



April 8, 2019 Dear Fellow Stockholder,

You are cordially invited to attend the Annual Meeting of stockholders of iRobot Corporation, a Delaware corporation (the “Company”), to be held on Wednesday, May 22, 2019, at 8:30 a.m., local time, at the Company’s headquarters located at 8 Crosby Drive, Bedford, Massachusetts 01730.

At this annual meeting, you will be asked to (1) elect three (3) Class II directors, each to serve for a three- year term; (2) ratify the appointment of the accounting firm of PricewaterhouseCoopers LLP as the Company’s independent registered public accountants for the current fiscal year; (3) approve amendments to our amended and restated certificate of incorporation to eliminate supermajority voting requirements; (4) approve amendments to our amended and restated certificate of incorporation to declassify the board of directors; (5) approve amendments to our amended and restated certificate of incorporation to eliminate the prohibition on stockholders’ ability to call a special meeting; and (6) approve, on an advisory basis, the compensation of our named executive officers.



The board of directors unanimously recommends that you vote FOR election of the director nominees, FOR ratification of appointment of our independent registered public accountants, FOR approval of amendments to our amended and restated certificate of incorporation to eliminate supermajority voting requirements, FOR approval of amendments to our amended and restated certificate of incorporation to declassify the board of directors, FOR approval of amendments to our amended and restated certificate of incorporation to eliminate the prohibition on stockholders’ ability to call a special meeting, and FOR approval, on an advisory basis, of the compensation of our named executive officers. Details regarding the matters to be acted upon at this annual meeting appear in the accompanying proxy statement. Please give the accompanying materials your careful attention. Whether or not you plan to attend the annual meeting, we urge you to sign and return the enclosed proxy so that your shares will be represented at the annual meeting. If you attend the annual meeting, you may vote in person even if you have previously returned your proxy card. Your prompt cooperation will be greatly appreciated.

BECAUSE APPROVAL OF PROPOSALS 3, 4 AND 5 REQUIRES THE AFFIRMATIVE VOTE OF AT LEAST 75% OF THE OUTSTANDING SHARES, YOUR VOTE WILL BE ESPECIALLY IMPORTANT AT THIS YEAR’S ANNUAL MEETING.

Thank you for your continued support, interest and investment in iRobot.

Sincerely,

A handwritten signature in black ink, appearing to read 'C Angle', is placed above the printed name.

Colin M. Angle
Chairman of the Board and Chief Executive Officer

April 8, 2019

SUMMARY OF RECENT AND PROPOSED CHANGES TO CORPORATE GOVERNANCE AND EXECUTIVE COMPENSATION

In our continuing efforts to improve corporate governance and better align executive compensation with Company performance, the following table highlights elements of our corporate governance and executive compensation programs and proposed changes that are described in more detail in the proxy statement.

	2016	2017	2018	2019 — Proposed
Corporate Governance	<p>Recommended adoption of majority voting standards for a) removal of directors, b) amendments to by-laws, and c) amendments to certain provisions of the certificate of incorporation*</p> <p>Recommended annual election of directors on phased-in basis upon approval*</p> <p>Codified Lead Independent Director Role Adopted proxy access</p>	<p>Recommended adoption of majority voting standards for a) removal of directors, b) amendments to by-laws, and c) amendments to certain provisions of the certificate of incorporation*</p> <p>Recommended annual election of directors for immediate implementation upon approval*</p> <p>Recommended adoption of a provision to allow shareholders to call special meetings</p>	<p>Recommended adoption of majority voting standards for a) removal of directors, b) amendments to by-laws, and c) amendments to certain provisions of the certificate of incorporation.*</p> <p>Recommended annual election of directors for immediate implementation upon approval*</p> <p>Recommended adoption of a provision to allow shareholders to call special meetings</p>	<p>Recommending adoption of majority voting standards for a) removal of directors, b) amendments to by-laws, and c) amendments to certain provisions of the certificate of incorporation.</p> <p>Recommending annual election of directors for immediate implementation upon approval</p> <p>Recommending adoption of a provision to allow shareholders to call special meetings</p>
Board Refreshment/ Diversity	<p>Added Michael Bell, technology/cloud expertise; Added Andrew Miller, finance/technology expertise; George McNamee, finance-retired</p>	<p>Added Elisha Finney, finance/technology; Gail Deegan, finance — retired; Andrea Geisser, finance — retired</p>	<p>Added Ruey-Bin Kao, tech/consumer; Ronald Chwang, tech/consumer — retired</p>	

	2016	2017	2018	2019 — Proposed
Executive Compensation		Modified executive long-term incentive (“LTI”) compensation to (i) remove options and increase PSUs to 50%, and (ii) make all PSUs have three-year cumulative targets (no annual targets, no “second chance” vesting provisions)		

* In each of 2016, 2017 and 2018, we sought to achieve the necessary number of votes required for passage of the applicable charter amendments, through engaging a proxy solicitor. Despite repeated over-whelming shareholder support, we have been unable to receive votes from 75% of outstanding shares required to pass these proposals.

Corporate Governance

As described in the summary table above, since 2015 our board of directors has recommended that stockholders approve various corporate governance initiatives, including the elimination of supermajority voting requirements, declassification of our board of directors and elimination of the prohibition on stockholders’ ability to call a special meeting. However, in each case, the minimum required stockholder approvals were not attained. The board of directors has determined to re-submit each of these proposals to the Company’s stockholders at the 2019 annual meeting, and has again hired a proxy solicitor to solicit approval for these proposals.

Executive Compensation

In response to investor feedback in 2016, we modified the long-term incentive component of our executive compensation plan effective in fiscal year 2017. The revised plan moves to a mix of 50% performance share units (“PSUs”) and 50% time-based restricted stock units. The PSUs have metrics based on our cumulative financial performance measured at the end of a three-year performance period. We also added the ability to achieve an above target payout for PSUs starting in 2017 for achievement of the performance metrics above target levels.

Board of Directors

Over the past five years we have added six independent directors with extensive experience in global branding, strategic software development, cloud infrastructure, data analytics, consumer business and finance, all of which are critical to the Company's strategy. We continually evaluate our board member skills for alignment with iRobot's strategic goals. The following matrix summarizes our directors' skills that are critical to our company's success:

Skills Matrix										
Board Members	Public Co. Leadership	Public Co. Board Experience	Finance and Capital Management	Global Operating Experience	Consumer Products	Consumer Technology	Software/SaaS	Internet of Things	Robotics	Diversity
Colin Angle	X	X	X	X	X	X	X	X	X	
Mohamad Ali	X	X	X	X	X	X	X	X		X
Michael Bell	X	X	X	X	X	X	X	X		
Ruey-Bin Kao	X	X	X	X	X	X	X	X		X
Deborah Ellinger	X	X	X	X	X	X				X
Elisha Finney	X	X	X	X		X	X			X
Andrew Miller	X	X	X	X	X	X	X	X		
Michelle Stacy	X	X	X	X	X	X				X

The following summarizes key information about the board of directors:

Board and Governance Information	
8	Size of Board
7	Number of Independent Directors
55	Average Age of Directors
11	Board Meetings Held in Fiscal 2018
3.5	Average Tenure of Independent Directors (in years)
50%	Independent Directors Added in the Last Three Years
✓	Annual Election of Directors*
✓	Proxy Access
✓	Majority Voting for Directors
✓	No Supermajority Voting Requirements**
✓	Lead Independent Director
✓	Independent Directors Meet Without Management Present
✓	Director Stock Ownership Guidelines
✓	Code of Business Conduct and Ethics for Directors, Officers and Employees
✓	Director Self-Evaluation Program

* The Company is seeking stockholder approval at the 2019 annual meeting to declassify its board of directors.

** The Company is seeking stockholder approval at the 2019 annual meeting to eliminate supermajority voting requirements in its governing documents relating to removal of directors and amendments to the Company's certificate of incorporation and bylaws.

iROBOT CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS To Be Held on May 22, 2019

To the Stockholders of iRobot Corporation:

The annual meeting of stockholders of iRobot Corporation, a Delaware corporation (the “Company”), will be held on Wednesday, May 22, 2019, at 8:30 a.m., local time, at the Company’s headquarters located at 8 Crosby Drive, Bedford, Massachusetts 01730, for the following purposes:

1. To elect three (3) Class II directors, nominated by the board of directors, each to serve for a three-year term and until his successor has been duly elected and qualified or until his earlier resignation or removal;
2. To ratify the appointment of the accounting firm of PricewaterhouseCoopers LLP as the Company’s independent registered public accountants for the current fiscal year;
3. To approve amendments to our amended and restated certificate of incorporation to eliminate supermajority voting requirements;
4. To approve amendments to our amended and restated certificate of incorporation to declassify the board of directors;
5. To approve amendments to our amended and restated certificate of incorporation to eliminate the prohibition on stockholders’ ability to call a special meeting;
6. To hold an advisory vote on the approval of the compensation of our named executive officers; and
7. To transact such other business as may properly come before the annual meeting and at any adjournments or postponements thereof.

Proposal 1 relates solely to the election of three (3) Class II directors nominated by the board of directors and does not include any other matters relating to the election of directors. Only stockholders of record at the close of business on April 3, 2019 are entitled to notice of and to vote at the annual meeting and at any adjournment or postponement thereof.

All stockholders are cordially invited to attend the annual meeting in person. In accordance with our security procedures, all persons attending the annual meeting will be required to present a form of government- issued picture identification. If you hold your shares in “street name”, you must also provide proof of ownership (such as a recent brokerage statement). If you are a holder of record and attend the annual meeting, you may vote by ballot in person even if you have previously returned your proxy card. If you hold your shares in “street name” and wish to vote in person, you must provide a “legal proxy” from your bank or broker. However, to assure your representation at the annual meeting, we urge you, whether or not you plan to attend the annual meeting, to sign and return the enclosed proxy so that your shares will be represented at the annual meeting. If you attend the annual meeting, you may vote in person even if you have previously returned your proxy card. Directions to iRobot Corporation headquarters can be found at the Company’s website, <http://www.irobot.com>.



Please note that, even if you plan to attend the annual meeting, we recommend that you vote using the enclosed proxy card TODAY, to ensure that your shares will be represented.

By Order of the Board of Directors,

A handwritten signature in black ink, appearing to read "Glen Weinstein", is positioned above a horizontal line.

GLEN D. WEINSTEIN
Executive Vice President,
Chief Legal Officer and Secretary
Bedford, Massachusetts
April 8, 2019

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE VOTE BY TELEPHONE, OVER THE INTERNET OR BY SIGNING, DATING AND RETURNING THE ENCLOSED PROXY CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED IN ORDER TO ASSURE REPRESENTATION OF YOUR SHARES.



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iROBOT CORPORATION
PROXY STATEMENT
For the Annual Meeting of Stockholders
To Be Held on May 22, 2019

April 8, 2019

This proxy statement and proxy card are furnished in connection with the solicitation of proxies by the board of directors of iRobot Corporation, a Delaware corporation (the "Company" or "iRobot"), for use at the annual meeting of stockholders to be held on Wednesday, May 22, 2019, at 8:30 a.m., local time, at the Company's headquarters located at 8 Crosby Drive, Bedford, Massachusetts 01730, and any adjournments or postponements thereof. An annual report to stockholders, containing financial statements for the fiscal year ended December 29, 2018, is being mailed together with this proxy statement to all stockholders entitled to vote at the annual meeting. This proxy statement and the accompanying proxy card are expected to be first mailed to stockholders on or about April 15, 2019.

The purposes of the annual meeting are to elect three (3) Class II directors, each for a three-year term, to ratify the appointment of the Company's independent registered public accountants, to approve amendments to our amended and restated certificate of incorporation to eliminate supermajority voting requirements, to approve amendments to our amended and restated certificate of incorporation to declassify the board of directors, and to approve amendments to our amended and restated certificate of incorporation to eliminate the prohibition on stockholders' ability to call a special meeting (such amendments, together, the "Certificate Amendments"), and to hold an advisory vote on the compensation of our named executive officers. Only stockholders of record at the close of business on April 3, 2019 will be entitled to receive notice of and to vote at the annual meeting. As of March 31, 2019, 28,037,590 shares of common stock, \$0.01 par value per share, of the Company were issued and outstanding. The holders of common stock are entitled to one vote per share on any proposal presented at the annual meeting.

Stockholders may vote in person or by proxy. If you attend the annual meeting, you may vote in person even if you have previously returned your proxy card. Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (i) filing a written notice of revocation bearing a later date than the proxy with the Secretary of the Company, (ii) duly completing a later-dated proxy relating to the same shares, or (iii) attending the annual meeting and voting in person (although attendance at the annual meeting will not in and of itself constitute a revocation of a proxy). Any written notice of revocation or subsequent proxy should be sent so as to be delivered to iRobot Corporation, 8 Crosby Drive, Bedford, Massachusetts 01730, Attention: Secretary, before the taking of the vote at the annual meeting.

The representation in person or by proxy of at least a majority of the outstanding shares of common stock entitled to vote at the annual meeting is necessary to constitute a quorum for the transaction of business. Votes withheld from any nominee, abstentions and broker "non-votes" are counted as present or represented for purposes of determining the presence or absence of a quorum for the annual meeting. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner votes on one proposal but does not vote on another proposal because, with respect to such other proposal, the nominee does not have discretionary voting power and has not received instructions from the beneficial owner. Broker "non-votes" are not considered voted for the particular matter. If you hold your shares in "street-name" through a broker or other nominee, if the nominee does not have discretionary voting power and absent voting instructions from you, your shares will not be

counted as voting and will have no effect on Proposal 6, and will have the same effect as if you voted against Proposals 3, 4 and 5. On the other hand, Proposal 2 to ratify the appointment of our independent registered public accountants is a “routine” matter for which your broker does not need your voting instruction in order to vote your shares.

For Proposal 1, our by-laws require that each director be elected by the affirmative vote of holders of a majority of the votes cast by holders of shares present, in person or represented by proxy, and entitled to vote on the matter. Abstentions and broker non-votes will not be counted as voting with respect to the election of the directors and, therefore, will not have an effect on the election of the Class II directors.

For Proposal 2, the ratification of the appointment of PricewaterhouseCoopers LLP as the Company’s independent registered public accountants for the current fiscal year, and Proposal 6, the advisory vote on the compensation of our named executive officers, an affirmative vote of holders of a majority of the votes cast by holders of shares present, in person or represented by proxy, and entitled to vote on each such matter is required for approval. Abstentions and broker non-votes are not considered votes cast for Proposals 2 and 6, and, therefore, will not have any effect on the outcome of such Proposals.

