing expenses increased \$50.6 million, or 37.2%, to \$186.7 million (16.8% of revenue) in the nine months ended October 2, 2021 from \$136.1 million (15.4% of revenue) in the nine months ended September 26, 2020. This increase was primarily attributable to higher marketing spend of \$35.2 million associated with increased use of working media to drive sales growth and new launches, \$10.0 million higher people-related costs associated with additional headcount as well as \$5.7 million higher technology related cost including cloud service and maintenance and support fees as we continue to invest in our digital marketing and e-commerce capabilities. These increases were offset by lower short-term incentive compensation of \$2.5 million resulting from changes in assessments driven by supply chain challenges as further discussed elsewhere in this Quarterly Report on Form 10-Q.

#### *General and Administrative*

	Three Months Ended				Nine Months Ended			
	October 2, 2021	September 26, 2020	Dollar Change	Percent Change	October 2, 2021	September 26, 2020	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
General and administrative	\$ 22,688	\$ 28,490	\$ (5,802)	(20.4)%	\$ 72,587	\$ 74,919	\$ (2,332)	(3.1)%
As a percentage of revenue	5.1 %	6.9 %			6.5 %	8.5 %		

General and administrative expenses decreased \$5.8 million, or 20.4%, to \$22.7 million (5.1% of revenue) in the three months ended October 2, 2021 from \$28.5 million (6.9% of revenue) in the three months ended September 26, 2020. This decrease is primarily due to lower vesting expectations related to our performance-based stock-based compensation and lower short-term incentive compensation cost of \$11.3 million resulting from changes in assessments driven by the supply chain challenges discussed elsewhere in this Quarterly Report on Form 10-Q. This decrease is offset by increases in legal fees of \$3.5 million driven by higher intellectual property litigation costs, people-related costs of \$1.2 million associated with additional headcount as well as higher consulting services costs of \$1.1 million.

General and administrative expenses decreased \$2.3 million, or 3.1%, to \$72.6 million (6.5% of revenue) in the nine months ended October 2, 2021 from \$74.9 million (8.5% of revenue) in the nine months ended September 26, 2020. This decrease is primarily due to lower vesting expectations related to our performance-based stock-based compensation and lower short-term incentive compensation cost of \$9.6 million from changes in assessments driven by the supply chain challenges.

discussed elsewhere in this Quarterly Report on Form 10-Q. We also saw a decrease in allowance for credit loss of \$7.6 million. These decreases were offset by an increase in legal fees of \$6.5 million driven by higher intellectual property litigation costs, an increase in people-related cost of \$4.3 million associated with additional headcount, and higher consulting services cost of \$1.6 million. During the nine months ended October 2, 2021, the allowance for credit loss decreased \$2.1 million as a result of improved financial conditions and credit rating for certain customer accounts. During the nine months ended September 26, 2020, the allowance for credit loss increased by \$5.5 million due to concerns about certain customers' ability to successfully navigate the pandemic.

#### Amortization of Acquired Intangible Assets

	Three Months Ended				Nine Months Ended			
	October 2, 2021	September 26, 2020	Dollar Change	Percent Change	October 2, 2021	September 26, 2020	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Cost of revenue	\$ 225	\$ 225	\$ —	—%	\$ 675	\$ 1,695	\$ (1,020)	(60.2)%
Operating expense	251	256	(5)	(2.0)%	661	764	(103)	(13.5)%
Total amortization expense	\$ 476	\$ 481	\$ (5)	(1.0)%	\$ 1,336	\$ 2,459	\$ (1,123)	(45.7)%
As a percentage of revenue	0.1 %	0.1 %			0.1 %	0.3 %		

The decrease in amortization of acquired intangible assets in the nine months ended October 2, 2021 as compared to the nine months ended September 26, 2020, was primarily related to the acquired technology intangible asset that was fully amortized in the second quarter of 2020.

#### Other Income, Net

	Three Months Ended				Nine Months Ended			
	October 2, 2021	September 26, 2020	Dollar Change	Percent Change	October 2, 2021	September 26, 2020	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Other income, net	\$ 26,585	\$ 42,240	\$ (15,655)	(37.1)%	\$ 26,139	\$ 41,837	\$ (15,698)	(37.5)%
As a percentage of revenue	6.0 %	10.2 %			2.3 %	4.7 %		

During the three and nine months ended October 2, 2021, other income, net primarily consists of a gain of \$20.3 million associated with our Matterport investment when Matterport completed a merger and we received shares in MTRR, and a gain of \$6.7 million associated with marking the shares to fair value. During the three and nine months ended September 26, 2020, other income, net primarily consists of a gain of \$43.5 million associated with our InTouch Health investment when Teladoc Health, Inc., or Teladoc, acquired InTouch Health and exchanged our shares of InTouch Health for shares of Teladoc during the third quarter of 2020.

#### Income Tax Expense

	Three Months Ended				Nine Months Ended			
	October 2, 2021	September 26, 2020	Dollar Change	Percent Change	October 2, 2021	September 26, 2020	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Income tax expense	\$ 9,867	\$ 29,982	\$ (20,115)	(67.1)%	\$ 8,083	\$ 39,156	\$ (31,073)	(79.4)%
Effective income tax rate	14.7 %	24.3 %			11.5 %	22.6 %		

We recorded an income tax expense of \$9.9 million and \$30.0 million for the three months ended October 2, 2021 and September 26, 2020, respectively. The \$9.9 million income tax expense for the three months ended October 2, 2021 resulted in an effective income tax rate of 14.7%. The \$30.0 million income tax expense for the three months ended September 26, 2020 resulted in an effective income tax rate of 24.3%. The decrease in effective tax rate was primarily due to the greater impact of tax benefits, such as the research and development tax credit, on a lower pretax income base.

Our 14.7% effective rate of income tax expense for the three months ended October 2, 2021 was lower than the federal statutory tax rate of 21% primarily because of the impact of tax benefits from foreign derived intangible income ("FDII") and research and development tax credits.

We recorded an income tax expense of \$8.1 million and \$39.2 million for the nine months ended October 2, 2021 and September 26, 2020, respectively. The \$8.1 million income tax expense for the nine months ended October 2, 2021 resulted in an effective income tax rate of 11.5%. The \$39.2 million income tax expense for the nine months ended September 26, 2020 resulted in an effective income tax rate of 22.6%. The decrease in the effective income tax rate was primarily due to the recognition of discrete tax benefits related to stock-based compensation as well as the greater impact of tax benefits, such as the research and development income credit, on a lower pretax income base.

Our effective income tax rate of 11.5% for the nine months ended October 2, 2021 differed from the federal statutory tax rate of 21% primarily due to the recognition of a discrete tax benefits related to stock-based compensation as well as the impact of tax benefits from FDII and research and development tax credits.

The effective tax rate for interim periods is determined based upon our estimated annual effective tax rate, adjusted for the effect of discrete items arising in that quarter. The impact of such inclusions could result in a higher or lower effective tax rate during a quarter, based upon the geographic mix and timing of our actual earnings or losses versus annual projections.

## **Liquidity and Capital Resources**

At October 2, 2021, our principal sources of liquidity were cash and cash equivalents totaling \$218.0 million. Our working capital was \$487.3 million as of October 2, 2021, compared to \$573.7 million as of January 2, 2021.

We manufacture and distribute our products through contract manufacturers and third-party logistics providers. We believe this approach gives us the advantages of relatively low capital investment and significant flexibility in scheduling production and managing inventory levels. By leasing our office facilities, we also minimize the cash needed for expansion, although we invest periodically in upgrading these facilities, a portion of which investment will be reimbursed by the landlords of these facilities. Accordingly, our capital spending is generally limited to machinery and tooling, leasehold improvements, business applications software and computer and equipment. In the three months ended October 2, 2021 and September 26, 2020, we spent \$25.3 million and \$25.0 million, respectively, on capital expenditures.

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

### *Cash used in operating activities*

Net cash used in operating activities for the nine months ended October 2, 2021 was \$90.8 million, of which the principal components were the cash outflow of \$162.2 million from change in working capital, partially offset by our net income of \$61.9 million and non-cash charges of \$9.6 million. The change in working capital was driven by increases in inventory of \$174.0 million and accounts receivable of \$71.4 million. This was partially offset by an increase in accounts payable and accrued liabilities of \$89.0 million.

### *Cash provided by investing activities*

Net cash provided by investing activities for the nine months ended October 2, 2021 was \$29.0 million. During the nine months ended October 2, 2021, we received \$64.0 million from the sales and maturities of our investments while we paid \$9.6 million for the purchases of investments. We invested \$25.3 million in the purchase of property and equipment, including machinery and tooling for new products and manufacturing expansion in Malaysia.

### *Cash used in financing activities*

Net cash used in financing activities for the nine months ended October 2, 2021 was \$150.0 million, which primarily reflects the repurchase of 1,198,218 shares of our common stock for \$100.0 million under an accelerated share repurchase agreement during the three months ended October 2, 2021, and the repurchase of 446,954 shares of our common stock for \$50.0 million under the stock repurchase program during the second quarter of 2021.

## **Working Capital Facilities**

### *Credit Facility*

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

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

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

As of October 2, 2021, we were in compliance with all covenants under the revolving credit facility.

### *Lines of Credit*

We have an unsecured letter of credit facility with Bank of America, N.A., available to fund letters of credit up to an aggregate outstanding amount of \$5.0 million. As of October 2, 2021, we had letters of credit outstanding of \$0.7 million under our letter of credit facility and other lines of credit with Bank of America, N.A.

We have an unsecured guarantee line of credit with Mizuho, Bank Ltd., available to fund import tax payments up to an aggregate outstanding amount of 250.0 million Japanese Yen. As of October 2, 2021, we had no outstanding balance under the guarantee line of credit.

### **Working Capital and Capital Expenditure Needs**

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

### **Share Repurchases**

Our Board of Directors approved a stock repurchase program authorizing up to \$200.0 million in share repurchases from time to time until September 5, 2021 which was extended until March 31, 2022. As of October 2, 2021, \$25.0 million remained available for further repurchase under the program.

On August 2, 2021, we entered into an accelerated share repurchase ("ASR") agreement with Wells Fargo Bank, National Association ("Wells Fargo"), under which we paid \$100.0 million and received an aggregate initial share delivery of 943,285 shares of our common stock, which were immediately retired. In September 2021, Wells Fargo delivered an additional 254,933 shares of our common stock to complete settlement of the ASR agreement. Under this agreement, we repurchased a total of 1,198,218 shares of our common stock at an average price of \$83.46, totaling \$100.0 million during the three months ended October 2, 2021. The final number of shares repurchased was based on the volume-weighted average price of our common stock over the duration of the ASR agreement, less a discount.

### **Contractual Obligations**

The disclosure of our contractual obligations and commitments is set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations - Contractual Obligations" in our Annual Report on Form 10-K for the year ended January 2, 2021. Our principal commitments generally consist of obligations under our credit facility, leases for office space and minimum contractual obligations. Other obligations primarily consist of subscription services. There have been no material changes in our contractual obligations and commitments since January 2, 2021.

At October 2, 2021, we had outstanding purchase orders aggregating approximately \$494.8 million. The purchase orders, the majority of which are with our contract manufacturers for the purchase of inventory in the normal course of business, are for manufacturing and non-manufacturing related goods and services, and are generally cancellable without penalty. In circumstances where we have determined that we have financial exposure associated with any of these commitments, we record a liability in the period in which that exposure is identified.

