



NOVEMBER 6, 2024

# iRobot Corporation Q3 2024 Earnings Presentation



# Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which relate to, among other things: the Company’s expectations regarding future financial performance, including with respect to fourth quarter and fiscal year 2024 revenue, gross margin, operating (loss) income and net (loss) income per share, as well as fiscal 2025 operating costs, margins and profitability; executing on the Company’s iRobot Elevate strategy; executive transitions; achievement of expense targets; investment for growth; and the Company’s business plans and strategies and the anticipated timing and impact thereof.

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

# Non-GAAP Financial Metrics

## Regulation G Disclosure

This presentation contains references to the non-GAAP financial measures as defined by SEC Regulation G, including non-GAAP gross margin, non-GAAP operating expenses, non-GAAP research and development, non-GAAP selling and marketing, non-GAAP operating income (loss), and non-GAAP net income (loss) per share. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations from these results should be carefully evaluated.

Non-GAAP gross profit removes expenses related to the amortization of acquired intangible assets, stock-based compensation and net merger, acquisition and divestiture expense while non-GAAP gross margin is calculated as non-GAAP gross profit divided by revenue for the applicable period.

Non-GAAP operating expenses exclude the amortization of acquired intangible assets, stock-based compensation, net merger, acquisition and divestiture (income) expense, and restructuring and other charges.

Non-GAAP operating income (loss) removes the aforementioned operating expenses while non-GAAP operating margin is calculated as non-GAAP operating income (loss) divided by revenue for the applicable period.

Non-GAAP income tax expense (benefit) reflects the tax effect of the non-GAAP adjustments, calculated using the appropriate statutory tax rate for each adjustment, and excludes certain tax items which are not reflective of income tax expense incurred as a result of current period earnings.

Non-GAAP net income (loss) removes the aforementioned items related to non-GAAP operating income (loss) and also removes loss on strategic investments and debt issuance costs.

Non-GAAP net income (loss) per share is calculated by dividing non-GAAP net income (loss) by the number of shares used in per share calculations for the applicable period.

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

# Agenda & Speakers

- **Business Highlights**
- **Financial Results**
- **Outlook**
- **Summary**



**GARY COHEN**  
Chief Executive Officer



**JULIE ZEILER**  
EVP, Chief Financial Officer





# BUSINESS HIGHLIGHTS



# Q3 Summary

- Q3 2024 revenue totaled \$193.4 million, up from \$186.2 million in Q3 of 2023 due to the timing of certain large orders and despite a challenging consumer spending environment with intensified competition.
- Q3 Non-GAAP gross margin was 32.4%, up from 26.5% in the third quarter of 2023 and on track with the Company's gross margin improvement plan, driven by new products with a better cost profile and cost reductions on existing products.
- Q3 Non-GAAP operating expenses\* totaled \$47.7 million, down significantly from \$90.1 million in the year-ago period. As a percentage of sales, operating expenses decreased by 2370 basis points.

*\*Q3 2024 operating expenses included a one-time benefit of \$13.5 million from a favorable IP litigation settlement.*



# iRobot Elevate Overview

- Reducing R&D expenses by relocating certain non-core engineering functions and transitioning to new product development paradigm with contract manufacturers.
- New iRobot Labs innovation center harnesses strength of product and software engineering talent while leveraging expertise of third-party partners to reduce time to market and advance our technological leadership.
- Continuing to refresh product line with innovative technology and enhanced margins.
- Global workforce reduction of 41% as of September 28, 2024



# Product Highlights

- October launch of 2-in-1 Roomba Combo 2 Essential and the Roomba Vac 2 Essential, which have twice the cleaning power of their predecessor models and self-emptying capabilities for up to 60 days via their AutoEmpty dock.
- July launch of Roomba Combo 10 Max with AutoWash Dock, iRobot's best-cleaning, most intelligent and independent robot vacuum and mop to date and our first entry into the fast-growing market of multifunction docks.
- April launch of Roomba Combo Essential, an affordable and easy-to-use 2-in-1 robot vacuum and mop, with a higher gross margin as result of new product manufacturing strategy. Available in more than 14,000 stores worldwide and a recent PCMag Editor's Choice.