For Proposals 3, 4 and 5, votes on the Certificate Amendments, an affirmative vote of not less than 75% of the outstanding shares entitled to vote as of the record date is required for approval of each such Proposal. Abstentions and broker non-votes will have the same effect as if you voted against Proposals 3, 4 and 5.

All properly executed proxies returned in time to be counted at the annual meeting will be voted by the named proxies at the annual meeting. Where a choice has been specified on the proxy with respect to the foregoing matters, the shares represented by the proxy will be voted in accordance with the specifications. If you return a validly executed proxy card without indicating how your shares should be voted on a matter, your proxies will be voted FOR election of the director nominees, FOR ratification of the appointment of our independent registered public accountants, FOR each of the Certificate Amendments and FOR the approval, on an advisory basis, of the compensation of our named executive officers.

Aside from the election of directors, the ratification of the appointment of the independent registered public accountants, the approval of the Certificate Amendments and the advisory vote on the compensation of our named executive officers, the board of directors knows of no other matters to be presented at the annual meeting. If any other matter should be presented at the annual meeting upon which a vote properly may be taken, shares represented by all proxy cards received by the board of directors will be voted with respect thereto at the discretion of the persons named as proxies.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 22, 2019. THE PROXY STATEMENT AND ANNUAL REPORT TO STOCKHOLDERS ARE AVAILABLE AT www.edocumentview.com/IRBT.

PROPOSAL 1 ELECTION OF DIRECTORS

Nominees

Our board of directors currently consists of eight members. Our amended and restated certificate of incorporation currently divides the board of directors into three classes. One class is elected each year for a term of three years. The board of directors, upon the recommendation of the nominating and corporate governance committee, has nominated Mohamad Ali, Michael Bell and Ruey-Bin Kao, and recommended that each be elected to the board of directors as a Class II director, each to hold office until the annual meeting of stockholders to be held in the year 2022 or until his successor has been duly elected and qualified or until his earlier death, resignation or removal. Each of Mr. Ali, Mr. Bell and Dr. Kao has consented to being named in this proxy statement and has agreed to serve if elected. The board of directors is also composed of (i) three Class III directors (Andrew Miller, Elisha Finney and Michelle V. Stacy) whose terms are currently set to expire upon the election and qualification of directors at the annual meeting of stockholders to be held in 2020 and (ii) two Class I directors (Colin M. Angle and Deborah G. Ellinger) whose terms are currently set to expire upon the election and qualification of directors at the annual meeting of stockholders to be held in 2021. If Proposal 4 is approved by the stockholders, each of Messrs. Ali and Bell, and Dr. Kao, along with all other directors, will stand for election at the 2020 annual meeting.

The board of directors knows of no reason why any of the nominees named in this proxy statement would be unable or for good cause will not serve, but if any nominee should for any reason be unable to serve or for good cause will not serve, the board of directors reserves the right to nominate substitute nominees for election prior to the annual meeting, in which case the Company will file an amendment to this proxy statement disclosing the identity of such substitute nominees and related information and the proxies will be voted for such substitute nominees. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominees named below.

Recommendation of the Board

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” ELECTION OF THE NOMINEES LISTED BELOW.

The following table sets forth our nominees to be elected at the annual meeting and continuing directors, the positions with us currently held by each nominee and director, the year each nominee’s or director’s current term is currently set to expire and each nominee’s and director’s current class:

Nominee’s or Director’s Name	Position(s) with the Company	Year Current Term Will Expire	Current Class of Director
Nominees for Class II Directors:			
Mohamad Ali	Director	2019	II
Michael Bell	Director	2019	II
Ruey-Bin Kao	Director	2019	II
Continuing Directors:			
Andrew Miller	Director	2020	III
Elisha Finney	Director	2020	III
Michelle V. Stacy	Director	2020	III
Colin M. Angle	Chairman of the Board, Chief Executive Officer and Director	2021	I
Deborah Ellinger	Lead Independent Director	2021	I

Specific Qualifications, Skills and Experience Required of the Board

The Committee believes that certain qualifications, skills and experience should be represented on the Board, as described below, although not every member of the Board must possess all such qualifications, skills and experience to be considered capable of making valuable contributions to the Board.



PUBLIC CO. LEADERSHIP

Our business is complex and evolving rapidly. Individuals who have led public companies or operating business units of significant size have proven leadership experience in developing and advancing a vision and making executive-level decisions.



PUBLIC CO. BOARD EXPERIENCE

We look for directors who have proven public company board experience, and who have demonstrated a steady hand in representing shareholders' interests.



FINANCE AND CAPITAL MANAGEMENT

Our business and financial model is complex and multinational. Individuals with financial expertise are able to identify and understand the issues associated with our business and take an analytical approach to capital allocation decisions.



GLOBAL OPERATING EXPERIENCE

We are a global company, with approximately 50% of our revenue coming from the Americas, 30% from Europe and 20% from the Asia-Pacific region. Global experience enhances understanding of the complexities and issues associated with running a global business and the challenges we face.



CONSUMER PRODUCTS

Since 2016, our business has been entirely focused on delivering exceptional consumer products. We benefit from directors who have deep experience with consumer-centric businesses focused on meeting the consumers' needs.



CONSUMER TECHNOLOGY

Our products represent the marriage of consumer convenience with high tech engineering. We look for directors comfortable with technology.



SOFTWARE/SAAS

The largest portion of our employee base are software engineers and our products can contain more than a million lines of code. Directors that can help steer the company with issues of agile software development, competitive hiring of software engineers, and alternate business models drawn from the software industry help keep us competitive.



INTERNET OF THINGS

Our newest products represent an important part of the Internet of Things and emerging smart home ecosystems. Directors with experience in this area aid in the execution of our corporate strategy.



ROBOTICS

We are a leading consumer robotics company, and our experience in this area enhances our understanding of this nascent industry categorized by deep technical challenges.



DIVERSITY

We believe directors with diverse backgrounds, including gender diversity, provide competing perspectives that enhance our competitiveness.

Director Nominees



Mohamad Ali

DIRECTOR SINCE: 2015

AGE: 48

Director



iRobot Committees:

- Nominating and Corporate Governance Committee



Public Directorships:

- Carbonite (since December 2014)

Mohamad Ali has served as a director since August 2015. He has served as the president, chief executive officer and director of Carbonite, Inc. from December 2014 to present. Mr. Ali has successfully led Carbonite's continued growth, serving the ever-evolving technology needs of small and midsize businesses and consumers. Boston-based Carbonite provides cloud and hybrid backup and recovery solutions for home and business. Previously, Mr. Ali served as chief strategy officer at Hewlett-Packard, a manufacturer of computers and enterprise products, from 2012 to 2014 and president of Avaya Global Services, an enterprise communications company. He also served in senior leadership roles at IBM Corporation, a multinational technology and consulting company, where he acquired numerous companies to build IBM's analytics and big data business. In addition to serving on the board of directors of Carbonite, Mr. Ali is also a director of Oxfam America and Massachusetts Technology Leadership Council and previously served on the Board of Directors of City National Corporation and City National Bank. He was named to Boston Business Journal's 2008 "40 Under 40" list, and recognized by Massachusetts High Tech magazine as a 2011 All-Star. Mr. Ali holds a B.S. and an M.S. in Electrical Engineering, both from Stanford University.

Experience and Qualifications

Mr. Ali brings extensive experience with capital allocation in technology companies, as well as strategic software development, including cloud infrastructure and data analytics.



Michael Bell

DIRECTOR SINCE: 2016

AGE: 52

Director



iRobot Committees:

- Chair of the Compensation and Talent Committee



Public Directorships:

- Silver Spring Networks, Inc. (former) (from September 2015 to January 2018)

Michael Bell has served as a director since March 2016. He has worked at Silver Spring Networks, Inc., Intel Corporation, Apple, Inc., and Palm, Inc. Mr. Bell was the chief executive officer and president of Silver Spring Networks, a leading networking platform and solutions provider for smart energy networks, since September 2015 until his retirement in January 2018. Previously, from 2010 to 2015 he held various roles at Intel Corporation, a multinational technology corporation specializing in the production of semiconductor chips, including Corporate Vice President New Devices Group, Corporate VP Mobile and Communications Group and Corporate Vice President Ultra Mobility Group. He was head of Product Development at Palm, Inc. from 2007 to 2010. He worked at Apple, Inc. from 1991 to 2007 and played significant roles in development of Apple iPhone and Apple TV products, serving as Vice President, CPU Software from 2002 to 2007. He holds a B.S. in Mechanical Engineering from the University of Pennsylvania.

Experience and Qualifications

Mr. Bell brings significant expertise in the Internet of Things from his work at Silver Spring Networks, Inc., Intel Corporation, Apple, Inc., and Palm, Inc.



Dr. Ruey-Bin Kao

DIRECTOR SINCE: 2018

AGE: 58

Director



iRobot Committees:

- Audit Committee



Public Directorships:

- Want Want China Holdings Ltd. (former) (from 2011 to July 2018)
- Autohome, Inc. (former) (from February 2014 to June 2016)

Ruey-Bin Kao was appointed to the iRobot Board of Directors in June 2018. He has more than 30 years of expertise in technology, telecommunication, corporate governance, and consumer business. Dr. Kao has held senior leadership roles, developing country growth strategy, driving revenue growth and profitability through enhanced customer and government engagements, and elevating corporate brand, at numerous global companies. From January 2014 to December 2017, he served as the Chief Executive Officer, Greater China, at Telstra Corporation Ltd., Australia's leading telecommunications and technology company. Previously, he served as Country President of Applied Materials China, the global leader in materials engineering solutions for semiconductor, flat panel display and solar photovoltaic industries, from 2011 to 2013; Managing Director and General Manager of Enterprise Business in China Hewlett-Packard Co. Ltd from 2010 to 2011; and China Chairman, president and several senior roles at Motorola from 1993 to 2010. Dr. Kao currently serves on the board of China National Travel Services Group Corporation Ltd., and was a former director of Shenhua Group Corporation Ltd. (now known as China Energy Investment Corporation Ltd.). Dr. Kao holds a bachelor degree in Computer Science from Tamkang University, master's degree in Computer and Information Science from the University of Delaware and a doctorate degree of Business Administration from the Hong Kong Polytechnic University.

Experience and Qualifications

Dr. Kao has deep experience as an executive in a high tech company and in international operations, particularly in China, through his work with Telstra Corporation, Applied Materials, China Hewlett-Packard and Motorola, and extensive experience in telecommunication, corporate governance, and consumer business.

Continuing Directors



Andrew Miller

DIRECTOR SINCE: 2016

AGE: 58

Director



iRobot Committees:

- Chair of Audit Committee
- Nominating and Corporate Governance Committee

Andrew Miller has served as a director since September 2016. He has served as executive vice president and chief financial officer of PTC since early 2015. At PTC, he is responsible for global finance, tax and treasury, investor relations, information technology, strategic sourcing, facilities, and customer administration. Mr. Miller announced in January 2019 that he plans to retire from PTC during 2019. PTC is a global provider of software technology platforms and solutions that transform how companies create, operate, and service the "things" in the Internet of Things. From 2008 to 2015, Mr. Miller served as vice president and chief financial officer of Cepheid, a high-growth molecular diagnostics company. While at Cepheid, he built world-class finance and information technology teams and a nationally recognized investor relations program. Mr. Miller has also served in financial leadership roles at Autodesk, MarketFirst Software, Cadence Design Systems, and Silicon Graphics. He is a former director of United Online, Inc., a leading provider of consumer products and services over the internet. Mr. Miller holds a B.S. in Commerce with an emphasis in Accounting from Santa Clara University and was a CPA.

Experience and Qualifications

Mr. Miller brings critical financial leadership as well as software, cloud infrastructure and Internet of Things (IoT) experience to iRobot as the company continues to grow its consumer business globally and focus on the connected home.



Colin M. Angle

DIRECTOR SINCE: 1992

AGE: 51

Chairman, CEO and Founder



iRobot Committees:

- None

Colin M. Angle, a co-founder of iRobot, has served as chairman of the board since October 2008, as chief executive officer since June 1997, and prior to that, as our president since November 1992. He has served as a director since October 1992. Mr. Angle previously worked at the National Aeronautical and Space Administration's Jet Propulsion Laboratory where he participated in the design of the behavior controlled rovers that led to Sojourner exploring Mars in 1997. He is a director of two private companies, Striiv, Inc. and Ixcela, Inc. Mr. Angle holds a B.S. in Electrical Engineering and an M.S. in Computer Science, both from MIT.

Experience and Qualifications

As a co-founder and chief executive officer, Mr. Angle provides a critical contribution to the board of directors with his detailed knowledge of the Company, our employees, our client base, our prospects, the strategic marketplace and our competitors.



Deborah G. Ellinger

DIRECTOR SINCE: 2011

AGE: 60

Lead Independent Director



iRobot Committees:

- Chair of the Nominating and Corporate Governance



Public Directorships:

- Covetrus, Inc. (since February 2019)
- Interpublic Group of Companies, Inc. (former) (from February 2015 to May 2017)
- Sealy Corporation (former) (from 2010 to 2013)

Deborah G. Ellinger has served as a director since November 2011. Ms. Ellinger is also a director of Covetrus, Inc., a \$4 billion tech-enabled veterinarian services and supply company and is a senior advisor to the Boston Consulting Group. She was the president and CEO of Ideal Image, a chain of 130 medical spas providing non-surgical cosmetic procedures across the US and Canada, from 2016 until her retirement in March 2018; chairman and chief executive officer of The Princeton Review, a company which assists students globally in test preparation and tutoring, from 2012 to 2014; president of Restoration Hardware, a luxury home furnishings retailer, from 2008 to 2009; and chief executive officer of Wellness Pet Food, a natural pet-food company, from 2004 to 2008. Ms. Ellinger led each of those companies while they were owned by two private equity firms, and three of the four transitioned to new ownership, yielding three to seven times return on capital to investors. Previously, she served as an executive vice president at CVS Pharmacy, a senior vice president at Staples, and a partner at The Boston Consulting Group, and began her career with Mellon Financial Corporation. Ms. Ellinger also serves on the board of The Commonwealth Institute, a nonprofit, and is a former director of Interpublic Group, The Princeton Review, Sealy Corporation, National Life Group, and several other private companies. Her assignments have taken her all over the world; she has lived and worked in Europe, Asia, and America. Ms. Ellinger is qualified as a Barrister-at-Law in London, as a member of the Inner Temple. She holds an M.A. and B.A. in Law and Mathematics from the University of Cambridge, England.