### **Off-Balance Sheet Arrangements**

As of October 2, 2021, we had no off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

### **Recently Adopted Accounting Pronouncements**

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

### **Recently Issued Accounting Pronouncements**

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

## **Item 3. Quantitative and Qualitative Disclosure About Market Risk**

### **Exchange Rate Sensitivity**

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

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

We regularly monitor the forecast of non-U.S. dollar revenue and expenses and the level of non-U.S. dollar monetary asset and liability balances to determine if any actions, including possibly entering into foreign currency contracts should be taken to minimize the impact of fluctuating exchange rates on our results of operations. Periodically, we enter into forward exchange contracts to hedge against foreign currency fluctuations. These contracts may or may not be designated as cash flow hedges for accounting purposes. We use cash flow hedges primarily to reduce the effects of foreign exchange rate changes on sales in Euros and Japanese Yen. At October 2, 2021 and January 2, 2021, we had outstanding cash flow hedges with a total notional value of \$381.5 million and \$431.9 million, respectively.

We also enter into economic hedges that are not designated as hedges from an accounting standpoint to reduce or eliminate the effects of foreign exchange rate changes typically related to short term trade receivables and payables. These contracts have maturities of twelve months or less. At October 2, 2021 and January 2, 2021, we had outstanding economic hedges with a total notional value of \$299.1 million and \$192.2 million, respectively.

At October 2, 2021, assuming all other variables are constant, if the U.S. Dollar weakened or strengthened by 10%, the fair market value of our foreign currency contracts would increase or decrease by approximately \$42.1 million.

**Item 4. Controls and Procedures**

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

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

## Part II. Other Information

### Item 1. Legal Proceedings

This information is included in Note 10, Commitments and Contingencies, in the accompanying notes to the unaudited consolidated financial statements and is incorporated herein by reference from Item 1 of Part I.

### Item 1A. Risk Factors

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this report, the risks and uncertainties that we believe are most important for you to consider are discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended January 2, 2021, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not presently known to us, which we currently deem immaterial or which are similar to those faced by other companies in our industry or business in general, may also impair our business operations. There are no material changes to the Risk Factors described in our Annual Report on Form 10-K for the year ended January 2, 2021, as supplemented by the Risk Factors described in our Quarterly Report on Form 10-Q for the quarter ended July 3, 2021, other than as set forth below:

#### ***Significant developments in U.S. trade policies have had, and we expect will continue to have, a material adverse effect on our business, financial condition and results of operations.***

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

From September 2018 until April 2020, our Roomba products were subject to Section 301 tariffs. On April 24, 2020, we were granted a temporary exclusion from Section 301 List 3 tariffs by the United States Trade Representative ("USTR"). This exclusion, as extended in August 2020, eliminated the 25% tariff on Roomba products until December 31, 2020 and entitled us to a refund of \$57.0 million in tariffs paid since the date the Section 301 List 3 tariffs were imposed.

Effective as of January 1, 2021, the 25% Section 301 tariff again applies to our Roomba products imported from China. Although we have begun relocating a meaningful portion of our supply chain from China to Malaysia, we again face compression on our margin on products sold and pricing pressures on our products. The already-implemented, and any additional or increased, tariffs have caused, and may in the future cause, us to further increase prices to our customers which we believe has reduced, and in the future may reduce, demand for our products.

On October 4, 2021, the USTR announced its decision to establish a new process for importers to apply for exclusions from Section 301 tariffs in 549 product categories, including robotic vacuum cleaners. Beginning October 12, 2021, the USTR started accepting comments on whether or not reinstating certain tariff exclusions will impact or result in severe economic harm to companies or other interests of the United States. The USTR will accept comments through December 1, 2021. We have submitted comments prior to the deadline. However, the timing for action by the USTR is uncertain. Therefore, we cannot say definitively when, or even if, iRobot will be granted additional tariff relief on our products still manufactured in China, nor can we guarantee the terms upon which any tariff relief ultimately may be granted.

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

our customers, our suppliers, and the U.S. economy, which in turn could further adversely impact our business, financial condition and results of operations.

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

**Surges in demand impacting the cost and availability of transportation have had, and we expect will continue to have, an adverse impact on our business, financial condition and results of operations.**

Surges in demand related to COVID-19, as well as other factors, have continued to strain the global supply chain network, which has resulted in carrier-imposed capacity restrictions, carrier delays, and longer lead times. Demand for Chinese imports has caused shipment receiving and unloading backlogs at many U.S. ports that have been unable to keep pace with unprecedented inbound container volume. The situation has been further exacerbated by COVID-19 illness and protocols at many port locations. Due to the backlog and increasing trade imbalance with China, many shipping containers are not being sent back to China, or are being sent to China empty. With continued increases in demand for containers, limited supply and freight vendors bearing the cost of shipping empty containers, the market cost of inbound freight has increased by several multiples compared to calendar year 2020 averages. To the extent that transportation costs and interruptions continue, we may face increased pressure on gross margins, product delivery delays and an inability to fulfill orders for our products.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following is a summary of our repurchases of our common stock during the three months ended October 2, 2021:

	Total number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Fiscal month beginning July 4, 2021 and ended July 31, 2021	—	\$ —	—	\$ 125,000,000
Fiscal month beginning August 1, 2021 and ended August 28, 2021	943,285	83.46	943,285	46,000,000
Fiscal month beginning August 29, 2021 and ended October 2, 2021	254,933	83.46	254,933	25,000,000
Total	1,198,218	\$ 83.46	1,198,218	\$ 25,000,000

(1) Consists of shares of our common stock. All repurchases were made in open market transactions and pursuant to our previously-announced stock repurchase program as further discussed below and elsewhere in this Quarterly Report on Form 10-Q.

(2) As previously disclosed on March 10, 2020, our Board of Directors approved a stock repurchase program authorizing up to \$200.0 million in share repurchases through September 2021. Our Board of Directors modified the existing stock repurchase program for the remaining \$125.0 million to permit an accelerated share repurchase ("ASR") transaction and extended the authorization until March 31, 2022. On August 2, 2021, we entered into an ASR agreement with Wells Fargo Bank, National Association ("Wells Fargo") to repurchase an aggregate of \$100.0 million of our common stock. Pursuant to the ASR agreement, we paid Wells Fargo \$100.0 million in August 2021 and received an initial delivery of 943,285 shares of our common stock. In September 2021, we received an additional 254,933 shares upon settlement. The calculation of the average price per share for the period July 4, 2021 to October 2, 2021 in the table above is based solely on the result of dividing the \$100.0 million we paid towards the ASR by the total shares received under the plan of 1,198,218.

## Item 5. Other Information

### 10b5-1 Trading Plans

Our policy governing transactions in our securities by our directors, officers, and employees permits our officers, directors, funds affiliated with our directors, and certain other persons to enter into trading plans complying with Rule 10b5-1 under the Exchange Act. We have been advised that certain of our officers and directors (including Colin Angle, Chief Executive Officer and Glen Weinstein, EVP and Chief Legal Officer, as well as Mohamad Ali and Deborah Ellinger, each a director of the Company) have entered into trading plans (each a "Plan" and collectively, the "Plans") covering periods after the date of this Quarterly Report on Form 10-Q in accordance with Rule 10b5-1 and our policy governing transactions in our securities. Generally, under these trading plans, the individual relinquishes control over the transactions once the trading plan is put into place. Accordingly, sales under these plans may occur at any time, including possibly before, simultaneously with, or immediately after significant events involving the Company.

We anticipate that, as permitted by Rule 10b5-1 and our policy governing transactions in our securities, some or all of our officers, directors and employees may establish trading plans in the future. We intend to disclose the names of our executive officers and directors who establish a trading plan in compliance with Rule 10b5-1 and the requirements of our policy



governing transactions in our securities in our future quarterly and annual reports on Form 10-Q and 10-K filed with the Securities and Exchange Commission. We undertake no obligation to update or revise the information provided herein.

## Item 6. Exhibits

### EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
<a href="#">10.1*†</a>	Accelerated Share Repurchase Agreement by and between the Registrant and Wells Fargo, National Association, dated August 2, 2021
<a href="#">31.1*</a>	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
<a href="#">31.2*</a>	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
<a href="#">32.1**</a>	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)

\* Filed herewith

\*\* Furnished herewith

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

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

iROBOT CORPORATION

Date: November 4, 2021

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

Certain identified information has been excluded from the exhibit because it is both (i) not material and (ii) is the type of information that the registrant treats as private or confidential. Information that was excluded has been noted in this document with a placeholder identified by the mark “[\*\*\*]”.

EXECUTION VERSION

**FIXED \$\$ DISCOUNTED SHARE BUYBACK (“DSB”) WITH INITIAL DELIVERY**

**Date:** August 2, 2021  
**To:** iRobot Corporation  
**From:** Wells Fargo Bank, National Association

The purpose of this communication (this “**Confirmation**”) is to confirm the terms and conditions of the transaction entered into between Wells Fargo Bank, National Association (“**Wells Fargo**”) and iRobot Corporation (“**Counterparty**”) on the Trade Date specified below (the “**Transaction**”). This Confirmation constitutes a “Confirmation” as referred to in the Agreement specified below.

This Confirmation is subject to, and incorporates, the definitions and provisions contained in the 2002 ISDA Equity Derivatives Definitions (the “**Equity Definitions**”), as published by the International Swaps and Derivatives Association, Inc. (“**ISDA**”). The Transaction is a Share Forward Transaction for purposes of the Equity Definitions.

1. This Confirmation evidences a complete and binding agreement between Wells Fargo and Counterparty as to the terms of the Transaction to which this Confirmation relates. This Confirmation shall supplement, form a part of, and be subject to an agreement in the form of the 2002 ISDA Master Agreement (the “**Agreement**”) as if Wells Fargo and Counterparty had executed an agreement in such form (but without any Schedule except for the election of (i) the law (and not the law of conflicts) of the State of New York as the governing law and (ii) United States dollars as the Termination Currency) on the Trade Date. The parties hereby agree that no Transaction other than the Transaction to which this Confirmation relates shall be governed by the Agreement. If there exists any ISDA Master Agreement between Wells Fargo and Counterparty or any confirmation or other agreement between Wells Fargo and Counterparty pursuant to which an ISDA Master Agreement is deemed to exist between Wells Fargo and Counterparty, then notwithstanding anything to the contrary in such ISDA Master Agreement, such confirmation or agreement or any other agreement to which Wells Fargo and Counterparty are parties, the Transaction shall not be considered a Transaction under, or otherwise governed by, such existing or deemed ISDA Master Agreement. For the avoidance of doubt, the Transaction shall not be a Transaction under the ISDA Master Agreement between Wells Fargo Bank, National Association and Counterparty dated as of March 15, 2019.