# Executive Transitions

- Julie Zeiler, the company's chief financial officer, and Russ Campanello, the chief human resources officer, will retire, effective December 2, 2024.
- Karian Wong, iRobot's SVP and principal accounting officer, will become CFO. Ms. Wong has more than 25 years of auditing and accounting experience and has been with iRobot since 2017.
- Jules Connelly, iRobot's former senior director of human resources, will become chief human resources officer. Ms. Connelly joined iRobot in 2017, rising to senior director of human resources in 2023.
- As part of a planned succession, Ms. Zeiler and Mr. Campanello are expected to stay on in advisory roles through March 28, 2025.



# FINANCIAL RESULTS



# Q3 Financial Highlights

	3Q'24	3Q'23
<i>(in millions, except per share amounts)</i>		
Revenue	\$193.4	\$186.2
GAAP Gross Margin	32.2%	25.8%
Non-GAAP Gross Margin	32.4%	26.5%
GAAP Operating Expenses	\$55.1	\$107.5
Non-GAAP Operating Expenses	\$47.7	\$90.1
GAAP Operating Income (Loss)	\$7.3	(\$59.5)
Non-GAAP Operating Income (Loss)	\$15.1	(\$40.6)
GAAP Net Income (Loss) Per Share	(\$0.21)	(\$2.86)
Non-GAAP Net Income (Loss) Per Share*	\$0.03	(\$2.82)

*\*Beginning in the fourth quarter of fiscal 2023, the Company updated its calculation of non-GAAP financial measures to no longer exclude "IP litigation expense, net." The metrics are presented in accordance with this updated methodology. As a result, the third quarter ended September 30, 2023 differs from those previously presented by the amount of IP litigation expense, net recorded in such period.*

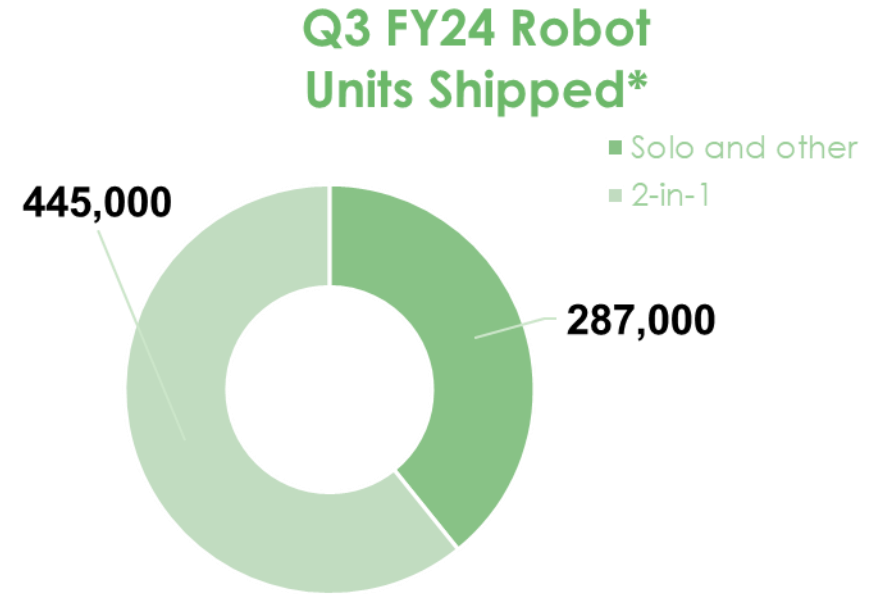
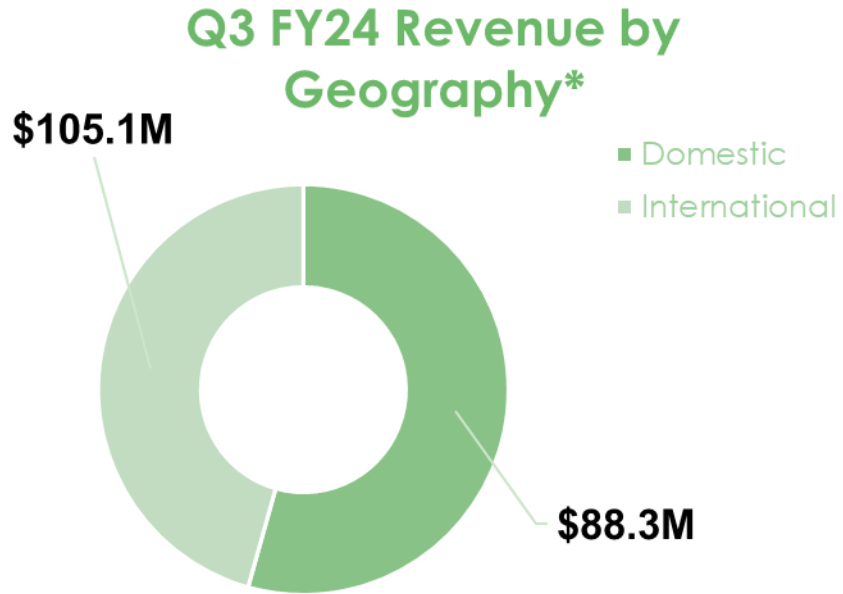
*\*\*Operating expenses for the third quarter of 2024 include a one-time benefit of \$13.5 million from a favorable IP litigation settlement.*