Experience and Qualifications

Ms. Ellinger brings extensive experience in international retail and consumer products from her experience as a former president and chief executive officer of four private-equity backed consumer goods and retail companies from 2004 to 2018.



Elisha Finney

DIRECTOR SINCE: 2017

AGE: 57

Director



iRobot Committees:

- Audit Committee
- Compensation and Talent Committee



Public Directorships:

- Mettler-Toledo International Inc. (since November 2017)
- NanoString Technologies, Inc. (since May 2017)
- Cutera, Inc. (since October 2017)
- ICU Medical, Inc. (since January 2016)

Elisha Finney has served as a director since January 2017. Until her retirement in May 2017, she served as executive vice president and CFO of Varian Medical Systems since 1999, a leading developer of radiation oncology treatments and software, where she served in various management roles since 1988. Ms. Finney's management responsibilities included corporate accounting; corporate communications and investor relations; internal financial and compliance audit; risk management; tax and treasury, and information technology. She previously served as a board member at Altera Corporation from 2011 to December 2015, Thoratec Corporation from 2007 to 2013, and Laserscope from 2005 to 2006. She holds a B.A. in Risk Management and Insurance from the University of Georgia and an M.B.A. from Golden Gate University where she received the 1992 "Outstanding Graduate of the Masters Programs in Finance" Award. Ms. Finney was the 2015 UGA Terry College of Business Distinguished Alumni of the Year and the recipient of Silicon Valley Business Journal's 2013 "Women of Influence" Award.

Experience and Qualifications

Ms. Finney brings more than 25 years of financial and technology-related expertise to iRobot as the company focuses on expanding internationally, scaling its connected product line and maximizing value for its shareholders.



Michelle V. Stacy

DIRECTOR SINCE: 2014

AGE: 63

Director



iRobot Committees:

- Compensation and Talent Committee



Public Directorships:

- Flex Pharma, Inc. (since March 2016)

Michelle V. Stacy has served as a director since August 2014. During her five-year tenure at Keurig Inc., a division of Keurig Green Mountain, Inc., from 2008 to 2013, the company's revenue grew from \$493 million in 2008 to \$4.3 billion for 2013. Ms. Stacy is also a director of Coravin, Inc. and Hydrafacial Inc., and a former director of Young Innovations Inc. and Tervis Inc. She is a recognized expert on identifying strategies to successfully build top line growth for global brands. She holds a B.S. from Dartmouth College and an M.S. in Management from J.L. Kellogg Graduate School of Management — Northwestern University, and is bilingual in French and English.

Experience and Qualifications

As the former president of Keurig, Inc. and former vice president and general manager with Gillette/Procter & Gamble Co., Ms. Stacy brings to the board of directors a wealth of experience leading consumer high growth businesses and building global brands.

The Board of Directors and Its Committees

Board of Directors

The board of directors met eleven (11) times during the fiscal year ended December 29, 2018, and took action by unanimous written consent two (2) times. Each of the directors attended at least 75% of the aggregate of the total number of meetings of the board of directors and the total number of meetings of all committees of the board of directors on which they served during fiscal 2018. The board of directors has the following standing committees: audit committee; compensation and talent committee and nominating and corporate governance committee, each of which operates pursuant to a separate charter that has been approved by the board of directors. A current copy of each charter is available at the Corporate Governance section of our website at <http://www.irobot.com>. Each committee reviews the appropriateness of its charter at least annually. Each committee retains the authority to engage its own advisors and consultants. The composition and responsibilities of each committee are summarized below.

Board Committees

Below is a summary of our committee structure and membership information.

	Audit Committee	Compensation and Talent Committee	Nominating and Corporate Governance Committee
Mohamad Ali			
Michael Bell			
Deborah G. Ellinger			
Elisha Finney			
Ruey-Bin Kao			
Andrew Miller			
Michelle V. Stacy			

= Chairperson = Member = Financial Expert

Audit Committee

Met 11 times in 2018



Committee Chair
Andrew Miller

Committee Members
Elisha Finney
Dr. Ruey-Bin Kao

Responsibilities

- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- pre-approving auditing and permissible non-audit services (including certain tax compliance, planning and advice services), and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- coordinating the oversight and reviewing the adequacy of our internal control over financial reporting;
- overseeing the performance of our internal auditors and internal audit functions, including reviewing the annual internal audit risk assessment as well as the scope of, and overall plans for, the annual internal audit program;
- establishing policies and procedures for the receipt and retention of accounting related complaints and concerns;
- reviewing and discussing with management risk assessments and risk management, including cyber security;
- overseeing our compliance with certain legal and regulatory requirements including, but not limited to, the Foreign Corrupt Practices Act;
- preparing the audit committee report required by SEC rules to be included in our annual proxy statement;
- reviewing certain relationships and related transactions; and
- such other matters as the committee deems appropriate.

For additional information concerning the audit committee, see the “Report of the Audit Committee of the Board of Directors.”

Independence and Financial Expertise

Each member of the audit committee of the board of directors is an independent director within the meaning of the director independence standards of NASDAQ and the SEC, including Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In addition, the board of directors has determined that each of Mr. Miller, Ms. Finney and Dr. Kao are financially literate and that Mr. Miller and Ms. Finney each qualifies as an “audit committee financial expert” under the rules of the SEC.

The audit committee operates under a written charter adopted by the board of directors, a current copy of which is available at the Corporate Governance section of our website at <http://www.irobot.com>.

**Committee Chair****Michael Bell****Committee Members****Elisha Finney****Michelle V. Stacy****Responsibilities**

- annually reviewing and approving corporate goals and objectives relevant to compensation of our chief executive officer and other executive officers;
- evaluating the performance of our chief executive officer in light of such corporate goals and objectives and determining the compensation of our chief executive officer and other executive officers;
- overseeing and administering our compensation, welfare, benefit and pension plans and similar plans;
- reviewing and making recommendations to the board of directors with respect to director compensation;
- reviewing and making recommendations to the board of directors with respect to succession planning for senior management;
- retaining and approving the compensation of any compensation advisers; and
- evaluating the independence of any such compensation advisers.

The compensation and talent committee took action by unanimous written consent seven (7) times during the fiscal year ended December 29, 2018. The compensation and talent committee operates under a written charter adopted by the board of directors, a current copy of which is available at the Corporate Governance section of our website at <http://www.irobot.com>.

Independence

Each member of the compensation and talent committee of the board of directors is an independent director within the meaning of the director independence standards of NASDAQ, a non-employee director as defined in Rule 16b-3 of the Exchange Act, and an outside director pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

Nominating and Corporate Governance Committee



Committee Chair
Deborah G. Ellinger

Committee Members
Mohamad Ali
Andrew Miller

Responsibilities

Met 6 times in 2018

- developing and recommending to the board criteria for board and committee membership;
- establishing procedures for identifying and evaluating director candidates including nominees recommended by stockholders;
- identifying individuals qualified to become board members;
- recommending to the board the persons to be nominated for election as directors and to each of the board's committees;
- developing and recommending to the board a code of business conduct and ethics and a set of corporate governance guidelines; and
- overseeing the evaluation of the board and management.

The nominating and corporate governance committee operates under a written charter adopted by the board of directors, a current copy of which is available at the Corporate Governance section of our website at <http://www.irobot.com>.

Independence

Each member of the nominating and corporate governance committee of the board of directors is an independent director within the meaning of the director independence standards of NASDAQ and applicable rules of the SEC.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the director nominees to be elected at the annual meeting, the continuing directors and the executive officers of the Company, their ages immediately prior to the annual meeting, and the positions currently held by each such person with the Company:

Name	Age	Position
Colin M. Angle	51	Chairman of the Board, Chief Executive Officer and Director
Deborah G. Ellinger (3)	60	Lead Independent Director
Mohamad Ali (3)	48	Director
Michael Bell (1)	52	Director
Ruey-Bin Kao (2)	58	Director
Andrew Miller (2)(3)	58	Director
Elisha Finney (1)(2)	57	Director
Michelle V. Stacy (1)	63	Director
Alison Dean	54	Executive Vice President, Chief Financial Officer, Treasurer and Principal Accounting Officer
Christian Cerda	49	Chief Operating Officer
Russell J. Campanello	63	Executive Vice President, Human Resources and Corporate Communications
Glen D. Weinstein	48	Executive Vice President, Chief Legal Officer

(1) Member of compensation and talent committee

(2) Member of audit committee

(3) Member of nominating and corporate governance committee

Executive Officers

Alison Dean has served as our executive vice president, chief financial officer, treasurer and principal accounting officer since April 2013. Ms. Dean previously served as our senior vice president, corporate finance from February 2010 until March 2013. From March 2007 until February 2010, Ms. Dean served as our vice president, financial controls & analysis. From August 2005 until March 2007, Ms. Dean served as our vice president, financial planning & analysis. From 1995 to August 2005, Ms. Dean served in a number of positions at 3Com Corporation, including vice president and corporate controller from 2004 to 2005 and vice president of finance — worldwide sales from 2003 to 2004. She has also served as a director at Everbridge, Inc. since July 2018. Ms. Dean holds a B.A. in Business Economics from Brown University and an M.B.A. from Boston University.

Christian Cerda has served as our chief operating officer since May 2016. Mr. Cerda previously served as executive vice president of our Home Robot Business Unit from February 2015 until May 2016, and its senior vice president and general manager since May 2013. He has direct responsibility over global sales, marketing and Supply Chain. Prior to iRobot, he was general manager and vice president of Sales and Marketing from April 2010 to March 2013 at Whirlpool Corporation, a multinational manufacturer of home appliances, where he was responsible for sales, marketing, brand communications, product development and operations. Previously, he served in senior positions at The Boston Consulting Group and Procter & Gamble Co. Mr. Cerda holds a B.S. in Computer Engineering from Universidad Simon Bolivar and an M.S. in Business Administration with distinction from the Northwestern University Kellogg Graduate School of Management.

Russell J. Campanello has served as our executive vice president, human resources and corporate communications since February 2014. Mr. Campanello previously served as our senior vice president, human resources and corporate communications from July 2013 until February 2014. From November 2010 until July 2013, Mr. Campanello served as our senior vice president, human resources. Prior to joining iRobot, Mr. Campanello served as senior vice president, human resources and administration at Phase Forward, Inc. from April 2008 until September 2010. Mr. Campanello previously served as senior vice president of human resources and marketing at Keane, Inc., a business process and information technology consulting firm, from September 2003 to October 2007. Prior to Keane, Mr. Campanello served as chief people officer at NerveWire, Inc. from August 2000 to February 2003. Prior to NerveWire, he served as senior vice president, human resources at Genzyme Corp. from November 1997 to July 2000. Earlier in his career, Mr. Campanello spent nine years as vice president of human resources at Lotus Development Corporation. He holds a B.S. in Business Administration from the University of Massachusetts.

Glen D. Weinstein has served as our executive vice president and chief legal officer since August 2012. Mr. Weinstein previously served as our general counsel from July 2000 to August 2012 and as senior vice president from January 2005 to August 2012. Since March 2004, he has also served as our secretary. Prior to joining iRobot, Mr. Weinstein was with Covington & Burling LLP, a law firm in Washington, D.C. Mr. Weinstein holds a B.S. in Mechanical Engineering from MIT and a J.D. from the University of Virginia School of Law.

Our executive officers are elected by the board of directors on an annual basis and serve until their successors have been duly elected and qualified or until their earlier death, resignation or removal.

CORPORATE GOVERNANCE AND BOARD MATTERS

Board Leadership Structure

Mr. Angle serves as our chief executive officer and chairman of the board. The board of directors believes that having our chief executive officer as chairman of the board facilitates the board of directors' decision-making process because Mr. Angle has first-hand knowledge of our operations and the major issues facing us. This also enables Mr. Angle to act as the key link between the board of directors and other members of management. To assure effective independent oversight, our by-laws provide that the independent members of our board of directors will designate a lead independent director if the chairman of the board is not an independent director, as discussed further in "Executive Sessions of Independent Directors" below.

Independence of Members of the Board of Directors

The board of directors has determined that Drs. Kao and Chwang, Mses. Ellinger, Finney and Stacy, and Messrs. Ali, Bell and Miller are independent within the meaning of the director independence standards of The Nasdaq Stock Market ("NASDAQ") and the SEC. Furthermore, the board of directors has determined that each member of each of the committees of the board of directors is independent within the meaning of the director independence standards of NASDAQ and the SEC.

Executive Sessions of Independent Directors

Executive sessions of the independent directors are held during each regularly scheduled in-person meeting of the board of directors. Executive sessions do not include any of our non-independent directors and are chaired by a lead independent director who is appointed annually by the board of directors from our independent directors. Ms. Ellinger currently serves as the lead independent director. In this role, Ms. Ellinger serves as chairperson of the independent director sessions. The independent directors of the board of directors met in executive session four (4) times in 2018.

Role of Lead Independent Director

The lead independent director works to ensure that "all voices are heard" within the boardroom and proactively spends considerable time with the chief executive officer, and other executive officers, to understand the Company's vision and strategy and works to focus the board of directors on areas aligned with the Company's vision and strategy. In addition to acting as the chairperson of the independent director sessions, the lead independent director assists the board in assuring effective corporate governance. The lead independent director's specific duties include:

- providing the chairman of the board with input as to preparation of agendas for meetings;
- advising the chairman of the board as to the quality, quantity and timeliness of the flow of information from the Company's management that is necessary for the independent directors to effectively and responsibly perform their duties;
- coordinating and developing the agenda for the executive sessions of the independent directors;
- acting as principal liaison between the independent directors and the chairman of the board on critical issues;
- acting as a spokesperson for the independent directors able to talk with major investors and stockholders on topics of overall governance;

- evaluating, along with the members of the compensation and talent committee, the chief executive officer's performance and meeting with the chief executive officer to discuss such evaluation; and
- acting as chairperson of the board in the absence of the chairman of the board or a vacancy in the position of chairman of the board.

The Board of Directors' Role in Risk Oversight

The board of directors oversees our risk management process. This oversight is primarily accomplished through the board of directors' committees and management's reporting processes, including receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial, legal and regulatory, and strategic and reputational risks. The audit committee focuses on risk related to accounting, internal controls, and financial and tax reporting. The audit committee also assesses economic and business risks and monitors compliance with ethical standards. The compensation and talent committee identifies and oversees risks associated with our executive compensation policies and practices, and the nominating and corporate governance committee identifies and oversees risks associated with director independence, related party transactions and the implementation of corporate governance policies.