If, in relation to the Transaction, there is any inconsistency between the Agreement, this Confirmation and the Equity Definitions, the following will prevail for purposes of the Transaction in the order of precedence indicated: (i) this Confirmation; (ii) the Equity Definitions; and (iii) the Agreement.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

**General Terms:**

Trade Date:	August 2, 2021
Seller:	Wells Fargo
Buyer:	Counterparty
Shares:	The common stock of Counterparty (the “ <b>Issuer</b> ”), par value USD 0.01 per share (Exchange ticker symbol: “IRBT”)
Variable Obligation:	Applicable
VWAP Price:	For any Exchange Business Day, the 10b-18 volume-weighted average price per Share at which the Shares trade for the regular trading session (including any extensions thereof) of the Exchange on such Exchange Business Day (without regard to pre-open or after hours trading outside of such regular trading session), as reported by Bloomberg at 4:15 p.m. (New York City time) (or 15 minutes following the end of any extension of the regular trading session) on such Exchange Business Day, on Bloomberg Page “IRBT <Equity> AQR_SEC” (or any successor thereto). If such price is not reported on such Exchange Business Day for any reason or is, in the Calculation Agent’s good faith and commercially reasonable discretion, erroneous, such VWAP Price shall be determined by the Calculation Agent in good faith and in a commercially reasonable manner.
Exchange:	The NASDAQ Global Select Market
Related Exchange(s):	All Exchanges
Prepayment:	Applicable
Prepayment Date:	As specified in Appendix A.
Prepayment Amount:	As specified in Appendix A.
Initial Shares:	As specified in Appendix A.
Initial Share Delivery Date:	The Prepayment Date. On the Initial Share Delivery Date, Wells Fargo shall deliver a number of Shares equal to the Initial Shares to Counterparty in accordance with Section 9.4 of the Equity Definitions, with the Initial Share Delivery Date deemed to be a “Settlement Date” for purposes of such Section 9.4.

**Valuation Terms:**

Valuation Date:	As specified in Appendix A.
Scheduled Earliest Acceleration Date:	As specified in Appendix A.
Averaging:	Applicable
Averaging Dates:	For any Valuation Date, each Scheduled Trading Day in the Averaging Period for such Valuation Date.
Averaging Period:	For any Valuation Date, the period from, and including, the Averaging Period Start Date to, and including, such Valuation Date.
Averaging Period Start Date:	As specified in Appendix A.
Settlement Price:	For any Valuation Date, the arithmetic average of the VWAP Price on each Averaging Date for such Valuation Date <u>minus</u> the Settlement Price Adjustment.
Settlement Price Adjustment:	As specified in Appendix A.

Valuation Disruption:

The definition of “Market Disruption Event” in Section 6.3(a) of the Equity Definitions is hereby amended by replacing the words “at any time during the one-hour period that ends at the relevant Valuation Time, Latest Exercise Time, Knock-in Valuation Time or Knock-out Valuation Time, as the case may be” with “at any time on any Scheduled Trading Day during the Averaging Period or Settlement Valuation Period” in the third line thereof.

Section 6.3(d) of the Equity Definitions is hereby amended by deleting the remainder of the provision following the term “Scheduled Closing Time” in the fourth line thereof.

Notwithstanding anything to the contrary in the Equity Definitions, if a Disrupted Day occurs in the Averaging Period or Settlement Valuation Period, the Calculation Agent shall in its good faith and commercially reasonable discretion (i) extend the Averaging Period or Settlement Valuation Period, as the case may be, by a number of Scheduled Trading Days equal to the number of Disrupted Days during the Averaging Period or Settlement Valuation Period, as applicable, or (ii) determine that such Disrupted Day is a Disrupted Day only in part, in which case the Calculation Agent shall (x) determine the VWAP Price for such Disrupted Day based on trades that are reported during the period of time during which Counterparty could purchase its own shares under Rule 10b-18(b)(2) and are effected pursuant to the conditions of Rule 10b-18(b)(3), each under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), on such Disrupted Day taking into account the nature and duration of such Market Disruption Event and (y) determine the Settlement Price or Cash Settlement Price, as the case may be, based on an appropriately weighted average instead of an arithmetic average, with such adjustments based on, among other factors, the duration of any Market Disruption Event and the volume, historical trading patterns and price of the Shares. Any Exchange Business Day on which, as of the date hereof, the Exchange is scheduled to close prior to its normal close of trading shall be deemed not to be an Exchange Business Day (nor an Averaging Date); if a closure of the Exchange prior to its normal close of trading on any Exchange Business Day is scheduled following the date hereof, then such Exchange Business Day shall be deemed to be a Disrupted Day in full.

If a Disrupted Day occurs during the Averaging Period or Settlement Valuation Period, and each of the eight (8) immediately following Scheduled Trading Days is a Disrupted Day (a “**Disruption Event**”), then the Calculation Agent, in its good faith and commercially reasonable discretion, may deem such Disruption Event (and each consecutive Disrupted Day thereafter) to be either (x) a Potential Adjustment Event in respect of the Transaction or (y) an Additional Termination Event in respect of the Transaction, with Counterparty as the sole Affected Party and the Transaction as the sole Affected Transaction.

**Settlement Terms:**

Settlement Currency:	USD
Settlement Procedures:	If the Number of Shares to be Delivered is positive, Physical Settlement shall be applicable to the Transaction. If the Number of Shares to be Delivered is negative, then the Counterparty Settlement Provisions in Annex A hereto shall apply to the Transaction.
Number of Shares to be Delivered:	A number of Shares (rounded down to the nearest whole number) equal to (a) (i) the Prepayment Amount <u>divided by</u> (ii) the Settlement Price as determined on the relevant Valuation Date, <u>minus</u> (b) the Initial Shares.
Excess Dividend Amount:	For the avoidance of doubt, all references to the Excess Dividend Amount shall be deleted from Section 9.2(a)(iii) of the Equity Definitions.
Settlement Date:	The date that follows the relevant Valuation Date by one Settlement Cycle.
Representation and Agreement:	Wells Fargo does not, and shall not, make the agreement or the representations set forth in Section 9.11 of the Equity Definitions related to the restrictions imposed by applicable securities laws with respect to any Shares delivered by Wells Fargo to Counterparty under the Transaction.

**Share Adjustments:**

Potential Adjustment Event:	It shall constitute an additional Potential Adjustment Event if (x) a Disrupted Day occurs, (y) a Regulatory Disruption occurs or (z) a Disruption Event occurs.  Notwithstanding anything to the contrary in Section 11.2(e) of the Equity Definitions, an Extraordinary Dividend shall not constitute a Potential Adjustment Event.
Method of Adjustment:	Calculation Agent Adjustment
Excess Dividend:	Any dividend or distribution on the Shares (other than any dividend or distribution of the type described in Section 11.2(e)(i) or Section 11.2(e)(ii)(A) of the Equity Definitions or any Extraordinary Dividend).



Extraordinary Dividend: The cash dividend or distribution per Share, or a portion thereof, declared by Counterparty on the Shares that is classified by the board of directors of Counterparty as a “one-time”, “special” or an “extraordinary” dividend. For the avoidance of doubt, an Extraordinary Dividend shall not be deemed to be an Excess Dividend.

Ordinary Dividend Amount: As specified in Appendix A

Early Ordinary Dividend Payment: If an ex-dividend date for any Dividend that is not an Excess Dividend occurs during any fiscal quarter (in whole or in part) during the Relevant Dividend Period and is prior to the Expected Ex-Dividend Date for the relevant fiscal quarter (as determined by the Calculation Agent), the Calculation Agent shall make such adjustment to the exercise, settlement, payment or any other terms of the Transaction as the Calculation Agent determines appropriate to account for the economic effect on the Transaction of such event.

Relevant Dividend Period: The period from and including the Trade Date to and including the Relevant Dividend Period End Date.

Relevant Dividend Period End Date: If the Number of Shares to be Delivered is negative, the last day of the Settlement Valuation Period (as defined in Annex A) (if any); otherwise, the final Valuation Date.

**Extraordinary Events:**

Alternative Termination Settlement:

Upon (x) the occurrence or effective designation of an Early Termination Date in respect of the Transaction or (y) the occurrence of an Extraordinary Event that results in the cancellation or termination of the Transaction pursuant to Section 12.2, 12.3, 12.6 or 12.9 of the Equity Definitions (except as a result of (i) an Extraordinary Event that is a Nationalization, Insolvency, Merger Event or Tender Offer, in each case, in which the consideration or proceeds to be paid to holders of Shares consists solely of cash or (ii) an Event of Default in which Counterparty is the Affected Party, in which the Event of Default or Termination Event resulted from an event or events within Counterparty's control), if one party would owe any amount to the other party pursuant to Section 6(d)(ii) of the Agreement or any Cancellation Amount pursuant to Article 12 of the Equity Definitions (any such amount, a "Payment Amount"), then on the date on which any Payment Amount is due, in lieu of any payment or delivery of such Payment Amount, Counterparty may elect, by prior written notice to Wells Fargo as provided in the succeeding paragraph, that the party owing such amount shall deliver to the other party a number of Shares (or, in the case of a Merger Event, Tender Offer, Nationalization or Insolvency, a number of units, each comprising the number or amount of the securities or property that a hypothetical holder of one Share would receive in such Extraordinary Event (each such unit, an "Alternative Termination Delivery Unit" and, the securities or property comprising such unit, "Alternative Termination Property")) with a value equal to the Payment Amount, as determined as set forth in the second and third immediately succeeding paragraphs. In determining the composition of any Alternative Termination Delivery Unit, if the relevant Extraordinary Event involves a choice of consideration to be received by holders, such holder shall be deemed to have elected to receive the maximum possible amount of cash.

In order for Counterparty to validly elect for a Payment Amount to be settled in Shares or Alternative Termination Property, Counterparty must deliver written notice of such election to Wells Fargo no later than the Early Termination Date or the date on which the Transaction is terminated or cancelled, and such written notice must include a representation and warranty by Counterparty to Wells Fargo that, as of the date of such notice, Counterparty is not aware of any material non-public information regarding Counterparty or the Shares and is making such election in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws.

If Counterparty elects for Wells Fargo to settle any Payment Amount owed by Wells Fargo to it in Shares or Alternative Termination Property, then on the date such Payment Amount is due, a settlement balance (the "Payment Amount Settlement Balance") shall be established with an initial balance equal to the Payment Amount. On such date, Wells Fargo shall commence purchasing Shares or Alternative Termination Property over a commercially reasonable period for delivery to Counterparty and in a commercially reasonable manner to unwind a commercially reasonable hedge position. At the end of each Scheduled Trading Day on which Wells Fargo purchases Shares or Alternative Termination Property pursuant to this paragraph, Wells Fargo shall reduce the Payment Amount Settlement Balance by the amount paid by Wells Fargo to purchase the Shares or Alternative Termination Property purchased on such Scheduled Trading Day. Wells Fargo shall deliver any Shares or Alternative Termination Property purchased on a Scheduled Trading Day to Counterparty on the third Clearance System Business Day following the relevant Scheduled Trading Day. Wells Fargo shall continue purchasing Shares or Alternative Termination Property over a commercially reasonable period until the Payment Amount Settlement Balance has been reduced to zero. If delivery of Shares or Alternative Termination Property is to be made by Wells Fargo pursuant to this paragraph, the period during which Wells Fargo purchases Shares or Alternative Termination Property to fulfill its delivery obligations under this paragraph shall be referred to as the "Termination Purchase Period."