## Commentary

- The Company increased gross margin in Q3 by 590 basis points year over year as a result of its restructuring and iRobot Elevate initiatives.
- Operating expenses for Q3 2024 decreased by 47% year-over-year to \$47.7 million.\*\*



# Revenue Mix



# Balance Sheet and Cash Flow Highlights

- As of September 28, 2024, the Company's cash and cash equivalents totaled \$99.4 million, compared with \$108.5 million as of the end of the second quarter of 2024. The Company also had an additional \$41.1 million restricted cash set aside for future repayment of its term loan, subject to limited rights for inventory purchases, of which \$40.0 million was drawn down at the close of the third quarter and received in the fourth quarter.
- As of September 28, 2024, the Company's inventory totaled \$149.2 million, compared with \$244.5 million as of the end of the third quarter of 2023.
- During the third quarter, the Company sold 0.2 million shares under its at-the-market (ATM) offering program for total net proceeds of \$1.4 million. At quarter end, the Company had \$79.6 million remaining under its \$100 million ATM offering program.





# OUTLOOK



# Fourth-Quarter 2024 Outlook

	GAAP	Adjustments	Non-GAAP*
Revenue	\$175M – \$200M	--	\$175M – \$200M
Gross Margin	24% – 27%	~0%	24% – 27%
Operating (Loss) Income	(\$43)M – (\$34)M	~\$12M	(\$31)M – (\$22)M
Net Loss Per Share	(\$1.88) – (\$1.58)	~\$0.38	(\$1.50) – (\$1.20)

\*See appendix for discussion and reconciliation of non-GAAP measures.

# Full-Year 2024 Outlook

	GAAP	Adjustments	Non-GAAP*
<b>Revenue</b>	\$685 – \$710M	--	\$685M – \$710M
<b>Gross Margin</b>	25% – 26%	~0%	25% – 26%
<b>Operating (Loss) Income</b>	(\$84)M – (\$75)M	~(\$20)M	(\$104)M – (\$95)M
<b>Net Loss Per Share</b>	(\$4.27) – (\$3.96)	~(\$0.64)	(\$4.91) – (\$4.60)

\*See appendix for discussion and reconciliation of non-GAAP measures.



# SUMMARY







## Summary

- New chapter in iRobot’s history, with our iconic brand serving as the foundation for the Company’s turnaround.
- Executing on iRobot Elevate strategy with a focus on profitable growth; making operational and organizational changes while bringing new and innovative products to market.
- On track to exceed operating expense targets for the year while continuing to invest in areas that are expected to drive growth.
- Ongoing restructuring has fundamentally changed the way we develop and build our robots, which is central to improving our performance and generating long-term shareholder value. With the benefit of lower operating costs, we expect to enhance margins and improve profitability in 2025.