Policies Governing Director Nominations

Director Qualifications

The nominating and corporate governance committee of the board of directors is responsible for reviewing with the board of directors from time to time the appropriate qualities, skills and characteristics desired of members of the board of directors in the context of the needs of the business and current make-up of the board of directors. This assessment includes consideration of the following minimum qualifications that the nominating and corporate governance committee believes must be met by all directors:

- nominees must have experience at a strategic or policy making level in a business, government, non-profit or academic organization of high standing;
- nominees must be highly accomplished in their respective fields, with superior credentials and recognition;
- nominees must be well regarded in the community and shall have a long-term reputation for the highest ethical and moral standards;
- nominees must have sufficient time and availability to devote to the affairs of the Company, particularly in light of the number of boards on which the nominee may serve;
- nominees must be free of conflicts of interest and potential conflicts of interest, in particular with relationships with other boards; and
- nominees must, to the extent such nominee serves or has previously served on other boards, demonstrate a history of actively contributing at board meetings.

We do not have a formal board diversity policy. However, pursuant to the Policy Governing Director Qualifications and Nominations, as part of its evaluation of potential director candidates and in addition to other standards the nominating and corporate governance committee may deem appropriate from time to time for the overall structure and composition of the board of directors, the nominating and corporate governance committee may consider whether each candidate, if elected, assists in achieving a mix of board members that represent a diversity of background and experience. Accordingly, the board of directors seeks members from diverse professional backgrounds who

combine a broad spectrum of relevant industry and strategic experience and expertise that, in concert, offer us and our stockholders diversity of opinion and insight in the areas most important to us and our corporate mission. In addition, nominees for director are selected to have complementary, rather than overlapping, skill sets. All candidates for director nominee must have time available to devote to the activities of the board of directors. The nominating and corporate governance committee also considers the independence of candidates for director nominee, including the appearance of any conflict in serving as a director. Candidates for director nominee who do not meet all of these criteria may still be considered for nomination to the board of directors, if the nominating and corporate governance committee believes that the candidate will make an exceptional contribution to us and our stockholders.

Process for Identifying and Evaluating Director Nominees

The board of directors delegates the initial selection and nomination process to the nominating and corporate governance committee, with the expectation that other members of the board of directors, and of management, will be requested to take part in the process as appropriate.

Generally, the nominating and corporate governance committee identifies candidates for director nominee in consultation with management, through the use of search firms or other advisors, through the recommendations submitted by stockholders or through such other methods as the nominating and corporate governance committee deems to be helpful to identify candidates. Once candidates have been identified, the nominating and corporate governance committee confirms that the candidates meet all of the minimum qualifications for director nominees established by the nominating and corporate governance committee. The nominating and corporate governance committee may gather information about the candidates through interviews, detailed questionnaires, comprehensive background checks or any other means that the nominating and corporate governance committee deems to be helpful in the evaluation process. The nominating and corporate governance committee then meets as a group to discuss and evaluate the qualities and skills of each candidate, both on an individual basis and taking into account the overall composition and needs of the board of directors. Based on the results of the evaluation process, the nominating and corporate governance committee recommends candidates for the board of directors' approval as director nominees for election to the board of directors. The nominating and corporate governance committee also recommends candidates to the board of directors for appointment to the committees of the board of directors. Once appropriate candidates have been identified, the entire board of directors votes on the candidates, as the selection of board nominees is a responsibility of the entire board of directors.

Procedures for Recommendation of Director Nominees by Stockholders

The nominating and corporate governance committee will consider director nominee candidates who are recommended by our stockholders. Stockholders, in submitting recommendations to the nominating and corporate governance committee for director nominee candidates, shall follow the following procedures:

The nominating and corporate governance committee must receive any such recommendation for nomination not earlier than the close of business on the 120th day prior to the first anniversary of the date of the proxy statement delivered to stockholders in connection with the preceding year's annual meeting.

All recommendations for nomination must be in writing and include the following:

- Name and address of the stockholder making the recommendation;

- A representation that the stockholder is a record holder of the Company's securities, or if the stockholder is not a record holder, evidence of ownership;
- Name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five full fiscal years of the individual recommended for consideration as a director nominee;
- A description of the qualifications and background of the proposed director nominee which addresses the minimum qualifications, actual or potential conflicts of interest, and other criteria for board membership approved by the board of directors from time to time and set forth in the Company's Policy Governing Director Qualifications and Nominations;
- A description of all arrangements or understandings between the stockholder and the proposed director nominee;
- The consent of the proposed director nominee (i) to be named in the proxy statement for the annual meeting and (ii) to serve as a director if elected at such annual meeting; and
- Any other information regarding the proposed director nominee that is required to be included in the proxy statement.

Nominations must be sent to the attention of our secretary by U.S. mail (including courier or expedited delivery service) to:

iRobot Corporation
8 Crosby Drive
Bedford, Massachusetts 01730
Attn: Secretary of iRobot Corporation

Our Secretary will promptly forward any such nominations to the nominating and corporate governance committee.

In addition, our by-laws permit eligible stockholders, or groups of stockholders, owning continuously for at least three years shares of the Company's stock representing an aggregate of at least 3% of the Company's outstanding shares, to nominate and include in the Company's proxy materials director nominees constituting up to two or 25%, whichever is greater, of the board of directors, provided that the stockholders and nominees satisfy the requirements in our by-laws. Written notice of stockholder nominees to the board of directors must be received not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the proceeding year's annual meeting. For details on the Company's proxy access procedures, please refer to our by-laws.

Policy Governing Security Holder Communications with the Board of Directors

The board of directors provides to every security holder the ability to communicate with the board of directors as a whole and with individual directors on the board of directors through an established process for security holder communications as follows:

For communications directed to the board of directors as a whole, security holders may send such communications to the attention of the chairman of the board of directors by U.S. mail (including courier or expedited delivery service) to:

iRobot Corporation
8 Crosby Drive
Bedford, Massachusetts 01730
Attn: Chairman of the Board, c/o Secretary

For security holder communications directed to an individual director in his or her capacity as a member of the board of directors, security holders may send such communications to the attention of the individual director by U.S. mail (including courier or expedited delivery service) to:

iRobot Corporation
8 Crosby Drive
Bedford, Massachusetts 01730
Attn: [Name of the director], c/o Secretary

We will forward any such security holder communication to the chairman of the board, as a representative of the board of directors, or to the director to whom the communication is addressed. We will forward such communications by certified U.S. mail to an address specified by each director and the chairman of the board for such purposes or by secure electronic transmission.

Policy Governing Director Attendance at Annual Meetings of Stockholders

Our policy is to schedule a regular meeting of the board of directors on the same date as our annual meeting of stockholders and, accordingly, directors are encouraged to be present at our stockholder meetings. The eight board members who were directors at the time of the annual meeting of stockholders held in 2018, attended the meeting.

Board of Directors Evaluation Program

The board of directors performs annual self-evaluations of its composition and performance, including evaluations of its standing committees and individual evaluations for each director. In addition, each of the standing committees of the board of directors conducts its own self-evaluation, which is reported to the board of directors. The board of directors retains the authority to engage its own advisors and consultants.

For more corporate governance information, you are invited to access the Corporate Governance section of our website available at <http://www.irobot.com>.

Code of Business Conduct and Ethics

We have adopted a “code of ethics,” as defined by regulations promulgated under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that applies to all of our directors and employees worldwide, including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions. A current copy of the Code of Business Conduct and Ethics is available at the Corporate Governance section of our website at <http://www.irobot.com>. A copy of the Code of Business Conduct and Ethics may also be obtained, free of charge, from us upon a request directed to: iRobot Corporation, 8 Crosby Drive, Bedford, Massachusetts 01730, Attention: Investor Relations. We intend to disclose any amendment to or waiver of a provision of the Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, by posting such information on its website available at <http://www.irobot.com> and/or in our public filings with the SEC.

Human Rights Policy

We have adopted a Human Rights Policy. Respect for human rights is an essential value for our company and for the communities in which we operate. We are committed to ensuring that our



employees and individuals in the communities affected by our activities are treated with dignity and respect. We believe that following these principles helps our employees and our business thrive as we develop new and exciting technologies for the smart home.

For more corporate governance information, you are invited to access the Corporate Governance section of our website available at <http://www.irobot.com>.

Compensation and Talent Committee Interlocks and Insider Participation

During 2018, Mses. Finney and Stacy, and Messrs. Ali and Bell served as members of the compensation and talent committee. No member of the compensation and talent committee was an employee or former employee of us or any of our subsidiaries, or had any relationship with us requiring disclosure herein.

During the last year, no executive officer of the Company served as: (i) a member of the compensation and talent committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our compensation and talent committee; (ii) a director of another entity, one of whose executive officers served on our compensation and talent committee; or (iii) a member of the compensation and talent committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a director of the Company.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

No portion of this audit committee report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Securities Exchange Act of 1934, as amended (the “Exchange Act”), through any general statement incorporating by reference in its entirety the proxy statement in which this report appears, except to the extent that the Company specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act or the Exchange Act.

This report is submitted by the audit committee of the board of directors. The audit committee currently consists of Andrew Miller, Elisha Finney and Ruey-Bin Kao. None of the members of the audit committee is an officer or employee of the Company, and the board of directors has determined that each member of the audit committee meets the independence requirements promulgated by NASDAQ and the SEC, including Rule 10A-3(b)(1) under the Exchange Act. Each of Mr. Miller and Ms. Finney is an “audit committee financial expert” as is currently defined under SEC rules. The audit committee operates under a written charter adopted by the board of directors.

The audit committee oversees the Company’s accounting and financial reporting processes on behalf of the board of directors. The meetings of the audit committee are designed to facilitate and encourage communication among the audit committee, Company management, the independent registered public accounting firm and the Company’s internal audit function. The Company’s management has the primary responsibility for the financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting. In fulfilling its oversight responsibilities, the audit committee has reviewed and discussed with management the Company’s consolidated financial statements for the fiscal quarters and full year ended December 29, 2018, including a discussion of, among other things, the quarterly and annual earnings press releases, the quality of the Company’s accounting principles, the reasonableness of significant estimates and judgments, and the clarity of disclosures in the Company’s financial statements.

The audit committee ensures that the Company establishes and appropriately resources a professional internal auditing function and that there are no unjustified restrictions or limitations imposed on that function. In addition to reviewing and approving the annual internal audit plan and overseeing other internal audit activities, the audit committee regularly reviews and discusses the results of internal audit reports.

The audit committee also reviewed with PricewaterhouseCoopers LLP, the Company’s independent registered public accounting firm, the results of their audit and discussed matters required to be discussed by the Auditing Standard No. 1301, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board, other standards of the Public Company Accounting Oversight Board, rules of the SEC and other applicable regulations. The audit committee has reviewed permitted services under rules of the SEC as currently in effect and discussed with PricewaterhouseCoopers LLP their independence from management and the Company, including the matters in the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant’s communications with the audit committee concerning independence, and has considered and discussed the compatibility of non-audit services provided by PricewaterhouseCoopers LLP with that firm’s independence. For each engagement, Company management provided the audit committee with information about the services and fees, sufficiently detailed to allow the audit committee to make an informed judgment about the nature and scope of the services and the potential for the services to impair the independence of the independent



registered public accounting firm. After the end of each fiscal year, Company management provides the audit committee with a summary of actual fees incurred with the independent registered public accounting firm.

The audit committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examinations; their evaluations of the Company's internal control, including internal control over financial reporting; and the overall quality of the Company's financial reporting. Additionally, the audit committee meets in separate executive sessions with the Company's chief financial officer and the head of internal audit.

In accordance with SEC rules and PricewaterhouseCoopers LLP policies, lead and concurring audit partners are subject to rotation requirements that limit the number of consecutive years an individual partner may provide services to our Company to a maximum of five years. The selection of the lead audit partner pursuant to this rotation policy involves a meeting between the candidate for the role and the chair of the audit committee, as well as with the full audit committee and members of management.

The audit committee has also evaluated the performance of PricewaterhouseCoopers LLP, including, among other things, the length of time the firm has been engaged; its familiarity with our operations and businesses, accounting policies and practices, and our internal controls over financial reporting; and the appropriateness of fees paid to PricewaterhouseCoopers LLP for audit and non-audit services in 2018, on an absolute basis and as compared to the scope of prior year audits. Information about PricewaterhouseCoopers LLP's fees for 2018 is discussed below in this proxy statement under "Proposal 2 - *Ratification of Appointment of Independent Registered Public Accountants.*" Based on its evaluation, the audit committee has retained PricewaterhouseCoopers LLP to serve as the Company's independent registered public accounting firm for the 2019 fiscal year.

Based on its review of the financial statements and the aforementioned discussions, the audit committee concluded that it would be reasonable to recommend, and on that basis, did recommend, to the board of directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 29, 2018, which was filed with the SEC on February 14, 2019.

Respectfully submitted by the Audit Committee,

Andrew Miller (chairman)

Elisha Finney

Ruey-Bin Kao

REPORT OF THE COMPENSATION AND TALENT COMMITTEE OF THE BOARD OF DIRECTORS

No portion of this compensation and talent committee report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Securities Exchange Act of 1934, as amended (the “Exchange Act”), through any general statement incorporating by reference in its entirety the proxy statement in which this report appears, except to the extent that the Company specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act or the Exchange Act.

The compensation and talent committee of the board of directors, which is comprised solely of independent directors within the meaning of applicable rules of The NASDAQ Stock Market, Inc., outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and non-employee directors within the meaning of Rule 16b-3 under the Exchange Act, is responsible for developing executive compensation policies and advising the board of directors with respect to such policies and administering the Company’s cash incentive and equity incentive plans. The compensation and talent committee sets performance goals and objectives for the chief executive officer and the other executive officers, evaluates their performance with respect to those goals and sets their compensation based upon the evaluation of their performance. In evaluating executive officer pay, the compensation and talent committee retains the services of a compensation consultant and considers recommendations from the chief executive officer with respect to goals and compensation of the other executive officers. The compensation and talent committee assesses the information it receives in accordance with its business judgment. The compensation and talent committee also periodically reviews director compensation. All decisions with respect to executive and director compensation are approved by the compensation and talent committee. All decisions regarding chief executive officer and director compensation are reviewed and ratified by the full board. Mr. Bell, and Mses. Finney and Stacy are the current members of the compensation and talent committee.