If Counterparty elects to settle any Payment Amount owed to Wells Fargo in Shares or Alternative Termination Property pursuant to this "Alternative Termination Settlement" provision, paragraphs 2 through 7 of Annex A hereto shall apply as if (A) such delivery were a settlement of the Transaction to which Net Share Settlement applied, (B) the Cash Settlement Payment Date were the Early Termination Date or the date of early cancellation or termination, as the case may be, and (C) the Forward Cash Settlement Amount were equal to (x) zero minus (y) the Payment Amount owed by Counterparty. For the avoidance of doubt, notwithstanding anything to the contrary in the Equity Definitions or this Confirmation, the Payment Amount will not reflect the value associated with any Excess Dividend declared or paid by Counterparty to holders of record of any Shares as of any date occurring on or after the Trade Date and prior to the date on which the Payment Amount is received.

Cancellation and Payment (Calculation Agent Determination): Sections 12.2(e) and 12.3(d) and the first paragraph of Section 12.7(b) of the Equity Definitions shall be amended by inserting the words “or Share Forward Transaction” after the words “Option Transaction” in each place where such words appear therein. Section 12.7(c) shall be deleted from the Equity Definitions, and each reference in the Equity Definitions to “Section 12.7(c)” shall be replaced with a reference to “Section 12.7(b)”.

Acknowledgment Regarding Adjustments: Any adjustment to the terms of the Transaction, or the determination of any amounts due upon termination of the Transaction as a result of a Merger Event or Tender Offer shall take into account, and shall not duplicate the economic effects of, any extension or other adjustment hereunder (including, without limitation, any adjustment in Section 8 below).

**Consequences of Merger Events:**

Share-for-Share:

Share-for-Other:

Share-for Combined:

New Shares:

Modified Calculation Agent Adjustment

Cancellation and Payment (Calculation Agent Determination)

Component Adjustment

In the definition of “New Shares” in Section 12.1(i) of the Equity Definitions, the text in clause (i) thereof shall be deleted in its entirety and replaced with “publicly quoted, traded or listed on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors).”

Applicable

**Tender Offer:**

**Consequences of Tender Offers:**

Share-for-Share:

Share-for-Other:

Share-for-Combined:

Determining Party:

Modified Calculation Agent Adjustment

Cancellation and Payment (Calculation Agent Determination)

Modified Calculation Agent Adjustment

Wells Fargo

Composition of Combined Consideration:

Not Applicable; provided that notwithstanding Sections 12.1(f) and 12.5(b) of the Equity Definitions, to the extent that the composition of the consideration for the relevant Shares in connection with a Merger Event or Tender Offer could be determined by a holder of the Shares, the Calculation Agent shall, in its good faith and commercially discretion, determine the composition of such consideration for purposes of determining the consequences of such Merger Event or Tender Offer under the Transaction.

Nationalization, Insolvency or Delisting:

Cancellation and Payment (Calculation Agent Determination) In addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall thereafter be the Exchange.

**Additional Disruption Events:**

Change in Law:

Applicable; provided that Section 12.9(a)(ii) of the Equity Definitions is hereby amended by (i) replacing the phrase “the interpretation” in the third line thereof with the phrase “, or public announcement of, the formal or informal interpretation”, (ii) replacing the word “Shares” where it appears in clause (X) thereof with the words “Shares or Hedge Positions” and (iii) immediately following the word “Transaction” in clause (X) thereof, adding the phrase “in the manner contemplated by the Hedging Party on the Trade Date”; provided further that Section 12.9(a)(ii) of the Equity Definitions is hereby amended by replacing the parenthetical beginning after the word “regulation” in the second line thereof the words “(including, for the avoidance of doubt and without limitation, (x) any tax law or (y) adoption or promulgation of new regulations authorized or mandated by existing statute)”.

Failure to Deliver:

Applicable

Insolvency Filing:

Applicable

Hedging Disruption:

Not Applicable.

Hedging Party:

Wells Fargo

Increased Cost of Hedging:

Applicable

Hedging Party:	Wells Fargo
Loss of Stock Borrow:	Applicable
Maximum Stock Loan Rate:	As specified in Appendix A.
Hedging Party:	Wells Fargo
Increased Cost of Stock Borrow:	Applicable
Initial Stock Loan Rate:	As specified in Appendix A.
Hedging Party:	Wells Fargo
Determining Party for all Extraordinary Events:	Wells Fargo; provided that, all calculations and determinations by the Determining Party shall be made in good faith and in a commercially reasonable manner and in accordance with the requirements of the Calculation Agent as set forth below.

**Miscellaneous:**

Non-Reliance:	Applicable
Agreements and Acknowledgments Regarding Hedging Activities:	Applicable
Additional Acknowledgments:	Applicable

3. Calculation Agent:

Wells Fargo; *provided* that, following the occurrence and during the continuance of an Event of Default of the type described in Section 5(a)(vii) of the Agreement with respect to which Wells Fargo is the sole Defaulting Party, Counterparty shall have the right to designate a nationally recognized independent equity derivatives dealer to replace Wells Fargo as the Calculation Agent, and the parties shall work in good faith to execute any appropriate documentation required by such replacement Calculation Agent.

Following any adjustment, determination or calculation by the Calculation Agent hereunder, upon a written request by Counterparty (which may be by email), the Calculation Agent will promptly (but in any event within three Scheduled Trading Days) provide to Counterparty by email to the email address provided by Counterparty in such written request a report (in a commonly used file format for the storage and manipulation of financial data) displaying in reasonable detail the basis for such adjustment, determination or calculation (including any assumptions used in making such adjustment, determination or calculation), it being understood that in no event will the Calculation Agent be obligated to share with Counterparty any proprietary or confidential data or information or any proprietary or confidential models used by it in making such adjustment, determination or calculation or any information that is subject to an obligation not to disclose such information.

All calculations and determinations by the Calculation Agent shall be made in good faith and in a commercially reasonable manner.

4. Account Details:

Wells Fargo's USD payment instructions:

Wells Fargo's delivery instructions:

Counterparty's payment and delivery instructions:

To be advised.

5. **Offices.**

- (a) The Office of Wells Fargo for the Transaction is: Charlotte, NC

For notices with respect to the Transaction:

Notwithstanding anything to the contrary in the Agreement, all notices to Wells Fargo in connection with the Transaction are effective only upon receipt of email message to

- (b) The Office of Counterparty for the Transaction is: Inapplicable, Counterparty is not a Multibranch Party.

For notices with respect to the Transaction:

iRobot Corporation  
8 Crosby Drive- Mail Stop 10-2  
Bedford MA 01730  
Attention: Glen D. Weinstein, EVP, Corporate Development & Chief Legal Officer

iRobot Corporation  
8 Crosby Drive- Mail Stop 10-2  
Bedford MA 01730  
Attention: Stacey Desrochers, Treasurer

6. **Additional Provisions.**

- (a) **Counterparty Representations and Agreements.** Counterparty represents and warrants to, and agrees with, Wells Fargo as follows:

- (i) **Public Reports.** As of the Trade Date, Counterparty is in compliance with its reporting obligations under the Exchange Act, and all reports and other documents filed by Counterparty with the Securities and Exchange Commission pursuant to the Exchange Act, when considered as a whole (with the most recent such reports and documents deemed to amend inconsistent statements contained in any earlier such reports and documents), do not contain any untrue statement of a material fact or any omission of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading. Without limiting the generality of the foregoing, as of the Trade Date and as of the date of any election with respect to the Transaction (including any date that Counterparty elects to deliver or receive Shares hereunder pursuant to the language opposite the caption “Settlement Method Election” in Annex A or “Alternative Termination Settlement” above), Counterparty and its officers and directors are not aware of any material non-public information regarding Counterparty or the Shares.
- (ii) **Regulation M.** Counterparty is not on the Trade Date engaged in a “distribution,” as such term is used in Regulation M under the Exchange Act (“**Regulation M**”). In the event that Counterparty reasonably concludes that it or any of its affiliates or agents will take any action that would cause Regulation M to be applicable to any purchases of Shares, or any security for which the Shares are a “reference security” (as defined in Regulation M), by Counterparty or any of its “affiliated purchasers” (as defined in Regulation M) on any day prior to the second Scheduled Trading Day immediately following the latest of the (i) the final Valuation Date, (ii) the last day of the Settlement Valuation Period, and (iii) the

last day of the Termination Purchase Period, as applicable, Counterparty shall provide Wells Fargo at least five Scheduled Trading Days' written notice of such fact prior to the beginning of the restricted period applicable to such distribution under Regulation M. Counterparty acknowledges that any such action could cause the occurrence (or deemed occurrence) of a Market Disruption Event (and, accordingly, a Potential Adjustment Event). Accordingly, Counterparty acknowledges that its actions in relation to any such notice must comply with the standards set forth in Section 6(b) below.

- (iii) No Manipulation. Counterparty is not entering into the Transaction to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for the Shares) or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for the Shares) or otherwise in violation of the Exchange Act and will not engage in any other securities or derivative transaction to such ends.
- (iv) No Distribution. Counterparty is not entering into the Transaction to facilitate a distribution of the Shares (or any security that may be converted into or exercised or exchanged for Shares, or whose value under its terms may in whole or in significant part be determined by the value of the Shares) or in connection with any future issuance of securities.
- (v) Solvency. As of the Trade Date, the Initial Share Delivery Date, the Prepayment Date and the Settlement Date, (a) the aggregate fair market value of Counterparty's assets will exceed its liabilities (including contingent, subordinated, unmatured and unliquidated liabilities), (b) it has not engaged in and will not engage in any business or transaction after which the property remaining with it will be unreasonably small in relation to its business, (c) it has not incurred and does not intend to incur debts beyond its ability to pay as they mature, and (d) as a result of entering into and performing its obligations under the Transaction, (x) it has not violated and will not violate any relevant state law provision applicable to the acquisition or redemption by an issuer of its own securities and (y) it would not be nor would it be rendered "insolvent" (as such term is defined under Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the "**Bankruptcy Code**")).
- (vi) Eligible Contract Participant. It is an "eligible contract participant," as defined under the Commodity Exchange Act (7 U.S.C. § 1a(18)) and CFTC regulations (17 CFR § 1.3) because it is a corporation, partnership, organization, trust, or other entity (other than a commodity pool or a proprietorship) that has total assets exceeding \$10,000,000.
- (vii) Tender Offers. The purchase or writing of the Transaction by Counterparty will not violate Rule 13e-1 or Rule 13e-4 under the Exchange Act.
- (viii) Investment Company. Counterparty is not, and after giving effect to the transactions contemplated hereby will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.
- (ix) Accounting Treatment. Without limiting the generality of Section 13.1 of the Equity Definitions, Counterparty acknowledges that neither Wells Fargo nor any of its Affiliates is making any representations or warranties or taking any position or expressing any view with respect to the treatment of the Transaction under any accounting standards including ASC Topic 260, *Earnings Per Share*, ASC Topic 815, *Derivatives and Hedging*, or ASC Topic 480, *Distinguishing Liabilities from Equity* and ASC 815-40, *Derivatives and Hedging – Contracts in Entity's Own Equity*.
- (x) Authorization and Disclosure. The Transaction is being entered into pursuant to a publicly disclosed Share buy-back program, which Counterparty publicly disclosed on or



before the Trade Date. Upon Wells Fargo's request, Counterparty shall deliver to Wells Fargo a copy of the resolution of Counterparty's board of directors authorizing the Transaction.