# Q&A





# NON-GAAP RECONCILIATIONS





## Supplemental Reconciliation of GAAP Actuals to Non-GAAP Actuals (In thousands, except per-share amounts) (Unaudited)

	For the three months ended		For the nine months ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
GAAP Revenue	\$ 193,435	\$ 186,176	\$ 509,811	\$ 583,036
GAAP Gross Profit	\$ 62,377	\$ 47,996	\$ 125,946	\$ 138,240
Amortization of acquired intangible assets	-	292	-	864
Stock-based compensation	387	838	1,486	2,226
Net merger, acquisition and divestiture expense	-	288	-	898
Non-GAAP Gross Profit	\$ 62,764	\$ 49,414	\$ 127,432	\$ 142,228
GAAP Gross Margin	32.2 %	25.8 %	24.7 %	23.7 %
Non-GAAP Gross Margin	32.4 %	26.5 %	25.0 %	24.4 %
GAAP Operating Expenses	\$ 55,120	\$ 107,490	\$ 167,856	\$ 350,087
Amortization of acquired intangible assets	(1,066)	(174)	(1,405)	(529)
Stock-based compensation	(5,093)	(8,537)	(16,451)	(23,654)
Net merger, acquisition and divestiture income (expense)	656	(8,564)	74,813	(21,991)
Restructuring and other	(1,922)	(152)	(24,298)	(8,236)
Non-GAAP Operating Expenses*	\$ 47,695	\$ 90,063	\$ 200,515	\$ 295,677
GAAP Operating Expenses as a % of GAAP Revenue	28.5 %	57.7 %	32.9 %	60.0 %
Non-GAAP Operating Expenses as a % of Non-GAAP Revenue*	24.7 %	48.4 %	39.3 %	50.7 %
GAAP Operating Income (Loss)	\$ 7,257	\$ (59,494)	\$ (41,910)	\$ (211,847)
Amortization of acquired intangible assets	1,066	466	1,405	1,393
Stock-based compensation	5,480	9,375	17,937	25,880
Net merger, acquisition and divestiture (income) expense	(656)	8,852	(74,813)	22,889
Restructuring and other	1,922	152	24,298	8,236
Non-GAAP Operating Income (Loss)*	\$ 15,069	\$ (40,649)	\$ (73,083)	\$ (153,449)
GAAP Operating Margin	3.8 %	(32.0)%	(8.2)%	(36.3)%
Non-GAAP Operating Margin*	7.8 %	(21.8)%	(14.3)%	(26.3)%





## Supplemental Reconciliation of GAAP Actuals to Non-GAAP Actuals (Cont.) (In thousands, except per-share amounts) (Unaudited)

	For the three months ended		For the nine months ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
GAAP Income Tax Expense	\$ 1,080	\$ 598	\$ 1,917	\$ 5,053
Tax effect of non-GAAP adjustments	650	32,045	1,667	565
Other tax adjustments	(203)	(1,638)	(811)	(4,150)
Non-GAAP Income Tax Expense	<u>\$ 1,527</u>	<u>\$ 31,005</u>	<u>\$ 2,773</u>	<u>\$ 1,468</u>
GAAP Net Loss	\$ (6,371)	\$ (79,205)	\$ (68,410)	\$ (241,117)
Amortization of acquired intangible assets	1,066	466	1,405	1,393
Stock-based compensation	5,480	9,375	17,937	25,880
Net merger, acquisition and divestiture (income) expense	(656)	8,852	(74,813)	22,889
Restructuring and other	1,922	152	24,298	8,236
Loss on strategic investments	-	758	375	3,910
Debt issuance costs	52	11,837	529	11,837
Income tax effect	(447)	(30,407)	(856)	3,585
Non-GAAP Net Income (Loss)*	<u>\$ 1,046</u>	<u>\$ (78,172)</u>	<u>\$ (99,535)</u>	<u>\$ (163,387)</u>
GAAP Net Loss Per Diluted Share	\$ (0.21)	\$ (2.86)	\$ (2.34)	\$ (8.73)
Amortization of acquired intangible assets	0.03	0.02	0.05	0.05
Stock-based compensation	0.18	0.34	0.61	0.93
Net merger, acquisition and divestiture (income) expense	(0.02)	0.32	(2.55)	0.83
Restructuring and other	0.06	-	0.83	0.30
Loss on strategic investments	-	0.03	0.01	0.14
Debt issuance costs	-	0.43	0.02	0.43
Income tax effect	(0.01)	(1.10)	(0.03)	0.13
Non-GAAP Net Income (Loss) Per Diluted Share*	<u>\$ 0.03</u>	<u>\$ (2.82)</u>	<u>\$ (3.40)</u>	<u>\$ (5.92)</u>
Number of shares used in diluted per share calculation	30,551	27,738	29,276	27,608
Supplemental Information				
Days sales outstanding	48	36		
GAAP Days in inventory	104	161		
Non-GAAP Days in inventory <sup>(1)</sup>	104	163		

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

<sup>(1)</sup> Non-GAAP Days in inventory is calculated as inventory divided by (Revenue minus Non-GAAP Gross Profit), multiplied by 91 days.