The compensation and talent committee has reviewed and discussed the Compensation Discussion and Analysis (the “CD&A”) for the year ended December 29, 2018 with management. In reliance on the reviews and discussions referred to above, the compensation and talent committee recommended to the board of directors, and the board of directors has approved, that the CD&A be included in this proxy statement and incorporated by reference in our Annual Report on Form 10-K for the year ended December 29, 2018, which was filed with the SEC on February 14, 2019.

Respectfully submitted by the Compensation and Talent Committee,

Michael Bell (chairman)

Elisha Finney

Michelle Stacy

COMPENSATION AND OTHER INFORMATION CONCERNING EXECUTIVE OFFICERS AND DIRECTORS

Compensation Discussion and Analysis

Executive Overview

The competition for executive talent in our industry continues to be significant. While we compete to attract and retain talent against other established technology companies in our industry, we increasingly compete with a wide range of smaller, high-growth companies focused on emerging technologies.

Our compensation philosophy is based on a desire to balance retention of executive talent with pay for performance incentive compensation which is designed to reward our named executive officers for our financial and operating performance. We believe the compensation of our named executive officers should align our executives' interests with those of our stockholders and focus executive behavior on the achievement of both near-term corporate targets as well as long-term business objectives and strategies. It is the responsibility of the compensation and talent committee of our board of directors to administer our compensation practices to ensure they are competitive and include incentives designed to appropriately drive our performance through specific financial and strategic objectives. Our compensation and talent committee annually reviews and approves elements of executive compensation, including our chief executive officer and other executive officer base salaries, cash incentives and equity awards.

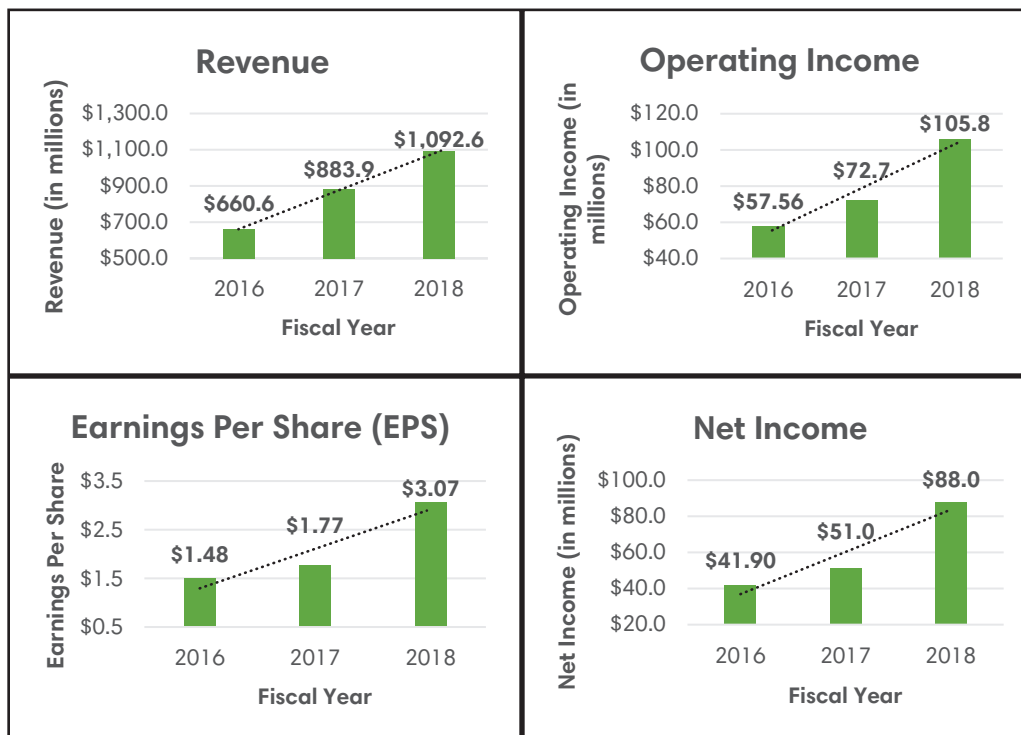
2018 Financial Performance Highlights

Our performance as a company in 2018 was very strong. We exceeded full-year expectations for revenue growth and profitability after raising our expectations twice during the year and saw substantial demand for our Roomba i7 and i7+ products. In addition, we announced the planned 2019 introduction of a new category of robot, the iRobot Terra, an autonomous lawn mower. We continue to focus on the diversification of our product offerings, and supply chain and manufacturing diversification for longer term production stability, as well as on driving growth of non-Roomba products.

Revenue \$1.092B an increase of 24% from full-year 2017	Operating Income \$105.8M an increase of 46% from full-year 2017
Diluted Earnings Per Share \$3.07 compared with \$1.77 for full-year 2017	Net Income \$88.0M an increase of 73% from full-year 2017

Historical Financial Performance

Our financial performance over the last three years has been very strong. The performance below demonstrates our focus on delivering shareholder value.



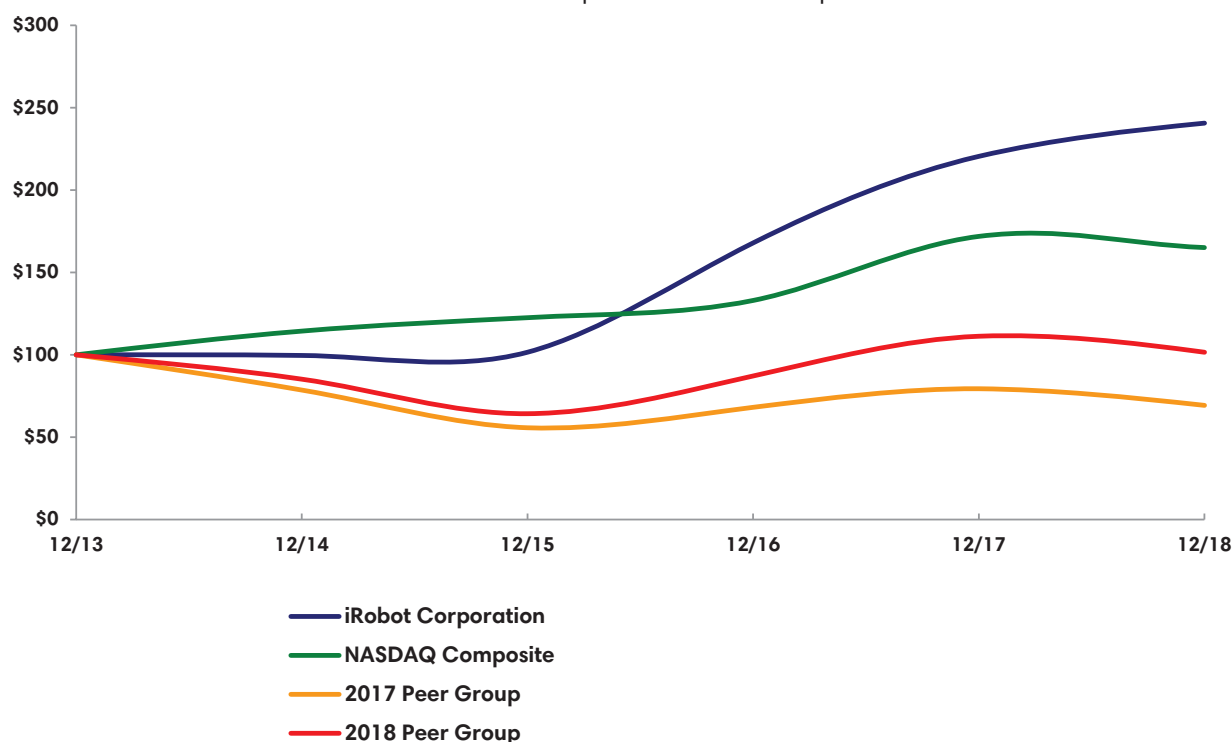
The graph below compares the cumulative 5-Year total return provided to shareholders on iRobot Corporation's common stock relative to the cumulative total returns of the NASDAQ Composite index and two customized peer groups of fourteen companies in 2017 and sixteen companies in 2018. The individual companies are listed in footnotes 1 and 2 below. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our common stock, in each index and in each of the peer groups on 12/31/2013 and its relative performance is tracked through 12/31/2018.

(1.) The fourteen companies included in the company's 2017 peer group are: 3D Systems Corp, Dolby Laboratories Inc., Faro Technologies Inc., Fitbit Inc., GoPro Inc., Harmonic Inc., Logitech International Sa, Nautilus Inc., NETGEAR Inc., Novanta Inc., Plantronics Inc., TiVo Corp, Trimble Inc. and Universal Electronics Inc.

(2.) The sixteen companies included in the company's 2018 peer group are: 3D Systems Corp, Brooks Automation Inc., Coherent Inc., Dolby Laboratories Inc., Faro Technologies Inc., Fitbit Inc., Garmin Ltd, GoPro Inc., Logitech International Sa, NETGEAR Inc., Novanta Inc., Plantronics Inc., TiVo Corp, Trimble Inc., Ubiquiti Networks Inc. and Universal Electronics Inc.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among iRobot Corporation, the NASDAQ Composite Index,
2017 Peer Group and 2018 Peer Group



*\$100 invested on 12/31/13 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

VALUE OF HYPOTHETICAL INVESTMENT

	12/13	12/14	12/15	12/16	12/17	12/18
iRobot Corporation	100.00	99.86	101.81	168.10	220.59	240.84
NASDAQ Composite	100.00	114.62	122.81	133.19	172.11	165.84
2017 Peer Group	100.00	78.85	55.97	68.19	79.44	69.44
2018 Peer Group	100.00	85.42	64.37	87.28	111.39	101.87

Our compensation and talent committee, in conjunction with management, evaluates our overall executive compensation program each year. As a result of this ongoing review and consistent with our review of best practices, we made a number of changes in our long-term incentive plan over the last two years.

2017 PSU Design Changes:

- Increased the emphasis on PSUs
- Discontinued the use of stock options.
- Adjusted our PSU design to use a single, three-year performance period (eliminating interim one-year goals and a “catch-up” provision)
- Added the potential to earn above and below target (vs. an “all or nothing” design)

2018 PSU Design Changes

- Shifted the payout metric from operating income as a percentage of revenue to three-year cumulative operating income in dollars.

We have continued the same plan design for our 2019 long-term incentive plan. We believe our compensation philosophies and objectives, as described below, have appropriately aligned our executive compensation outcomes with Company performance and support the objectives of our compensation program outlined below.

Objectives of Our Compensation Program

We believe our compensation philosophies and objectives, as further described below, have aligned executive compensation with Company performance. Our compensation programs for our executive officers are designed to achieve the following objectives:

- Provide competitive compensation that attracts, motivates and retains the best talent and the highest caliber executives to help us to achieve our strategic objectives;
- Connect a significant portion of the total potential compensation paid to executives to our annual financial performance;
- Align management's interest with the interests of stockholders through long-term equity incentives; and
- Provide management with performance goals directly linked to our longer-term plan for growth and profit.

We believe the compensation of our named executive officers should reflect their success as a management team, rather than as individuals, in attaining key operating objectives, such as Adjusted EBITDA, operating income in dollars and revenue in dollars. We define Adjusted EBITDA as earnings before interest, taxes, depreciation, amortization, stock-based compensation expense, net merger, acquisition and divestiture expense, gain on business acquisition, and net intellectual property litigation expense, as shown on Exhibit A.

We also believe that the compensation of our named executive officers should not be based on the short-term performance of our stock, whether favorable or unfavorable, but rather that the price of our stock will, in the long-term, reflect our operating performance, and ultimately, the management of the Company.

Methodologies for Establishing Executive Compensation

The compensation and talent committee, which is comprised entirely of independent directors, reviews the compensation packages for our named executive officers, including an analysis of all elements of compensation separately and in the aggregate. In determining the appropriate compensation levels for our chief executive officer, the compensation and talent committee meets with alone with the executive vice president, human resources and corporate communications. With respect to the compensation levels of all other named executive officers, the compensation and talent committee meets with our chief executive officer and, as needed, our executive vice president, human resources and corporate communications. Our chief executive officer annually reviews the performance of each of the other named executive officers with the compensation and talent committee.

In May of 2018, the compensation and talent committee engaged Pay Governance as its independent executive compensation consultant. Prior to that, it had retained Pearl Meyer & Partners, LLC ("Pearl Meyer"). The consultant works with the compensation and talent committee in addition to our human resources department and the chief executive officer to assist them in establishing an appropriate peer group, developing the compensation program and recommendations regarding base salary levels, target incentive awards, performance goals for incentive compensation and equity



awards for named executive officers. In conjunction with the annual performance review of each named executive officer, the compensation and talent committee carefully considers the recommendations of the chief executive officer with respect to the other executive officers when setting base salary, bonus payments under the prior year's incentive compensation plan, and target amounts and performance goals for the current year's incentive compensation plan. In addition, the compensation and talent committee similarly determines the size and structure of equity incentive awards, if any, for each named executive officer.

Moreover, the compensation and talent committee considers the results of the advisory vote on named executive officer compensation, or the "say on pay" vote, that is currently held each year at the Company's annual meeting of stockholders.

At the May 2018 annual meeting of stockholders, the Company held its annual say on pay vote. The results of the say on pay vote held in May 2018 were as follows (as a percentage of the votes cast):

For	14,559,216	97.4%
Against	388,799	2.6%

The results of the say on pay vote are advisory and not binding on the Company, the board of directors or the compensation and talent committee. The board of directors and the compensation and talent committee, however, value the opinions of our stockholders and take the results of the say on pay vote into account when making decisions regarding the compensation of our named executive officers. We have also taken additional steps to solicit feedback from our stockholders, meeting directly with many of our largest stockholders and listening to their feedback related to our executive compensation programs over the past few years.

As part of ongoing efforts to be responsive to the concerns of our investors regarding our executive compensation programs and to align the pay of our senior executives with our performance, the compensation and talent committee will, in consultation with Pay Governance and as appropriate, continue to consider changes to our compensation programs in response to input from stockholders and evolving factors such as the business environment, the competitive market for talent and emerging trends. Additionally, the compensation and talent committee will continue to consider the outcome of our say on pay votes, regulatory changes and emerging best practices when making future compensation decisions for our named executive officers.

Our compensation plans are developed, in part, by utilizing publicly available compensation data and subscription compensation survey data for national and regional companies in the technology and consumer technology industries. We believe that the practices of this group of companies provide us with appropriate compensation benchmarks, because these companies have similar business models and tend to compete with us to attract executives and other employees. For benchmarking executive compensation, we typically review the compensation data for companies with revenues, numbers of employees, market capitalizations and levels of research and development investment similar to our profile. Beginning with fiscal year 2017, we removed defense oriented companies from our compensation survey data as a result of the divestment of our defense and security business unit, and reviewed data from companies in comparable industries, including the consumer technology industry, that focus on smart-tech and high-tech products.