- (xi) No Overlapping Transactions. Without consent from Wells Fargo, Counterparty will not enter into agreements similar to the Transaction where any initial hedge period, averaging period, termination purchase period or settlement valuation period (each however defined) in such other transaction will overlap at any time (including as a result of extensions in such initial hedge period, averaging period, termination purchase period or settlement valuation period as provided in the relevant agreements) with any Averaging Period, Termination Purchase Period or Settlement Valuation Period under this Confirmation. In the event of any such overlap as a result of any postponement pursuant to "Valuation Disruption" above or implementation of the Settlement Valuation Period, Counterparty shall promptly amend such other transaction to avoid any such overlap.
- (xii) Rule 10b-18 purchases. Counterparty represents and warrants to Wells Fargo that neither it nor any "affiliated purchaser" (as defined in Rule 10b-18 under the Exchange Act, "**Rule 10b-18**") has made any purchases of blocks pursuant to the proviso in Rule 10b-18(b)(4) during either (i) the four full calendar weeks immediately preceding the Trade Date or (ii) during the calendar week in which the Trade Date occurs.

(b) **Rule 10b5-1.**

- (i) Counterparty intends the Transaction to comply with the requirements of Rule 10b5-1(c) under the Exchange Act. Counterparty represents that it is entering into the Transaction in good faith and not as part of a plan or scheme to evade the antifraud or anti-manipulation provisions of the federal or applicable state securities laws and that it has not entered into or altered any hedging transaction relating to the Shares corresponding to or offsetting the Transaction. Counterparty represents and warrants that it has consulted with its own advisors as to the legal aspects of its adoption and implementation of the Transaction under Rule 10b5-1 under the Exchange Act.
- (ii) Counterparty shall not, at any time during any Averaging Period, Settlement Valuation Period or Termination Purchase Period, communicate, directly or indirectly, any material nonpublic information concerning itself or the Shares or purchases or sales of Shares by Wells Fargo (or its agent or affiliate) to any Relevant Bank Personnel. "**Relevant Bank Personnel**" means any "public side" employees or agents of Wells Fargo or any affiliate of Wells Fargo that Wells Fargo has notified Counterparty in writing are "Relevant Bank Personnel"; provided that Wells Fargo may amend the list of Relevant Bank Personnel at any time by delivering a revised list to Counterparty. "Relevant Bank Personnel" shall initially mean any personnel of the "public side" equity derivatives trading group of Wells Fargo or its affiliates who are responsible for, or have the ability to influence, the execution of the Transaction and of Wells Fargo's hedge in relation thereto.
- (iii) Counterparty agrees that Counterparty shall not enter into or alter any hedging transaction relating to the Shares corresponding to or offsetting the Transaction. Counterparty also acknowledges and agrees that any amendment, modification, waiver or termination of this Confirmation must be effected in accordance with the requirements for the amendment or termination of a "plan" as defined in Rule 10b5-1(c) under the Exchange Act. Without limiting the generality of the foregoing, any such amendment, modification, waiver or termination shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5, and no such amendment, modification, waiver or termination shall be made at any time at which Counterparty is aware of any material non-public information regarding Counterparty or the Shares.

- (iv) Counterparty acknowledges and agrees that it does not have, and shall not attempt to exercise, any influence over how, when or whether Wells Fargo effects any purchases of Shares in connection with the Transaction.

(c) **U.S. Private Placement and Other Representations.**

Each party acknowledges that the offer and sale of the Transaction to it is intended to be exempt from registration under the Securities Act of 1933, as amended (the “**Securities Act**”). Accordingly, each party hereby represents and warrants to the other party as of the date hereof that:

- (i) It is an “accredited investor” (as defined in Regulation D under the Securities Act) and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the Transaction, and it is able to bear the economic risk of the Transaction.
- (ii) It is entering into the Transaction for its own account and not with a view to the distribution or resale of the Transaction or its rights thereunder.
- (iii) It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing.
- (iv) It has the power to execute this Confirmation and any other documentation relating to this Confirmation to which it is a party, to deliver this Confirmation and any other documentation relating to this Confirmation that it is required by this Confirmation to deliver and to perform its obligations under this Confirmation and has taken all necessary action to authorize such execution, delivery and performance.
- (v) Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets.

- (d) **Securities Contract; Swap Agreement.** The parties hereto agree and acknowledge that Wells Fargo is a “financial participant” within the meaning of Sections 101(22), 101(53C) and 101(22A) of the Bankruptcy Code. The parties hereto further agree and acknowledge that the Transaction is (i) a “securities contract” as such term is defined in Section 741(7) of the Bankruptcy Code, in which case each payment and delivery made pursuant to the Transaction is a “termination value,” “payment amount” or “other transfer obligation” within the meaning of Section 362 of the Bankruptcy Code and a “settlement payment,” within the meaning of Section 546 of the Bankruptcy Code and (ii) a “swap agreement,” as such term is defined in Section 101(53B) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a “termination value,” “payment amount” or “other transfer obligation” within the meaning of Section 362 of the Bankruptcy Code and a “transfer,” as such term is defined in Section 101(54) of the Bankruptcy Code and a “payment or other transfer of property” within the meaning of Sections 362 and 546 of the Bankruptcy Code, and that Wells Fargo is entitled to the protections afforded by, among other sections, Sections 362(b)(6), 362(b)(17), 362(o), 546(e), 546(g), 548(d)(2), 555, 560 and 561 of the Bankruptcy Code.
- (e) **Bankruptcy Status.** Wells Fargo acknowledges and agrees that this Confirmation is not intended to convey to it rights with respect to the transactions contemplated hereby that are senior to the claims of Counterparty’s common stockholders in the event of Counterparty’s bankruptcy; provided, that nothing herein shall be deemed to limit Wells Fargo’s right to pursue remedies in the event of a breach by Counterparty of its obligations and agreements with respect to this Confirmation and the Agreement; and provided, further, that nothing herein shall limit or shall be deemed to limit Wells Fargo’s rights in respect of any transaction other than the Transaction.

- (f) **No Collateral or Setoff.** Notwithstanding any provision of this Confirmation, the Agreement, or any other agreement between the parties to the contrary, the obligations of Counterparty under the Transaction are not secured by any collateral. Wells Fargo agrees not to set off or net amounts due from Counterparty with respect to the Transaction against amounts due from Wells Fargo to Counterparty.
- (g) **Additional Termination Events.** Notwithstanding any other provision hereof, an Additional Termination Event shall occur and Counterparty shall be the sole Affected Party pursuant to such Additional Termination Event if: (i) at any time on or prior to the final Valuation Date, the price per Share on the Exchange, as determined by the Calculation Agent, is at or below the Threshold Price as specified in Appendix A; or (ii) Counterparty declares an Excess Dividend or an Extraordinary Dividend, in either case, with an ex-dividend date that occurs or is scheduled to occur during the Relevant Dividend Period. For the avoidance of doubt, no such Excess Dividend or Extraordinary Dividend shall constitute a Potential Adjustment Event.
- (h) **Maximum Share Delivery.** Notwithstanding anything to the contrary in this Confirmation, in no event shall Counterparty be required to deliver any Shares, or any Shares or other securities comprising Alternative Termination Delivery Units, in respect of the Transaction in excess of the Maximum Deliverable Number (as specified in Appendix A) of Shares.
- (i) **Agreements to Deliver Documents.** Counterparty agrees to complete (accurately and in a manner reasonably satisfactory to the other party), execute, and deliver to Wells Fargo, United States Internal Revenue Service Form W-8 or Form W-9, as applicable, or any successor of such form, (i) upon execution of this Confirmation, (ii) promptly upon reasonable demand by Wells Fargo, and (iii) promptly upon learning that any such form previously provided by it has become obsolete or incorrect.
- (j) **Reserved.**
- (k) **Counterparty Purchases.** Without the prior written consent of Wells Fargo, Counterparty shall not, and shall cause its “affiliated purchasers” (as defined in Rule 10b-18) not to, directly or indirectly (including, without limitation, by means of a derivative) purchase, offer to purchase, place any bid or limit order that would effect a purchase of, or commence any tender offer relating to, any Shares (or an equivalent interest, including a unit of beneficial interest in a trust or limited partnership or a depository share) or any security convertible into or exchangeable for Shares during the Averaging Period, Settlement Valuation Period or Termination Purchase Period. During such time, any purchases of Shares (or any security convertible into or exchangeable for Shares) by Counterparty shall be made through Wells Fargo Securities, LLC, which is an affiliate of Wells Fargo.
- (l) **Merger-related Transactions.** During the Averaging Period, Settlement Valuation Period and Termination Purchase Period, as applicable, Counterparty shall (i) not make, or permit to be made, any public announcement (as defined in Rule 165(f) under the Securities Act) of any Merger Transaction or potential Merger Transaction (a “**Merger Announcement**”) unless such Merger Announcement is made prior to the opening or after the close of the regular trading session on the Exchange for the Shares, (ii) notify Wells Fargo prior to the opening of trading in the Shares on any day on which Counterparty makes, or expects to be made, any Merger Announcement, (iii) promptly notify Wells Fargo following any such Merger Announcement that such Merger Announcement has been made, and (iv) promptly deliver to Wells Fargo following the making of any such Merger Announcement a certificate indicating (A) Counterparty’s average daily Rule 10b-18 purchases (as defined in Rule 10b-18) during the three full calendar months preceding the date of the Merger Announcement and (B) Counterparty’s block purchases (as defined in Rule 10b-18) effected pursuant to paragraph (b)(4) of Rule 10b-18 during the three full calendar months preceding the date of the Merger Announcement. In addition, Counterparty shall promptly notify Wells Fargo of the earlier to occur of the completion of any Merger Transaction and the completion of the vote by target shareholders. Counterparty acknowledges that any Merger

Announcement may cause the terms of the Transaction to be adjusted or terminated. Accordingly, Counterparty acknowledges that its actions in relation to any Merger Announcement or Merger Transaction must comply with the standards set forth in Section 6(b) above. Upon the occurrence of any Merger Announcement, Wells Fargo may (i) make adjustments in a commercially reasonable manner to the terms of the Transaction or (ii) treat the occurrence of such Merger Announcement as an Additional Termination Event with Counterparty as the sole Affected Party and the Transaction hereunder as the Affected Transaction and with the amount under Section 6(e) of the Agreement determined taking into account the fact that the Averaging Period, Settlement Valuation Period and/or Termination Purchase Period, as the case may be, had fewer Scheduled Trading Days than originally anticipated. “**Merger Transaction**” means any merger, acquisition, or similar transaction involving a recapitalization relating to Counterparty, other than, solely for purposes of this clause (l), any such transaction in which the consideration consists solely of cash and there is no valuation period.

- (m) **Acknowledgments and Agreements Regarding Hedging.** Counterparty acknowledges and agrees that (i) during the Averaging Period, Wells Fargo and its affiliates may (x) buy or sell Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to adjust its hedge position with respect to the Transaction and (y) be active in the market for Shares other than in connection with hedging activities in relation to the Transaction, (ii) Wells Fargo shall make its own determination as to whether, when or in what manner any hedging or market activities in Counterparty’s securities shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Settlement Price and/or the VWAP Price and (iii) any market activities of Wells Fargo and its affiliates with respect to Shares may affect the market price and volatility of Shares, as well as the Settlement Price, the Cash Settlement Price and/or the VWAP Price, each in a manner that may be adverse to Counterparty.

7. **Regulatory Disruption.**

As specified in Appendix A.