## Supplemental Reconciliation of GAAP Actuals to Non-GAAP Actuals (Cont.) (In thousands, except per-share amounts) (Unaudited)

	For the three months ended		For the nine months ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
GAAP Research and development	\$ 19,630	\$ 37,336	\$ 76,739	\$ 116,576
Stock-based compensation	(1,296)	(3,355)	(4,994)	(8,737)
Net merger, acquisition and divestiture income (expense)	-	(1,202)	-	(3,000)
Non-GAAP Research and development	<u>\$ 18,334</u>	<u>\$ 32,779</u>	<u>\$ 71,745</u>	<u>\$ 104,839</u>
GAAP Selling and marketing	\$ 29,270	\$ 41,558	\$ 98,966	\$ 139,630
Stock-based compensation	(903)	(1,384)	(3,403)	(4,221)
Net merger, acquisition and divestiture income (expense)	-	(698)	-	(1,688)
Non- GAAP Selling and marketing	<u>\$ 28,367</u>	<u>\$ 39,476</u>	<u>\$ 95,563</u>	<u>\$ 133,721</u>
GAAP General and administrative	\$ 3,232	\$ 28,270	\$ (33,552)	\$ 85,116
Stock-based compensation	(2,894)	(3,798)	(8,054)	(10,696)
Net merger, acquisition and divestiture income (expense)	656	(6,664)	74,813	(17,303)
Non- GAAP General and administrative	<u>\$ 994</u>	<u>\$ 17,808</u>	<u>\$ 33,207</u>	<u>\$ 57,117</u>





## Supplemental Reconciliation of Fourth-Quarter and Full-Year 2024 GAAP to Non-GAAP Guidance (Unaudited)

	<b>Q4-24</b>	<b>FY-24</b>
GAAP Gross Profit	\$42 - \$54 million	\$168 - \$179 million
Stock-based compensation	~\$0 million	~\$2 million
Total adjustments	~\$0 million	~\$2 million
Non-GAAP Gross Profit	\$42 - \$54 million	\$170 - \$181 million
	<b>Q4-24</b>	<b>FY-24</b>
GAAP Gross Margin	24% - 27%	25% - 26%
Stock-based compensation	~0%	~0%
Total adjustments	~0%	~0%
Non-GAAP Gross Margin	24% - 27%	25% - 26%
	<b>Q4-24</b>	<b>FY-24</b>
GAAP Operating Expenses	\$85 - \$86 million	\$252 - \$254 million
Amortization of acquired intangible assets	~(\$0) million	~(\$2) million
Stock-based compensation	~(\$6) million	~(\$23) million
Net merger, acquisition and divestiture income (expense)	-	~\$75 million
Restructuring and other	~(\$5) million	~(\$29) million
Total adjustments	~(\$11) million	~\$22 million
Non-GAAP Operating Expenses	\$74 - \$75 million	\$274 - \$276 million



# Supplemental Reconciliation of Fourth-Quarter and Full-Year 2024 GAAP to Non-GAAP Guidance (Unaudited) (Cont.)

	<b>Q4-24</b>	<b>FY-24</b>
GAAP Operating Loss	(\$43) - (\$34) million	(\$84) - (\$75) million
Amortization of acquired intangible assets	~\$0 million	~\$2 million
Stock-based compensation	~\$7 million	~\$25 million
Net merger, acquisition and divestiture expense (income)	-	~(\$75) million
Restructuring and other	~\$5 million	~\$29 million
Total adjustments	~\$12 million	~(\$20) million
Non-GAAP Operating Loss	(\$31) - (\$22) million	(\$104) - (\$95) million
	<b>Q4-24</b>	<b>FY-24</b>
GAAP Net Loss Per Share	(\$1.88) - (\$1.58)	(\$4.27) - (\$3.96)
Amortization of acquired intangible assets	~\$0.01	~\$0.05
Stock-based compensation	~\$0.22	~\$0.83
Net merger, acquisition and divestiture expense (income)	-	~(\$2.53)
Restructuring and other	~\$0.15	~\$0.98
Loss on strategic investments	-	~\$0.01
Debt issuance costs	-	~\$0.02
Income tax effect	~\$0	~\$0
Total adjustments	~\$0.38	~(\$0.64)
Non-GAAP Net Loss Per Share	(\$1.50) - (\$1.20)	(\$4.91) - (\$4.60)
Number of shares used in per share calculations*	~30.6 million	~29.6 million

\* Number of shares does not include any additional issuances under our ATM

Certain numbers may not total due to rounding



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