Compensation Consultants

As the independent compensation consultant from May 2018 through the end of the 2018 fiscal year, Pay Governance provided the compensation and talent committee with advice on a broad range of executive compensation matters. During 2018, the scope of Pay Governance's services included the following:

- Apprising the compensation and talent committee of compensation-related and regulatory trends and developments in the marketplace;
- Assessing the composition of the peer companies used for comparative purposes;
- Performing a competitive assessment of our non-employee Director and executive compensation programs; and
- Identifying potential changes to the executive compensation program to maintain competitiveness and ensure consistency with business strategies, good governance practices and alignment with stockholder interests

As the independent compensation consultant from the beginning of 2018 through May 2018, Pearl Meyer informed the committee on regulatory developments, identified potential changes to executive compensation programs to maintain competitiveness and ensure consistency with business strategies and; reviewed the Compensation Discussion & Analysis section of the Company's proxy statement.

The compensation and talent committee assessed the independence of its compensation consultants under factors set forth in the SEC rules and concluded that each of Pearl Meyer and Pay Governance was independent and that the firms' work for the committee did not raise any conflicts of interest.

Compensation Comparisons

Developing a peer group for compensation comparison purposes is not an easy task for the Company. We do not have any "true" robotic peer companies that are publicly-traded, stand-alone, U.S.-based and size-appropriate. We believe the mix of technology, smart technology/connected devices, and technology/ consumer products entities that comprise our current peer group provides appropriate reference points for compensation and performance comparisons. However, the companies in our peer group have historically differed substantially from the companies used as peers by some proxy advisory firms. These proxy advisory organizations tend to compare us to companies in the consumer durables industry, such as home builders, retailers and furniture distributors/manufacturers (i.e., companies with little to no technology attributes to their respective products and minimal investments in ongoing research and development). These differences in the composition of peer groups, which are used in companies' determinations of how to align pay and performance, can result in substantial differences in Company performance and how compensation is valued and delivered to executives. Technology, smart technology/connected devices and technology/consumer products companies are subject to different competitive pressures and, in our experience, typically perform and pay differently from home builders, retailers and furniture distributors/manufacturers. Additionally, recruitment efforts at companies focused on technology, smart technology/connected devices and technology/consumer products are largely focused on robotics/technology experts/ industry leaders and individuals with engineering backgrounds. The compensation and talent committee takes all of these unique dynamics into account when annually reviewing our peer group firms and in evaluating our ongoing compensation practices.

The following selection criteria, developed in conjunction with the compensation and talent committee, which are carefully reviewed annually and adjusted as needed, were used to develop the comparative peer group used in assessing the competitiveness of our executive compensation program and in helping develop fiscal year 2018 compensation actions:



- Companies with revenues within a similar range and generally similar market capitalization;
- Companies within comparable industries that focus on smart-tech and high-tech products (e.g., consumer durables, consumer services, aerospace, capital goods, electronics equipment, information technology, instruments and components, computers and peripherals, networking equipment and computer hardware);
- Companies with highly-engineered products and complex networked technologies with multiple industry applications;
- Technology companies whose products contain both hardware and software components, in particular cloud-connected devices, smart monitors, networked devices and consumer wearables; and
- Companies with moderate to high sales growth and opportunity.
- Other secondary criteria also considered include:
 - Companies considered to be engaging in “disruptive innovation;”
 - Companies with products with brand recognition and/or disposable income “luxury” goods; and
 - Companies with comparable levels of research and development expense that indicate similar business models and financial strategy.

Our peer group for 2018 consisted of the following companies. This 2018 peer group differs from the 2017 peer group due to the removal of InvenSense, Inc. following its acquisition and the addition of Dolby Laboratories, Inc. Dolby Laboratories was added to our peer group as a result of its relative similarity to the Company with respect to key financial criteria.

<i>Consumer Technology Companies</i>	<i>Broader Technology Companies</i>
Fitbit, Inc.	3D Systems Corporation
GoPro, Inc.	Dolby Laboratories, Inc.
Logitech International S.A	FARO Technologies
NETGEAR, Inc.	Novanta Inc.
Plantronics, Inc.	Trimbe Inc.
TiVo Corporation	Universal Electronics

These companies, at the time of the analysis, had median annual revenues of \$860 million and a median market capitalization of \$1,483 million. iRobot at this same time had annual revenues of \$770 million and a market capitalization of \$2,138 million

The compensation and talent committee reviews all components of compensation for named executive officers. In accordance with its charter, the compensation and talent committee also, among other responsibilities, administers our incentive compensation plan, and reviews management’s recommendations on company-wide compensation programs and practices. In setting compensation levels for our executive officers in fiscal 2018, the compensation and talent committee considered many factors in addition to the benchmarking described above, including, but not limited to:

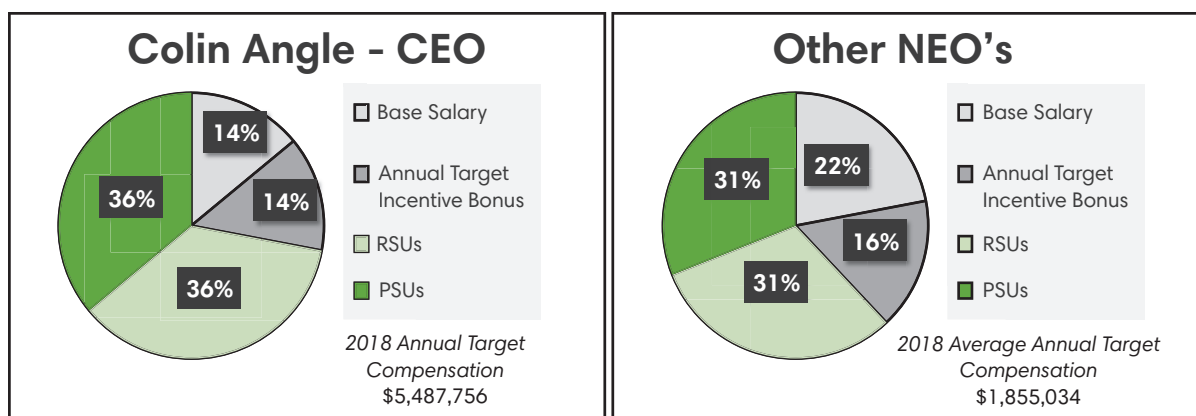
- the scope and strategic impact of the executive officer’s responsibilities;
- our past business performance, and future expectations;
- our long-term goals and strategies;
- the performance and experience of each individual;
- retention considerations

- unvested equity holdings
- past compensation levels of each individual and of the named executive officers as a group;
- relative levels of pay among the executive officers;
- the amount of each component of compensation in the context of the executive officer’s total compensation and other benefits;
- input from the board with respect to its evaluation of and recommendations for the chief executive officer; and
- input from the chief executive officer with respect to the evaluation of and recommendations for the other named executive officers.

The compensation and talent committee determines compensation for our chief executive officer using the same factors it uses for other executive officers, while placing greater emphasis on performance-based opportunities through long-term equity and short-term cash incentive compensation, which we believe better aligns our chief executive officer’s interests with our success and the interests of our stockholders. In assessing the compensation paid to our chief executive officer, the compensation and talent committee relies on both input from the board of directors on performance and information from our selected benchmarks and its judgment with respect to the factors described above.

Elements of Compensation and 2018 Annual Target Compensation

Our executive compensation program in 2018 consisted of three primary elements: base salary, annual cash incentives, and long-term equity awards, in the form of time-based restricted stock units (“RSUs”) and PSUs. All of our executive officers also are eligible for certain benefits offered to employees generally, including life, health, disability and dental insurance, as well as participation in our 401(k) plan and employee stock purchase plan. We have also entered into executive agreements with our executive officers that provide for certain severance benefits upon termination of employment, including a termination in connection with a change in control of the Company. We set each executive’s target compensation mix for 2018 per the chart below. The target compensation mix for each executive was determined at the beginning of 2018. Target compensation includes only the target amount of each of the elements shown below and does not contemplate the upside and downside opportunity included in our variable incentive plans.



Elements of Compensation

Base Salary

Salaries are structured to be within the market competitive range of salaries paid by the peer companies reviewed by the compensation and talent committee in high-technology industries,



including consumer electronics and smart technologies. While we generally aim to set base salaries for each of our executives to market competitive levels in our relevant industries, the compensation and talent committee also takes into consideration many additional factors (described below) that we believe are important and have enabled us to attract, motivate and retain a high performing leadership team in an extremely competitive environment. Salaries are reviewed on an annual basis.

In 2018, the compensation and talent committee reviewed the base salaries for each of our executive officers, taking into account an assessment of the individual's responsibilities, experience, individual performance and contribution to our performance, and also generally taking into account the competitive environment for attracting and retaining executives consistent with our business needs, along with those factors previously described. With respect to each of our executive officers, our chief executive officer provided a detailed evaluation and recommendation related to base salary adjustments, if any (excluding for himself).

We believe that the base salaries of our named executive officers, which range from 13% to 26% as a percentage of total compensation, are set at an appropriate level to align our compensation mix with our compensation philosophy.

In connection with our annual review process in February 2018 and taking into account the considerations discussed above, the compensation and talent committee made base salary adjustments for Mr. Angle and Ms. Dean, as noted in the table below. For 2019, base salaries of our named executives were reviewed by the compensation and talent committee, and the compensation and talent committee made adjustments to the base salaries of four of our named executive officers, as noted in the table below. These adjustments to salaries were in recognition of exceptional performance and to ensure we are maintaining a competitive positioning with our peer group and the market.

	2017 Base Salary	% Increase	2018 Base Salary	% Increase	2019 Base Salary
Colin M. Angle	\$700,000	7.1%	\$750,000	10.0%	\$825,000
Alison Dean	\$460,000	3.3%	\$475,000	5.3%	\$500,000
Christian Cerda	\$450,000	—	\$450,000	11.1%	\$500,000
Russell J. Campanello	\$350,000	—	\$350,000	—	\$350,000
Glen D. Weinstein	\$380,000	—	\$380,000	7.9%	\$410,000

Cash Incentive Compensation

The compensation and talent committee believes that short-term cash incentive compensation for executive officers should be contingent upon successful achievement of significant financial and business objectives and implementation of our business strategy. For our named executive officers, including our chief executive officer, the payment of cash incentive awards is based on an evaluation of achievement against predetermined Company financial and operational metrics in accordance with our Senior Executive Incentive Compensation Plan ("SEICP") adopted by the compensation and talent committee. For each named executive officer, 100% of his or her target cash incentive compensation in 2018 was tied to key Company financial and operating performance measures. We aim to set our cash incentive opportunities for named executive officers to be market competitive for performance at target and actual amounts earned are scaled appropriately below and above target based on actual performance achievement similar to the program designs of our peer companies in the consumer technology industry and companies that focus on smart and high-tech products. The actual amount of the cash incentives paid to the named executive officers, however, is subject to the compensation and talent committee's determination of our performance in general and the achievement of specific pre-established goals, as described below.

For fiscal 2018, the threshold, target and maximum bonus award opportunities under our SEICP for each of our named executive officers, as a percentage of base salary are set forth in the table below. These target bonus amounts were set at levels the compensation and talent committee determined were appropriate to achieve our business plan, which involved growing the Company in a profitable, cost-effective way.

	Incentive Bonus Award Opportunity Payout Scale (% of base salary)		
	Threshold (12.5% of target opportunity) (1)	Target (100%)	Maximum (200% of target opportunity) (2)
Colin M. Angle	12.50%	100.00%	200.00%
Alison Dean	10.00%	80.00%	160.00%
Christian Cerda	10.00%	80.00%	160.00%
Russell J. Campanello	8.13%	65.00%	130.00%
Glen D. Weinstein	8.13%	65.00%	130.00%

- (1) Cash incentive payments are made only if the Company has achieved a specified Adjusted EBITDA hurdle, excluding cash incentive compensation expense.
- (2) This reflects the maximum incentive cash payout levels established under our SEICP for 2018 based on the specific goals established for fiscal 2018.

The following tables summarize the 2018 performance measures, associated weightings and goals for each of the named executive officers under the SEICP, including actual performance achievement. As discussed previously, the payout opportunity ranges from 12.5% of the target incentive opportunity for achieving threshold level of performance to 200% of the target incentive opportunity for achieving maximum level of performance.

Metric	Weightings	Performance Goal			2018 Actual Performance	Actual Percentage Earned (as % of target)
		Threshold (12.5%)	Target (100%)	Maximum (200%)		
\$ in millions						
Adjusted EBITDA, excluding cash incentive compensation expense	50%	\$149.7	\$176.1	\$234.2	\$194.5	66%
Company Revenue	50%	\$945.0	\$1,050.1	\$1,260.1	\$1,092.6	60%
Total Payout (as a % of Target)						126%

- * Actual percentage earned (as % of target) is relative to the weightings of both metrics, which are 50% respectively.

The compensation and talent committee chose this mix of financial targets for cash incentive compensation because it believes it creates a balanced focus on growth and profitability, and it believes that executive officers should be focused on a small set of critical, team-based financial and operating metrics that reinforce the executive's role and impact the Company's business strategy. Also, the compensation and talent committee established a hurdle where the available total incentive compensation payout for the entire employee base - including the named executive officers - would be reduced on a dollar-for-dollar basis if Adjusted EBITDA, excluding cash incentive compensation expense, fell below \$149.7 million for the fiscal year (the threshold for Adjusted EBITDA, excluding cash incentive compensation expense shown in the table above).



With the tremendous financial performance in 2018, fueled by continued demand for our existing products and substantial demand for our new Roomba i7 and i7+, we overachieved on revenue and Adjusted EBITDA goals, which resulted in the following cash awards to the named executive officers for performance in fiscal 2018 pursuant to our SEICP:

	Incentive Bonus Award		
	Original Target Incentive Opportunity	Achievement	SEICP Earned & Paid
Colin M. Angle	\$750,000	126%	\$945,000
Alison Dean	\$380,000	126%	\$478,800
Christian Cerda	\$360,000	126%	\$453,600
Russell J. Campanello	\$227,500	126%	\$286,650
Glen D. Weinstein	\$247,000	126%	\$311,220

Long-Term Incentives

Overview

In 2018, executive officers were eligible to receive a mix of time-based RSUs and PSUs that are intended to promote success by aligning employee financial interests with long-term stockholder value. Long-term incentives are awarded based on various factors primarily relating to the responsibilities of the individual officer or employee, his or her past performance, anticipated future contributions, prior grants, and competitive market and retention considerations as well as the pool of shares available for grant and Company performance. In general, our compensation and talent committee bases its decisions to grant long-term incentives on recommendations of our chief executive officer and the compensation and talent committee's analysis of peer group and industry compensation information, with the intention of keeping the executives' overall compensation at a competitive level with our peer group companies in consumer technology and smart and high-tech industries.