8. **Special Provisions regarding Acquisition Transaction Announcements.**

- (a) If an Acquisition Transaction Announcement occurs on or prior to the final Settlement Date, then the Calculation Agent shall make such adjustments in a good faith and commercially reasonable manner to the Settlement Price Adjustment, to account for the economic effect on the Transaction of such Acquisition Transaction Announcement (including adjustments to account solely for changes in price, volatility, stock loan rate and liquidity relevant to the Shares, to the Transaction or Dealer’s commercially reasonable hedge positions in respect of the Transaction). If an Acquisition Transaction Announcement occurs after the Trade Date, but prior to the Scheduled Earliest Acceleration Date, the Scheduled Earliest Acceleration Date shall be the date of such Acquisition Transaction Announcement.
- (b) “**Acquisition Transaction Announcement**” means the public announcement by Counterparty or any Valid Third Party Entity (as defined below) (i) of an Acquisition Transaction or an event that, if consummated, would result in an Acquisition Transaction, (ii) that Counterparty or any of its subsidiaries has entered into an agreement, a letter of intent or an understanding designed to result in an Acquisition Transaction, (iii) of the intention to solicit or enter into, or to explore strategic alternatives or other similar undertaking that may include, an Acquisition Transaction, (iv) of a transaction or event that in the good faith and commercially reasonable judgment of the Calculation Agent would result in an Acquisition Transaction, or (v) of any change or amendment to any previous Acquisition Transaction Announcement (including any announcement of the abandonment of any such previously announced Acquisition Transaction, agreement, letter of intent, understanding or intention). For the avoidance of doubt, announcements as used in the definition of Acquisition Transaction Announcement refer to any public announcement whether made by Counterparty, its subsidiary, its affiliate or its representative. “**Valid Third Party**

**Entity**” means any third party that has a bona fide intent to enter into and consummate an Acquisition Transaction (it being understood and agreed that in determining whether such third party has such a bona fide intent, the Calculation Agent may take into consideration of the effect of the relevant announcement by such third party on the Shares and/or options relating to the Shares).

- (c) **“Acquisition Transaction”** means (i) any Merger Event (for purposes of this definition the definition of Merger Event shall be read with the references therein to “100%” being replaced by “30%” and to “50%” by “85%” and without reference to the clause beginning immediately following the definition of Reverse Merger therein to the end of such definition), Tender Offer or Merger Transaction or any other transaction involving the merger of Counterparty with or into any third party, (ii) the sale or transfer of all or substantially all of the assets of Counterparty, (iii) a recapitalization, reclassification, binding share exchange or other similar transaction with respect to Counterparty, (iv) any acquisition, lease, exchange, transfer, disposition (including by way of spin-off or distribution) of assets (including any capital stock or other ownership interests in subsidiaries) or other similar event by Counterparty or any of its subsidiaries where the aggregate consideration transferable or receivable by or to Counterparty or its subsidiaries exceeds 30% of the market capitalization of Counterparty and (v) any transaction in which Counterparty or its board of directors has a legal obligation to make a recommendation to its shareholders in respect of such transaction (whether pursuant to Rule 14e-2 under the Exchange Act or otherwise).

9. **Staggered Settlement.**

Notwithstanding anything to the contrary herein, Wells Fargo may, by prior notice to Counterparty, satisfy its obligation to deliver any Shares or other securities on any date due (an **“Original Delivery Date”**) by making separate deliveries of Shares or such securities, as the case may be, at more than one time on or prior to such Original Delivery Date, so long as the aggregate number of Shares and other securities so delivered on or prior to such Original Delivery Date is equal to the number required to be delivered on such Original Delivery Date.

10. **Transfer and Assignment.**

Notwithstanding anything to the contrary in the Agreement, Wells Fargo may assign, transfer and set over all its rights, title and interest, powers, privileges and remedies under the Transaction, in whole or in part, (A) without Counterparty’s consent, to any affiliate of Wells Fargo (1) that has a long-term issuer rating that is equal to or better than Wells Fargo’s credit rating at the time of such transfer or assignment, or (2) whose obligations hereunder will be guaranteed, pursuant to the terms of a customary guarantee in a form used by Wells Fargo or Wells Fargo & Company (*provided* that in connection with any assignment or transfer pursuant to clause (A)(2) hereof, the guarantee of any guarantor of the relevant transferee’s obligations under the Transaction shall constitute a Credit Support Document under the Agreement), or (B) with Counterparty’s consent (such consent not to be unreasonably withheld or delayed), to any third party financial institution that is a recognized dealer in the market for U.S. corporate equity derivatives and that has a long-term issuer rating equal to or better than the lesser of (1) the credit rating of Wells Fargo at the time of the transfer and (2) A- by Standard and Poor’s Rating Group, Inc. or its successor (**“S&P”**), or A3 by Moody’s Investor Service, Inc. or its successor (**“Moody’s”**) or, if either S&P or Moody’s ceases to rate such debt, at least an equivalent rating or better by a substitute rating agency mutually agreed by Wells Fargo and Counterparty.

11. **Limit on Beneficial Ownership.**

Notwithstanding anything to the contrary in this Confirmation, Counterparty acknowledges and agrees that, on any day, Wells Fargo shall not be obligated or entitled to receive from Counterparty any Shares, and Counterparty shall not be entitled to deliver to Wells Fargo any Shares, to the extent (but only to the extent) that, after such receipt of any Shares hereunder, (i) the Section 16 Percentage would exceed 8.0%, or (ii) the Share Amount would exceed the Applicable Share Limit. Any purported delivery hereunder shall be void and have no effect to the extent (but only to the extent) that, after such delivery, (i) the Section 16

Percentage would exceed 8.0%, or (ii) the Share Amount would exceed the Applicable Share Limit. If any delivery owed to Wells Fargo hereunder is not made, in whole or in part, as a result of this provision, Counterparty's obligation to make such delivery shall not be extinguished and Counterparty shall make such delivery as promptly as practicable after, but in no event later than one Exchange Business Day after, Wells Fargo gives notice to Counterparty that, after such delivery, (i) the Section 16 Percentage would not exceed 8.0%, and (ii) the Share Amount would not exceed the Applicable Share Limit. The "**Section 16 Percentage**" as of any day is the fraction, expressed as a percentage, (A) the numerator of which is the number of Shares that Wells Fargo and any of its affiliates or any other person subject to aggregation with Wells Fargo for purposes of the "beneficial ownership" test under Section 13 of the Exchange Act, or any "group" (within the meaning of Section 13 of the Exchange Act) of which Wells Fargo is or may be deemed to be a part beneficially owns (within the meaning of Section 13 of the Exchange Act), without duplication, on such day (or, to the extent that for any reason the equivalent calculation under Section 16 of the Exchange Act and the rules and regulations thereunder results in a higher number, such higher number) and (B) the denominator of which is the number of Shares outstanding on such day. The "**Share Amount**" as of any day is the number of Shares that Wells Fargo and any person whose ownership position would be aggregated with that of Wells Fargo (Wells Fargo or any such person, a "**Wells Fargo Person**") under any law, rule, regulation, regulatory order or organizational documents or contracts of Counterparty that are, in each case, applicable to ownership of Shares ("**Applicable Restrictions**"), owns, beneficially owns, constructively owns, controls, holds the power to vote or otherwise meets a relevant definition of ownership under any Applicable Restriction, as determined by Wells Fargo in its reasonable discretion. The "**Applicable Share Limit**" means a number of Shares equal to (A) the minimum number of Shares that could give rise to reporting or registration obligations or other requirements (including obtaining prior approval from any person or entity) of a Wells Fargo Person, or could result in an adverse effect on a Wells Fargo Person, under any Applicable Restriction, as determined by Wells Fargo in its reasonable discretion, *minus* (B) 1% of the number of Shares outstanding.

12. **Registration Provisions.**

Counterparty hereby agrees that if, in the good faith and commercially reasonable judgment of Wells Fargo, any Shares acquired by Wells Fargo for the purpose of hedging its obligations pursuant to the Transaction cannot be sold in the public market by Wells Fargo without registration under the Securities Act, Counterparty shall, at its election: (i) in order to allow Wells Fargo to sell such Shares in a registered offering, make available to Wells Fargo an effective registration statement under the Securities Act to cover the resale of such Shares and (A) enter into an agreement, in form and substance satisfactory to Wells Fargo, substantially in the form of an underwriting agreement for a registered offering of similar size, (B) provide accountant's "comfort" letters in customary form for registered offerings of equity securities of similar size, (C) provide disclosure opinions of nationally recognized outside counsel to Counterparty reasonably acceptable to Wells Fargo, (D) provide other customary opinions, certificates and closing documents customary in form for registered offerings of equity securities of similar size and (E) afford Wells Fargo a reasonable opportunity to conduct a "due diligence" investigation with respect to Counterparty customary in scope for underwritten offerings of equity securities of similar size; provided that if Wells Fargo, in its good faith and commercially reasonable discretion, is not satisfied with access to due diligence materials, the results of its due diligence investigation, or the procedures and documentation for the registered offering referred to above, then clause (ii) or clause (iii) of this Section 12 shall apply at the election of Counterparty; (ii) in order to allow Wells Fargo to sell such Shares in a private placement, enter into a private placement agreement substantially similar to private placement purchase agreements customary for private placements of equity securities of similar size, in form and substance satisfactory to Wells Fargo, including customary representations, covenants, blue sky and other governmental filings and/or registrations, indemnities to Wells Fargo, due diligence rights (for Wells Fargo or any designated buyer or buyers of the Shares from Wells Fargo), opinions and certificates and such other documentation as is customary for private placements agreements, all commercially reasonably acceptable to Wells Fargo (in which case, the Calculation Agent shall make any adjustments to the terms of the Transaction that are necessary, using commercially reasonable judgment, to compensate Wells Fargo for any commercially reasonable discount from the public market price of the Shares incurred on the sale of such Shares in a private placement); or (iii) purchase the Shares from Wells Fargo at the then-current market price on such Exchange Business Days, and in the amount(s) and at such time(s), requested by Wells Fargo.

13. **Calculations and Payment Date upon Early Termination.**

Notwithstanding anything to the contrary in Section 6(d)(ii) of the Agreement or Article 12 of the Equity Definitions, all amounts calculated as being due in respect of an Early Termination Date under Section 6(e) of the Agreement or upon cancellation or termination of the Transaction under Article 12 of the Equity Definitions will be payable on the day that notice of the amount payable is effective; *provided* that if Counterparty elects to receive or deliver Shares or Alternative Termination Property in accordance with the language opposite the caption "Alternative Termination Settlement" above, such Shares or Alternative Termination Property shall be delivered on a date selected by Wells Fargo as promptly as practicable.

14. **Counterparts.**

This Confirmation may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Confirmation by signing and delivering one or more counterparts.

15. **Waiver of Trial by Jury.**

**EACH PARTY HEREBY IRREVOCABLY WAIVES (ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS STOCKHOLDERS) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THE TRANSACTION OR THE ACTIONS OF WELLS FARGO OR ITS AFFILIATES IN THE NEGOTIATION, PERFORMANCE OR ENFORCEMENT HEREOF.**

16. **Adjustments.**

For the avoidance of doubt, whenever Wells Fargo, the Calculation Agent or the Determining Party is called upon to make an adjustment or determination pursuant to the terms of this Confirmation or the Equity Definitions to take into account the effect of an event, Wells Fargo, the Calculation Agent or the Determining Party, as the case may be, shall make such adjustment or determination by reference to the effect of such event on the Hedging Party, assuming that the Hedging Party maintains a commercially reasonable Hedge Position at the time of the event.

17. Amendments to the Equity Definitions.

- (a) Section 11.2(a) of the Equity Definitions is hereby amended by deleting the words "a diluting or concentrative" and replacing them with the words "an"; and adding the phrase "or such Transaction" at the end of the sentence.
- (b) Section 11.2(c) of the Equity Definitions is hereby amended by (i) replacing the words "a diluting or concentrative" with "an" in the fifth line thereof, (ii) adding the phrase "or such Transaction" after the words "the relevant Shares" in the same sentence, (iii) deleting the words "dilutive or concentrative" in the sixth to last line thereof, and (iv) deleting the phrase "(provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares)" and replacing it with the phrase "(and, for the avoidance of doubt, adjustments may be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares or Dealer's commercially reasonable hedge position)."
- (c) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by deleting the words "a diluting or concentrative" and replacing them with the word "a material"; and adding the phrase "or the relevant Transaction" at the end of the sentence.
- (d) Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (i) deleting from the fourth line thereof the word "or" after the word "official" and inserting a comma therefor, and (ii) deleting the

semi-colon at the end of subsection (B) thereof and inserting the following words therefor “or (C) at Wells Fargo’s option, the occurrence of any of the events specified in Section 5(a)(vii) (1) through (9) of the ISDA Master Agreement with respect to that Issuer.”

- (e) Section 12.9(b)(iv) of the Equity Definitions is hereby amended by:
  - (i) deleting (1) subsection (A) in its entirety, (2) the phrase “or (B)” following subsection (A) and (3) the phrase “in each case” in subsection (B); and
  - (ii) replacing the phrase “neither the Non-Hedging Party nor the Lending Party lends Shares” with the phrase “such Lending Party does not lend Shares” in the penultimate sentence.
- (f) Section 12.9(b)(v) of the Equity Definitions is hereby amended by:
  - (i) adding the word “or” immediately before subsection “(B)” and deleting the comma at the end of subsection (A); and
  - (ii) (1) deleting subsection (C) in its entirety, (2) deleting the word “or” immediately preceding subsection (C), (3) deleting the penultimate sentence in its entirety and replacing it with the sentence “The Hedging Party will determine the Cancellation Amount payable by one party to the other” and (4) deleting clause (X) in the final sentence.

18. **Wall Street Transparency and Accountability Act.** In connection with Section 739 of the Wall Street Transparency and Accountability Act of 2010 (“WSTAA”), the parties hereby agree that neither the enactment of WSTAA or any regulation under the WSTAA, nor any requirement under WSTAA or an amendment made by WSTAA, nor any similar legal certainty provision in any legislation enacted, or rule or regulation promulgated, on or after the date of this Confirmation, shall limit or otherwise impair either party’s otherwise applicable rights to terminate, renegotiate, modify, amend or supplement this Confirmation or the Agreement, as applicable, arising from a termination event, force majeure, illegality, increased costs, regulatory change or similar event under this Confirmation, the Equity Definitions incorporated herein, or the Agreement (including, without limitation, rights arising from Change in Law, Loss of Stock Borrow, Increased Cost of Stock Borrow, Hedging Disruption, Increased Cost of Hedging, or Illegality).

19. **US QFC Stay Rules**

The parties agree that (i) to the extent that prior to the date hereof all parties have adhered to the 2018 ISDA U.S. Resolution Stay Protocol (the “**Protocol**”), the terms of the Protocol are incorporated into and form a part of this Agreement, and for such purposes this Agreement shall be deemed a Protocol Covered Agreement and each party shall be deemed to have the same status as Regulated Entity and/or Adhering Party as applicable to it under the Protocol; (ii) to the extent that prior to the date hereof the parties have executed a separate agreement the effect of which is to amend the qualified financial contracts between them to conform with the requirements of the QFC Stay Rules (the “**Bilateral Agreement**”), the terms of the Bilateral Agreement are incorporated into and form a part of this Agreement and each party shall be deemed to have the status of “Covered Entity” or “Counterparty Entity” (or other similar term) as applicable to it under the Bilateral Agreement; or (iii) if clause (i) and clause (ii) do not apply, the terms of Section 1 and Section 2 and the related defined terms (together, the “**Bilateral Terms**”) of the form of bilateral template entitled “Full-Length Omnibus (for use between U.S. G-SIBs and Corporate Groups)” published by ISDA on November 2, 2018 (currently available on the 2018 ISDA U.S. Resolution Stay Protocol page at [www.isda.org](http://www.isda.org) and, a copy of which is available upon request), the effect of which is to amend the qualified financial contracts between the parties thereto to conform with the requirements of the QFC Stay Rules, are hereby incorporated into and form a part of this Agreement, and for such purposes this Agreement shall be deemed a “Covered Agreement,” Wells Fargo Bank, National Association shall be deemed “Covered Entities” and iRobot Corporation shall be deemed a “Counterparty Entity.” In the event that, after the date of this Agreement, all parties hereto become adhering parties to the Protocol, the terms of the Protocol will replace the terms of this section 19. In the event of any inconsistencies between this Agreement and the terms of the Protocol, the Bilateral Agreement or



the Bilateral Terms (each, the “**QFC Stay Terms**”), as applicable, the QFC Stay Terms will govern. Terms used in this paragraph without definition shall have the meanings assigned to them under the QFC Stay Rules. For purposes of this paragraph, references to “this Agreement” include any related credit enhancements entered into between the parties or provided by one to the other.

“*QFC Stay Rules*” means the regulations codified at 12 C.F.R. 252.2, 252.81–8, 12 C.F.R. 382.1-7 and 12 C.F.R. 47.1-8, which, subject to limited exceptions, require an express recognition of the stay-and-transfer powers of the FDIC under the Federal Deposit Insurance Act and the Orderly Liquidation Authority under Title II of the Dodd Frank Wall Street Reform and Consumer Protection Act and the override of default rights related directly or indirectly to the entry of an affiliate into certain insolvency proceedings and any restrictions on the transfer of any covered affiliate credit enhancements.

## 20. CARES ACT

Counterparty (x) represents and warrants that it has not, as of the Trade Date, applied for or received a loan, loan guarantee, direct loan (as that term is defined in the Coronavirus Aid, Relief and Economic Security Act (the “**CARES Act**”)) and is not in material breach of any Material Governmental Restrictions (as hereinafter defined) under any or other investment, or any financial assistance or relief under any program or facility (collectively “**Financial Assistance**”) that (a) is established under applicable law (whether in existence as of the Trade Date or subsequently enacted, adopted or amended), including without limitation the CARES Act and the Federal Reserve Act, as amended, and (b) (i) requires under applicable law (or any regulation, guidance, interpretation or other pronouncement of a governmental authority with jurisdiction for such program or facility) as a condition of such Financial Assistance, that Counterparty comply with certain requirements (the “**Material Governmental Restrictions**”) not to, or otherwise agree, attest, certify or warrant that it has not, as of the date specified in such condition, repurchased, or will not repurchase, any equity security of Counterparty, and that it has not, as of the date specified in the condition, made a capital distribution or will make a capital distribution, or (ii) for which the terms of the Transaction would cause Counterparty to fail to satisfy any condition for application for or receipt or retention of the Financial Assistance and (y) acknowledges that entering into the Transaction may limit its ability to receive such loan, loan guarantee, or direct loan Financial Assistance.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation and returning it to .

**WELLS FARGO BANK, NATIONAL ASSOCIATION**

By: /s/ Thomas Yates

Name: Thomas Yates

Title: Managing Director

**iROBOT CORPORATION**

By: /s/ Julie Zeiler

Name: Julie Zeiler

Title: EVP, Chief Financial Officer

<b>Prepayment Date:</b>	August 3, 2021
<b>Prepayment Amount:</b>	USD 100,000,000
<b>Initial Shares:</b>	943,285 Shares; <u>provided</u> that if Wells Fargo is unable to borrow or otherwise acquire a number of Shares equal to the Initial Shares for delivery to Counterparty on the Initial Share Delivery Date, the Initial Shares delivered on the Initial Share Delivery Date shall be reduced to such number of Shares that Wells Fargo is able to so borrow or otherwise acquire.
<b>Valuation Date:</b>	[***] (or if such date is not an Exchange Business Day, the next following Exchange Business Day); <u>provided</u> that Wells Fargo shall have the right in its absolute discretion, to accelerate the Valuation Date for all or any part of the Transaction (each, an “ <b>Accelerated Valuation Date</b> ”) to any date that is on or after the Scheduled Earliest Acceleration Date, by giving notice prior to 8:00 p.m. (New York City time) on the Exchange Business Day following such date (each, an “ <b>Acceleration Notice</b> ”). Wells Fargo shall specify in each Acceleration Notice the portion of the Prepayment Amount that is subject to acceleration (which may be less than the full Prepayment Amount but in no event less than USD 33,000,000). If the portion of the Prepayment Amount that is subject to acceleration is less than the full Prepayment Amount, then the Calculation Agent shall in a good faith and commercially reasonable manner adjust the terms of the Transaction as appropriate in order to take into account the occurrence of such Accelerated Valuation Date (including cumulative adjustments to take into account all prior Accelerated Valuation Dates).
<b>Scheduled Earliest Acceleration Date:</b>	[***]
<b>Averaging Period Start Date:</b>	[***]
<b>Settlement Price Adjustment:</b>	USD [***]
<b>Ordinary Dividend Amount:</b>	USD 0.00 per Share
<b>Maximum Stock Loan Rate:</b>	200 bps
<b>Initial Stock Loan Rate:</b>	30 bps
<b>Threshold Price:</b>	USD 17.00
<b>Maximum Deliverable Number:</b>	7,000,000

<b>Regulatory Disruption:</b>	In the event that Wells Fargo reasonably determines, in good faith and based on the advice of counsel, that it is appropriate with regard to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by Wells Fargo, and including, without limitation, Rule 10b-18, Rule 10b-5, Regulation 13D-G and Regulation 14E), to refrain from purchasing Shares or to purchase fewer than the number of Shares than would otherwise be expected to be purchased in a commercially reasonable manner on any Scheduled Trading Day during the duration of the Transaction, then Wells Fargo may, in its reasonable discretion, elect to deem that a Market Disruption Event has occurred and will be continuing on such Scheduled Trading Day or Days; <i>provided</i> that, if any Regulatory Disruption results in a Disrupted Day, such Scheduled Trading Day shall be a Disrupted Day in whole, and not in part. Wells Fargo shall notify Counterparty upon the exercise of Wells Fargo's rights pursuant to this Section 7 and shall subsequently notify the Issuer on the day Wells Fargo believes that the circumstances giving rise to such exercise have changed. If the Averaging Period is suspended pursuant to this Section 7, at the end of such suspension Wells Fargo shall determine the number of Scheduled Trading Days remaining in the Averaging Period, as appropriate, and the terms of the Transaction shall be adjusted by the Calculation Agent.
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Counterparty Settlement Provisions

1. The following Counterparty Settlement Provisions shall apply to the Transaction to the extent indicated under the Confirmation:

Settlement Currency: USD

Settlement Method Election: Applicable; *provided* that (i) Section 7.1 of the Equity Definitions is hereby amended by deleting the word “Physical” in the sixth line thereof and replacing it with the words “Net Share” and (ii) the Electing Party may make a settlement method election only if the Electing Party represents and warrants to Wells Fargo in writing on the date it notifies Wells Fargo of its election that, as of such date, the Electing Party is not aware of any material non-public information regarding Counterparty or the Shares and is electing the settlement method in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws.