Historically the equity awards we granted to our named executive officers were comprised of a mix of 50% RSUs, 25% PSU's, and 25% stock options. Starting in 2017, we adjusted our mix of equity awards so that named executive officers receive 50% of their total equity awards in the form of time-based RSUs and 50% of their equity awards in the form of PSUs. We also adjusted the design of our PSU plan so performance is measured at the end of a three-year performance period, eliminating the interim one-year cumulative goals, and we added an opportunity to earn above and below target based on actual performance achievement at the end of the three-year performance period. These changes were implemented based on feedback from our investors. For 2019 we have kept our long-term equity plan design generally consistent with 2018.

The compensation and talent committee believes that our mix of long-term equity awards is market competitive and strongly aligns the incentives of our executives with the interests of our stockholders and the long-term performance of the Company by directly tying a significant portion of the value that may be realized from our equity compensation to the performance of the Company and the value of our stock.

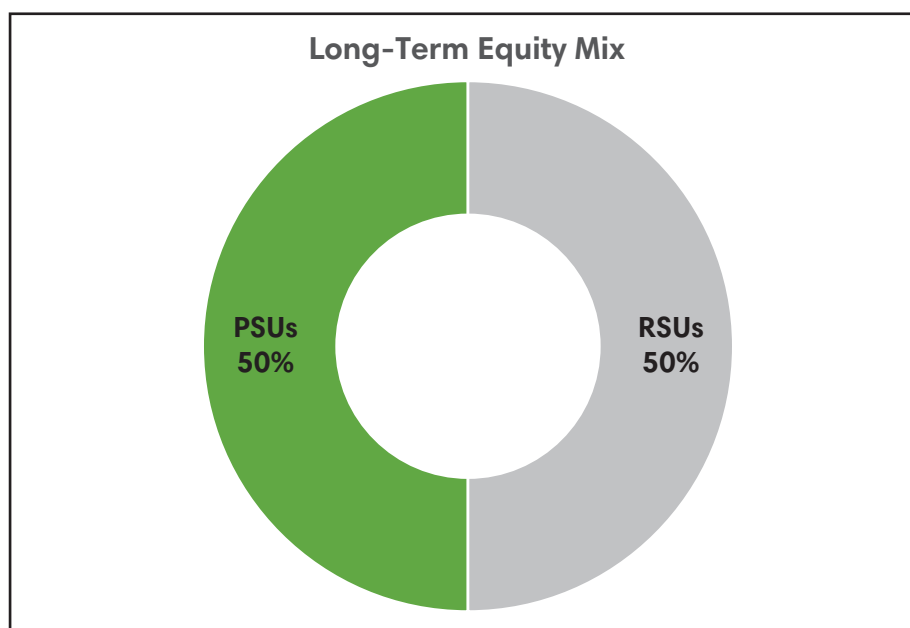
Both RSUs and PSUs are typically granted in March. RSUs vest based on continued service in equal annual installments over four years. PSUs granted in 2018 and 2019 have three-year cliff vesting based on performance as well as continued service with the Company.

During fiscal year 2018, our compensation and talent committee approved the RSU and PSU awards set forth in the table below to each of our named executive officers. The payout opportunity on

the PSUs to be earned at the end of the three-year performance period ranges from 0% for below threshold performance, 50% of the target opportunity for achieving threshold level of performance to 200% of the target opportunity for achieving maximum level of performance. The number of PSUs actually earned will be determined at the end of the three-year performance period by measuring the Company's actual 2018 to 2020 cumulative financial performance against the target performance.

	Grant Date Fair Value (\$)	RSUs (#)	PSUs (# at Threshold) (50% of Target)	PSUs (# at Target)	PSUs (# at Maximum) (200% of Target)
Colin M. Angle	3,987,756	29,146	14,573	29,146	58,292
Alison Dean	1,360,538	9,944	4,972	9,944	19,888
Christian Cerda	1,501,190	10,972	5,486	10,972	21,944
Russell J. Campanello	750,594	5,486	2,743	5,486	10,972
Glen D. Weinstein	938,312	6,858	3,429	6,858	13,716

The following chart depicts the mix of PSUs and RSUs in our annual long-term incentive program for 2018 and 2019:



Performance Share Units

The Company's and the compensation and talent committee's overall goals for selecting metrics for the PSU component of the long-term incentive program include:

- Alignment with business strategy;
- Alignment with stockholder interest in improving long-term business fundamentals;
- Correlation with total stockholder return; and
- Complementary to our short-term incentive metrics.

For 2018, the compensation and talent committee determined that operating income was the optimal metric for our PSU component. Prior to 2018, our PSU metric was operating income as a percentage of revenue (with a threshold requirement for a minimum amount of revenue). We believe



moving to operating income not only will continue to support total shareholder return but allows iRobot to focus on continued growth while investing in future products, technologies, and diversification. Operating income is also a regularly reported GAAP financial measure, is understood by our investor base, and can be reasonably forecasted over the relevant performance period. We believe using operating income for our PSUs coupled with the revenue component of our short-term incentive plan provides strong focus on, and balance between, important short- and long-term business drivers. Moreover, operating income tends to reflect the performance of our executive team as opposed to macro-economic factors or industry-wide trends beyond the control of our team. All financial goals for each of the outstanding three-year PSU plans are established at the beginning of the three-year performance period.

PSUs granted in 2018 and 2019 will be earned and vest at the end of the three-year performance period based upon performance over the entire three-year period. In addition, our named executive officers will have the opportunity to earn below or above the target number of PSUs granted if performance falls below or above the target performance.

For the PSUs granted in 2018, the number of shares earned at the end of the three-year period will range from 0% to 200% of the target number of PSUs granted based on the Company's performance against a three-year cumulative operating income goal. All financial goals for the three-year cumulative PSU plans were established at the beginning of the three-year performance period. The following table outlines the threshold, target, and maximum for operating income for the three-year cumulative performance goal for the PSU plan for the 2018 through 2020 cycle.

2018-2020 PSU Performance Cycle	Operating Income Performance (in millions)			Actual Performance Achieved	Actual Payout Achieved
	Threshold	Target Range	Maximum		
Cumulative	\$285	\$321 - \$392	\$428	—	—

The below chart illustrates the payout range for operating income attainment for PSUs granted in 2018. In order to earn shared a threshold performance level of \$285 in operating income must be achieved. To earn 100% of shares we must achieve operating income of \$321. Achievement above \$392 operating income would earn more than 100% of shares up to a maximum of 200% of shares at \$428 in operating income.

	2018-2020 PSUs At Threshold, Target & Maximum		
	PSUs At Threshold	PSUs At Target	PSUs Maximum
Colin M. Angle	14,573	29,146	58,292
Alison Dean	4,972	9,944	19,888
Christian Cerda	5,486	10,972	21,944
Russell J. Campanello	2,743	5,486	10,972
Glen D. Weinstein	3,429	6,858	13,716

For the PSUs granted in 2017, the number of shares earned at the end of the three-year period will range from 0% to 200% of the target number of PSUs granted based on the Company's performance against three-year cumulative operating income percent and revenue goals. All financial goals for the three-year cumulative PSUs were established at the beginning of the three-year performance period. The following table outlines the revenue threshold and target operating income percent for the three-year cumulative performance goals for the PSU plan for the 2017 through 2019 cycle. Actual performance achieved will exclude the impact of the 2017 acquisition of the Company's distributor in Europe.

2017 - 2019 PSU Performance Cycle	Revenue (in millions)		Operating Income Percent			Actual Performance Achieved	Actual Payout Level Achieved
	Threshold	Actual Performance Achieved	Threshold	Target Range	Maximum		
Cumulative	\$2,384	—	8.2%	9.7% - 10.7%	12.2%	—	—

The below chart illustrates the payout range for operating income percent attainment for PSUs granted in 2017. In order to earn shares a threshold performance level of 8.2% in operating income percent must be achieved. To earn 100% of shares we must achieve operating income percent of 9.7%. Achievement above 10.7% operating income percent would earn more than 100% of shares up to a maximum of 200% of shares at 12.2% operating income percent attainment.

	2017-2019 PSUs At Threshold, Target & Maximum			
	PSUs At Threshold	PSUs At Target	PSUs Maximum	Total PSUs Earned to Date
Colin M. Angle	18,112	36,225	72,450	—
Alison Dean	6,250	12,500	25,000	—
Christian Cerda	6,037	12,075	24,150	—
Russell J. Campanello	3,237	6,475	12,950	—
Glen D. Weinstein	3,887	7,775	15,550	—

For the PSUs granted in 2016, the number of shares actually earned at the end of the three-year period could have ranged from 0% to 100% of the target number of PSUs granted based on the Company's performance against three-year operating income and revenue goals. In addition, while all vesting of earned PSUs occurred on the third anniversary of the date of grant, achievement of intermediate targets for the three-year period allowed PSUs to be deemed earned but not yet vested for the intermediate periods. Achievement of the cumulative target allowed all shares subject to the PSUs to be earned regardless of the achievement of the intermediate annual targets. Unvested awards were not eligible to receive any dividends or voting rights until the point at which any shares were earned and vested. Under this plan, participants could only earn awards at 100% of target or at 0% of target (for performance below 100% of target) for each year as there was no scaled award opportunity above target for PSUs granted in 2016.

The following table outlines the target three-year performance goals for the PSUs for the 2016 through 2018 cycle. No more than 100% of the PSUs granted can be earned.

PSU Performance Cycle	Weighting 2016 -2018	Revenue (in millions)		Operating Income Percent		
		Target	Actual Performance Achieved	Target	Actual Performance Achieved	Actual Payout Level Achieved
2016	33%	\$635	\$661	8.0%	8.7%	33%
2017	33%	\$724	\$827(1)	9.8%	11.3%(1)	33%
2018	33%	\$833	\$997(1)	10.5%	9.0%(1)	0%
Cumulative	100%	\$2,191	\$2,484	9.5%	9.8%	100%
Corresponding Payout				100.0%		

- (1) 2017 and 2018 actual results are adjusted to exclude the impact of the Company's 2017 acquisitions of its distributors in Japan and Europe.



For 2016, one-third of the awarded PSUs were deemed earned if the Company achieved minimum revenue of \$635 million and a minimum 8.0% operating income as a percentage of revenue. In 2016, the Company achieved \$661 million in revenue and 8.7% in operating income as a percentage of revenue. Accordingly, one-third of the total number of PSUs awarded were earned in 2016, but were not yet vested at that time. For 2017, one-third of the awarded PSUs were deemed earned if the Company achieved a revenue threshold of \$724 million and a minimum 9.8% operating income as a percentage of revenue. In 2017, the Company achieved \$827 million in revenue and 11.3% in operating income as a percentage of revenue. Accordingly, another one-third of the total number of PSUs awarded were earned in 2017, but were not yet vested at that time. For 2018, the company achieved \$997 million in revenue, and 9.0% in operating income as a percentage of revenue. While the company did achieve \$997 million in revenue, which exceeded the revenue target for the PSUs, it did not achieve the necessary operating income as a percentage of revenue in 2018. Accordingly, no portion of the PSUs awarded for the 2016 through 2018 plan cycle with respect to 2018 performance were earned based on 2018 performance. However, the Company met the cumulative three-year targets for the three-year performance cycle; therefore, all of the PSUs granted in 2016 were deemed earned and vested. Specifically, the named-executive officers earned the following PSUs with respect to the PSUs granted in 2016:

	2016-2018 PSUs At Target & Earned	
	PSUs At Target	Total PSUs Earned
Colin M. Angle	24,867	24,867
Alison Dean	9,592	9,592
Christian Cerda	11,133	11,133
Russell J. Campanello	4,308	4,308
Glen D. Weinstein	5,857	5,857

Other Benefits and Perquisites

We also have various broad-based employee benefit plans. Our executive officers participate in these plans on the same terms as other eligible employees, subject to any legal limits on the amounts that may be contributed by or paid to executive officers under these plans. We offer a 401(k) plan, which allows our U.S. employees an opportunity to invest in a wide array of funds on a pre-tax basis. The Company matches up to 3% of eligible pay (\$0.50 on each dollar an employee contributes up to a maximum of 6%). In 2017, we established an employee stock purchase plan for the benefit of all of our U.S., UK and Canadian based employees. We do not provide pension arrangements or post-retirement health coverage for our named executive officers or other employees. We also maintain insurance and other benefit plans for our employees. We offer no perquisites to our executive officers that are not otherwise available to all of our employees.

Stock Ownership Guidelines

We maintain equity ownership guidelines to further align the interests of our senior management and directors with those of our stockholders. Under the guidelines, executives are expected to hold common stock in an amount ranging from two times base salary for our senior executives to six times base salary for our chief executive officer. Our directors are also expected to hold common stock in an amount equal to six times their current board retainer fee.

For purposes of these guidelines, stock ownership includes shares for which the executive or director has direct or indirect ownership or control, including stock and in-the-money vested stock options, but does not include unvested restricted stock units or unvested stock options. Executives and

directors are expected to meet their ownership guidelines within five years of becoming subject to the guidelines. All executives and directors are currently meeting or are working to achieve these guidelines within the five-year time period.

Hedging/Pledging Policy

Since 2005, we have had a written insider trading policy that prohibits holding Company securities as collateral in a margin account, any hedging transactions and prohibits pledging of Company securities as collateral for a loan unless the pledge has been approved by the compensation and talent committee of the board of directors. To date, no such approval has been requested or given.