Electing Party: Counterparty

Settlement Method Election Date: The earlier of (i) the scheduled Valuation Date and (ii) the second Exchange Business Day immediately following the Accelerated Valuation Date (in which case the election under Section 7.1 of the Equity Definitions shall be made no later than 10 minutes prior to the open of trading on the Exchange on such second Exchange Business Day), as the case may be.

Default Settlement Method: Cash Settlement

Forward Cash Settlement Amount: An amount equal to (a) the Number of Shares to be Delivered, *multiplied by* (b) the Cash Settlement Price.

Cash Settlement Price: An amount equal to the sum of the arithmetic average of the VWAP Prices for the Exchange Business Days in the Settlement Valuation Period, subject to Valuation Disruption as specified in the Confirmation (in each case).

Settlement Valuation Period: A number of Scheduled Trading Days selected by Wells Fargo in its commercially reasonable discretion, beginning on the Scheduled Trading Day immediately following the earlier of (i) the scheduled Valuation Date or (ii) the Exchange Business Day immediately following the Valuation Date.

Cash Settlement: If Cash Settlement is applicable, then Counterparty shall pay to Wells Fargo the absolute value of the Forward Cash Settlement Amount on the Cash Settlement Payment Date.

Cash Settlement Payment Date: The Exchange Business Day immediately following the last day of the Settlement Valuation Period.

Net Share Settlement Procedures: If Net Share Settlement is applicable, Net Share Settlement shall be made in accordance with paragraphs 2 through 7 below.

2. Net Share Settlement shall be made by delivery on the Cash Settlement Payment Date of a number of Shares satisfying the conditions set forth in paragraph 3 below (the “**Registered Settlement Shares**”), or a number of Shares not satisfying such conditions (the “**Unregistered Settlement Shares**”), in either case with a value equal to the absolute value of the Forward Cash Settlement Amount, with such Shares’ value based on the value thereof to Wells Fargo (which value shall, in the case of Unregistered Settlement Shares, take into account a commercially reasonable illiquidity discount), in each case as determined by the Calculation Agent. If all of the conditions for delivery of either Registered Settlement Shares or Unregistered Settlement Shares have not been satisfied, Cash Settlement shall be applicable in accordance with paragraph 1 above notwithstanding Counterparty’s election of Net Share Settlement.

3. Counterparty may only deliver Registered Settlement Shares pursuant to paragraph 2 above if:

(a) a registration statement covering public resale of the Registered Settlement Shares by Wells Fargo (the “**Registration Statement**”) shall have been filed with the Securities and Exchange Commission under the Securities Act and been declared or otherwise become effective on or prior to the date of delivery, and no stop order shall be in effect with respect to the Registration Statement; a printed prospectus relating to the Registered Settlement Shares (including, without limitation, any prospectus supplement thereto, the “**Prospectus**”) shall have been delivered to Wells Fargo, in such quantities as Wells Fargo shall reasonably have requested, on or prior to the date of delivery;

(b) the form and content of the Registration Statement and the Prospectus (including, without limitation, any sections describing the plan of distribution) shall be satisfactory to Wells Fargo;

(c) as of or prior to the date of delivery, Wells Fargo and its agents shall have been afforded a reasonable opportunity to conduct a due diligence investigation with respect to Counterparty customary in scope for underwritten offerings of equity securities and the results of such investigation are satisfactory to Wells Fargo, in its discretion; and

(d) as of the date of delivery, an agreement (the “**Underwriting Agreement**”) shall have been entered into with Wells Fargo in connection with the public resale of the Registered Settlement Shares by Wells Fargo substantially similar to underwriting agreements customary for underwritten offerings of equity securities, in form and substance satisfactory to Wells Fargo, which Underwriting Agreement shall include, without limitation, provisions substantially similar to those contained in such underwriting agreements relating, without limitation, to the indemnification of, and contribution in connection with the liability of, Wells Fargo and its affiliates and the provision of customary opinions, accountants’ comfort letters and lawyers’ negative assurance letters.

4. If Counterparty delivers Unregistered Settlement Shares pursuant to paragraph 2 above:

(a) all Unregistered Settlement Shares shall be delivered to Wells Fargo (or any affiliate of Wells Fargo designated by Wells Fargo) pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) thereof;

(b) as of or prior to the date of delivery, Wells Fargo and any potential purchaser of any such shares from Wells Fargo (or any affiliate of Wells Fargo designated by Wells Fargo) identified by Wells Fargo shall be afforded a commercially reasonable opportunity to conduct a due diligence investigation with respect to Counterparty customary in scope for private placements of equity securities (including, without limitation, the right to have made available to them for inspection all financial and other records, pertinent corporate documents and other information reasonably requested by them);

(c) as of the date of delivery, Counterparty shall enter into an agreement (a “**Private Placement Agreement**”) with Wells Fargo (or any affiliate of Wells Fargo designated by Wells Fargo) in connection with the private placement of such shares by Counterparty to Wells Fargo (or any such affiliate) and the private resale of such shares by Wells Fargo (or any such affiliate), substantially similar to private placement purchase agreements customary for private placements of equity securities, in form and substance commercially reasonably satisfactory to Wells Fargo, which Private Placement Agreement shall include, without limitation, provisions substantially similar to those contained in such private placement purchase agreements relating, without limitation, to the indemnification

of, and contribution in connection with the liability of, Wells Fargo and its affiliates and the provision of customary opinions, accountants' comfort letters and lawyers' negative assurance letters, and shall provide for the payment by Counterparty of all fees and expenses of Wells Fargo (and any such affiliate) in connection with such resale, including, without limitation, all fees and expenses of counsel for Wells Fargo, and shall contain representations, warranties, covenants and agreements of Counterparty reasonably necessary or advisable to establish and maintain the availability of an exemption from the registration requirements of the Securities Act for such resales; and

(d) in connection with the private placement of such shares by Counterparty to Wells Fargo (or any such affiliate) and the private resale of such shares by Wells Fargo (or any such affiliate), Counterparty shall, if so requested by Wells Fargo, prepare, in cooperation with Wells Fargo, a private placement memorandum in form and substance reasonably satisfactory to Wells Fargo.

5. Wells Fargo, itself or through an affiliate (the "**Selling Agent**") or any underwriter(s), will sell all, or such lesser portion as may be required hereunder, of the Registered Settlement Shares or Unregistered Settlement Shares and any Makewhole Shares (as defined below) (together, the "**Settlement Shares**") delivered by Counterparty to Wells Fargo pursuant to paragraph 6 below commencing on the Cash Settlement Payment Date and continuing until the date on which the aggregate Net Proceeds (as such term is defined below) of such sales, as determined by Wells Fargo, is equal to the absolute value of the Forward Cash Settlement Amount (such date, the "**Final Resale Date**"). If the proceeds of any sale(s) made by Wells Fargo, the Selling Agent or any underwriter(s), net of any fees and commissions (including, without limitation, underwriting or placement fees) customary for similar transactions under the circumstances at the time of the offering, together with carrying charges and expenses incurred in connection with the offer and sale of the Shares (including, without limitation, the covering of any over-allotment or short position (syndicate or otherwise)) (the "**Net Proceeds**") exceed the absolute value of the Forward Cash Settlement Amount, Wells Fargo will refund, in USD, such excess to Counterparty on the date that is three (3) Currency Business Days following the Final Resale Date, and, if any portion of the Settlement Shares remains unsold, Wells Fargo shall return to Counterparty on that date such unsold Shares.

6. If the Calculation Agent determines that the Net Proceeds received from the sale of the Registered Settlement Shares or Unregistered Settlement Shares or any Makewhole Shares, if any, pursuant to this paragraph 6 are less than the absolute value of the Forward Cash Settlement Amount (the amount in USD by which the Net Proceeds are less than the absolute value of the Forward Cash Settlement Amount being the "**Shortfall**" and the date on which such determination is made, the "**Deficiency Determination Date**"), Counterparty shall on the Exchange Business Day next succeeding the Deficiency Determination Date (the "**Makewhole Notice Date**") deliver to Wells Fargo, through the Selling Agent, a notice of Counterparty's election that Counterparty shall either (i) pay an amount in cash equal to the Shortfall on the day that is one Currency Business Day after the Makewhole Notice Date, or (ii) deliver additional Shares. If Counterparty elects to deliver to Wells Fargo additional Shares, then Counterparty shall deliver additional Shares in compliance with the terms and conditions of paragraph 3 or paragraph 4 above, as the case may be (the "**Makewhole Shares**"), on the first Clearance System Business Day which is also an Exchange Business Day following the Makewhole Notice Date in such number as the Calculation Agent reasonably believes would have a market value on that Exchange Business Day equal to the Shortfall. Such Makewhole Shares shall be sold by Wells Fargo in accordance with the provisions above; *provided* that if the sum of the Net Proceeds from the sale of the originally delivered Shares and the Net Proceeds from the sale of any Makewhole Shares is less than the absolute value of the Forward Cash Settlement Amount then Counterparty shall, at its election, either make such cash payment or deliver to Wells Fargo further Makewhole Shares until such Shortfall has been reduced to zero.

7. Notwithstanding the foregoing, in no event shall the aggregate number of Settlement Shares for the Transaction be greater than the Reserved Shares (such number, the "**Capped Number**"). Counterparty represents and warrants (which shall be deemed to be repeated on each day that the Transaction is outstanding) that the Capped Number is equal to or less than the number of Shares determined according to the following formula:

$$A - B$$

Where A = the number of authorized but unissued shares of Counterparty that are not reserved for future issuance on the date of the determination of the Capped Number; and

B = the maximum number of Shares required to be delivered to third parties if Counterparty elected Net Share Settlement of all transactions in the Shares (other than the Transaction under this Confirmation) with all third parties that are then currently outstanding and unexercised.

**“Reserved Shares”** means 7,000,000 Shares.

If at any time, as a result of this paragraph 7, Counterparty fails to deliver to Wells Fargo any Settlement Shares, Counterparty shall, to the extent that Counterparty has at such time authorized but unissued Shares not reserved for other purposes, promptly notify Wells Fargo thereof and deliver to Wells Fargo a number of Shares not previously delivered as a result of this paragraph 7. Counterparty agrees to use its best efforts to cause the number of authorized but unissued Shares to be increased, if necessary, to an amount sufficient to permit Counterparty to fulfill its obligation to deliver any Settlement Shares.



## Certifications

I, Colin M. Angle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of iRobot Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ COLIN M. ANGLE

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Colin M. Angle  
Chief Executive Officer

## Certifications

I, Julie Zeiler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of iRobot Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ JULIE ZEILER

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Julie Zeiler  
Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of iRobot Corporation (the "Company") for the period ended October 2, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Colin M. Angle, the Chief Executive Officer of the Company and Julie Zeiler, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: November 4, 2021

\_\_\_\_\_  
/s/ COLIN M. ANGLE  
Colin M. Angle  
Chief Executive Officer

Date: November 4, 2021

\_\_\_\_\_  
/s/ JULIE ZEILER  
Julie Zeiler  
Chief Financial Officer