Executive Agreements

We have entered into executive agreements with each of our named executive officers. The executive agreements provide for severance payments equal to 50% of such officer's annual base salary at the highest annualized rate in effect during the one-year period immediately prior to termination, payable in six equal monthly installments, as well as monthly premium payments for continued health, dental and vision benefits for up to six months following termination, in the event that we terminate his or her employment other than for cause, as defined in the executive agreements. In addition, these executive agreements provide that if we experience a change in control, as defined in the executive agreements, and the employment of such officer is terminated by the Company without cause at any time within the period beginning on the date that is 45 days prior to the date of the public announcement of the execution of a definitive agreement for a change in control and ending on the first anniversary of the effective date of the change in control, or if such officer terminates his or her employment for good reason, as defined in the executive agreements, during the one-year period following the change in control, then all unvested equity held by such officer becomes fully-vested and immediately exercisable and such officer is entitled to severance payments equal to 200% of his or her annual base salary, at the highest annualized rate in effect during the period immediately prior to the effective date of the change in control and the date of termination of employment, and 200% of such officer's highest target cash incentive with respect to the year prior to the year in which the change in control occurred and ending in the year in which the officer's employment is terminated, each payable in 24 equal monthly installments, as well as monthly premium payments for continued health, dental and vision benefits for up to 24 months following termination. Receipt of the severance payments and benefits under the executive agreements is subject to the executive officer's execution of a separation agreement, including a general release of claims, in a form and of a scope reasonably acceptable to the Company and compliance with any noncompetition, inventions and/or nondisclosure obligations owed to the Company. There are no tax gross-up payable under the executive agreements or otherwise.

Clawback Policy

In 2015, the Company adopted a clawback policy that provides the board of directors discretion to reduce the amount of future compensation (both cash and equity) payable to an executive of the Company for excess proceeds from incentive compensation received by such executive due to a material restatement of financial statements. The clawback period is the three-year period following the filing of any such restated financial statements with the SEC.

Tax Deductibility of Executive Compensation

The Tax Cuts and Jobs Act of 2017, which was signed into law December 22, 2017 made a number of significant changes to Section 162(m) of the Code. Section 162(m) of the Code generally

places a \$1 million limit on the amount of compensation a company can deduct in any one year for certain executive officers. While we consider tax deductibility as one factor in determining executive compensation, the compensation and talent committee also looks at other factors in making its decisions, as noted above, and retains the flexibility to award compensation that it determines to be consistent with the goals of our executive compensation program even if the awards are not deductible by us for tax purposes. Pursuant to the Tax Cut and Jobs Act, the exemption from Section 162(m)'s deduction limit for performance-based compensation has been repealed, effective for taxable years beginning after December 31, 2017, such that compensation paid to our named executive officers and certain other individuals in excess of \$1 million will not be deductible unless it qualifies for the limited transition relief applicable to certain arrangements in place as of November 2, 2017 that are not subsequently materially modified.

Despite our efforts to structure certain performance-based awards in a manner intended to be exempt from Section 162(m) and therefore not subject to its deduction limits, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) and the regulations issued thereunder, including the uncertain scope of the transition relief under the legislation repealing the performance-based compensation exemption from the deduction limit, no assurance can be given that compensation intended to satisfy the requirements for exemption from Section 162(m) in fact will. Further, we reserve the right to modify compensation that was initially intended to be exempt from Section 162(m) if we determine that such modifications are consistent with our business needs. We believe that shareholder interests are best served if its discretion and flexibility in awarding compensation is not restricted, even though some compensation awards may result in non-deductible compensation expenses.

Risk Oversight of Compensation Programs

As part of its annual review, the compensation and talent committee determined that our compensation program for executive officers is not structured to be reasonably likely to present a material adverse risk to us based on the following factors:

- Our compensation program for executive officers is designed to provide a balanced mix of cash and equity and annual and longer-term incentives, including compensation based on the achievement of performance targets.
- The base salary portion of compensation is designed to provide a steady income regardless of our stock price performance so executives do not feel pressured to focus primarily on stock price performance to the detriment of other important business metrics.
- Our time-based restricted stock unit grants generally vest over four years.
- Our PSUs vest only if we achieve pre-determined significant long-term metrics designed to drive the long-term interests of our stockholders.
- PSU awards align the interests of our executive officers with the success of our business strategy.
- Maximum payout levels for cash and equity incentives are capped.
- We have adopted a clawback policy that applies to cash and equity incentive compensation.
- The compensation and talent committee engages an independent compensation consultant.
- Our executive incentive programs include multiple performance metrics.

Our stock ownership guidelines align the interests of our executive officers with those of our stockholders.

Compensation Consultant Independence

Pursuant to its charter, the compensation and talent committee has the sole authority to retain, terminate, obtain advice from, oversee and compensate its outside advisors, including its compensation consultant.

The compensation and talent committee retained Pay Governance as its independent executive compensation consultant for 2018. Pay Governance reports directly to the compensation and talent committee, and the compensation and talent committee may replace Pay Governance or hire additional consultants at any time. Pay Governance attends meetings of the compensation and talent committee, as requested, and communicates with the chairman of the compensation and talent committee between meetings; however, the committee makes all decisions regarding the compensation of the Company's executive officers.

Pay Governance provides various executive compensation services to the compensation and talent committee with respect to our executive officers and other key employees at the compensation and talent committee's request. The services Pay Governance provides include advising the compensation and talent committee on the principal aspects of the executive compensation program and evolving best practices, and providing market information and analysis regarding the competitiveness of our program design and awards in relationship to our performance.

The compensation and talent committee reviews the services provided by its outside consultants and believes Pay Governance is independent in providing executive compensation consulting services. The compensation and talent committee conducted a specific review of its relationship with Pay Governance, and determined Pay Governance's work for the compensation and talent committee did not raise any conflicts of interest, consistent with the guidance provided under the Dodd-Frank Act and by the SEC and NASDAQ. In making this determination, the compensation and talent committee noted the following:

- Pay Governance and Pearl Meyer did not provide any services to us or our management other than service to the compensation and talent committee (including compensation benchmarking for our senior leadership team), and their respective services were limited to executive compensation consulting;
- Fees paid by us to Pay Governance and Pearl Meyer represented less than 1.0% of Pay Governance's and Pearl Meyer's respective total revenue for the period January 2018 through December 2018;
- Pay Governance and Pearl Meyer each maintain a Conflicts Policy and an Insider Trading Policy which is provided to the compensation and talent committee with specific policies and procedures designed to ensure independence;
- None of the Pay Governance or Pearl Meyer consultants on our account had any business or personal relationship with our compensation and talent committee members;
- None of the Pay Governance or Pearl Meyer consultants on our account had any business or personal relationship with our executive officers; and
- None of the Pay Governance or Pearl Meyer consultants on our account directly own shares of our stock.

The compensation and talent committee continues to monitor the independence of its compensation consultant on a periodic basis.



Executive Compensation

The following table sets forth summary compensation information for our chief executive officer, chief financial officer and the three other most highly compensated executive officers for fiscal years 2018, 2017 and 2016:

SUMMARY COMPENSATION TABLE — 2018

Name and Principal Position	Year	Salary \$(1)	Stock Awards \$(2)	Option Awards \$(2)	Non-Equity Incentive Plan Compensation \$(3)	All Other Compensation \$(4)	Total (\$)
Colin M. Angle	2018	742,308	3,987,756	—	945,000	8,250	5,683,314
Chairman, Chief Executive Officer and Director	2017	700,000	4,153,559	—	1,099,001	8,782	5,961,343
	2016	696,154	2,472,244	807,409	910,000	7,950	4,893,757
Alison Dean	2018	472,693	1,360,538	—	478,800	8,250	2,320,281
Executive Vice President, Chief Financial Officer, Treasurer and Principal Accounting Officer	2017	460,000	1,433,250	—	541,650	8,100	2,443,000
	2016	455,385	953,604	311,552	448,500	7,950	2,176,991
Christian Cerda	2018	450,000	1,501,189	—	453,600	8,250	2,413,039
Chief Operating Officer	2017	446,154	1,384,520	—	529,875	8,100	2,368,649
	2016	419,808	1,151,228	377,732	378,220	7,950	2,334,938
Russell J. Campanello	2018	350,000	750,595	—	286,650	8,250	1,395,495
Executive Vice President, Human Resources and Corporate Communications	2017	350,000	742,424	—	329,700	8,100	1,430,224
	2016	348,462	428,335	140,033	273,000	7,950	1,197,780
Glen D. Weinstein	2018	380,000	938,312	—	311,220	7,788	1,637,320
Executive Vice President and Chief Legal Officer	2017	380,000	891,482	—	357,960	8,100	1,637,542
	2016	377,693	583,496	190,824	296,400	7,950	1,456,365

- (1) Represents salary earned in the fiscal years presented, which covered 52 weeks for fiscal years 2018, 2017 and 2016.
- (2) Represents the aggregate grant date fair value for stock and option awards granted in the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016, as applicable, in accordance with Financial Accounting Standards Board, Accounting Standards Codification Topic 718 ("ASC Topic 718") disregarding any estimates of service-based forfeitures. For performance-based stock awards, the value reported reflects the value of the award at the grant date based upon the probable outcome of the performance conditions. The value of performance-based awards at the grant date assuming that the highest level of the performance condition will be achieved, for the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016, respectively, is \$3,987,756, \$4,153,559, and \$824,092 for Mr. Angle; \$1,360,538, \$1,433,250, and \$317,878 for Ms. Dean; \$1,501,189, \$1,384,520, and \$317,878 for Mr. Cerda; \$750,595, \$742,424, and \$383,731 for Mr. Campanello; and \$938,312, \$891,482, and \$194,100 for Mr. Weinstein. See the information appearing in note 13 to our consolidated financial statements included as part of our Annual Report on Form 10-K for the fiscal year ended December 29, 2018 for certain assumptions made in the valuation of stock and option awards.

- (3) Represents amounts paid in 2019, 2018 and 2017, respectively under the Company's SEICP for performance in the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016, as applicable.
- (4) Includes 401(k) matching contributions for each of our named executive officers. Excludes medical, group life insurance and certain other benefits received by the named executive officers that are available generally to all of our salaried employees.

2018 Pay Ratio

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Company is required to disclose the annual total compensation of our median employee (excluding our chief executive officer), the annual total compensation of our principal executive officer, Chairman of the board of directors and chief executive officer, Colin M. Angle, and the ratio of these two amounts.

The Company selected December 29, 2018, the last day of our most recently-completed fiscal year, as the date upon which the median employee was identified. As of this date the Company employed 1,032 employees globally. The Company included all of our full-time employees, part-time employees and interns, excluding the chief executive officer, in our analysis to identify the median employee. The Company did not elect to make any exclusions as permitted under the SEC de minimis rule.

A Consistently Applied Compensation Measure was used to identify the median employee based on the sum of base pay/regular wages, overtime, bonus, commissions and equity grant date fair value. The Company elected to include bonus payments and equity awards given the broad participation rates in these programs across the employee population. Annualized salary rates for full-time employees and hourly pay rates and actual hours worked were used as reasonable estimates of salary/wages.

Using the compiled data, the Company determined that the 2018 annual total compensation of our median employee as of December 29, 2018 was \$117,775 and Mr. Angle's annual total compensation for 2018 was \$5,683,314 both of which were calculated in accordance with Item 402(c) of Regulation S-K. The ratio of these amounts was 48:1.



Grants of Plan-Based Awards in 2018

The following table sets forth, for each of the named executive officers, information about grants of plan-based awards during fiscal year 2018:

GRANTS OF PLAN-BASED AWARDS — 2018

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Colin M. Angle	—	93,750	750,000	1,500,000	—	—	—	—	—
	3/9/2018	—	—	—	—	—	—	29,146	1,993,878
	3/9/2018	—	—	—	14,573	29,146	58,292	—	1,993,878
Alison Dean	—	47,500	380,000	760,000	—	—	—	—	—
	3/9/2018	—	—	—	—	—	—	9,944	680,269
	3/9/2018	—	—	—	4,972	9,944	19,888	—	680,269
Christian Cerda	—	45,000	360,000	720,000	—	—	—	—	—
	3/9/2018	—	—	—	—	—	—	10,972	750,595
	3/9/2018	—	—	—	5,486	10,972	21,944	—	750,595
Russell J. Campanello	—	28,438	227,500	455,000	—	—	—	—	—
	3/9/2018	—	—	—	—	—	—	5,486	375,297
	3/9/2018	—	—	—	2,743	5,486	10,972	—	375,297
Glen D. Weinstein	—	30,875	247,000	494,000	—	—	—	—	—
	3/9/2018	—	—	—	—	—	—	6,858	469,156
	3/9/2018	—	—	—	3,429	6,858	13,716	—	469,156

- (1) This reflects the threshold, target and maximum incentive cash payout levels established under our SEICP. The actual amounts paid for fiscal year 2018 are disclosed in the “Non-Equity Incentive Plan Compensation” column of the Summary Compensation Table.
- (2) This reflects the threshold, target and maximum equity incentive payout levels associated with PSUs made pursuant to our 2015 Stock Option and Incentive Plan or our 2018 Stock Option and Incentive Plan, which amounts will be payable in shares of our common stock, if the performance metrics are achieved under the terms of the awards.
- (3) All stock awards granted prior to May 23, 2018 were made pursuant to the 2015 Stock Option and Incentive Plan and awards granted thereafter were made pursuant to our 2018 Stock Option and Incentive Plan.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth, for each of the named executive officers, information about unexercised option awards and other unvested equity awards that were held as of December 29, 2018.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END — 2018

Name	Grant Date	Option Awards				Stock Awards			
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(3)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(4)	Equity Incentive Plan Awards; Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(5)	Equity Incentive Plan Awards; Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(4)
Colin M. Angle	3/8/2013	36,175	—	22.86	3/8/2020	—	—	—	—
	3/7/2014	15,475	—	43.35	3/7/2021	—	—	—	—
	6/6/2014 (2)	19,700	—	35.43	6/6/2021	—	—	—	—
	3/6/2015	21,786	1,452	34.30	3/6/2022	9,700	788,804	—	—
	6/5/2015	20,432	2,918	32.38	6/5/2022	—	—	—	—
	3/11/2016	24,759	11,254	33.14	3/11/2023	49,733	4,044,288	—	—
	6/10/2016	19,345	11,605	37.62	6/10/2023	—	—	—	—
	3/10/2017	—	—	—	—	27,168	2,209,302	18,112	1,472,868
3/9/2018	—	—	—	—	29,146	2,370,153	14,573	1,185,076	
Alison Dean	3/6/2015	1,069	534	34.30	3/6/2022	3,570	290,312	—	—
	6/5/2015	1,075	1,075	32.38	6/5/2022	—	—	—	—
	3/11/2016	1,736	4,340	33.14	3/11/2023	19,183	1,559,962	—	—
	6/10/2016	1,494	4,480	37.62	6/10/2023	—	—	—	—
	3/10/2017	—	—	—	—	9,375	762,375	6,250	508,250
	3/9/2018	—	—	—	—	9,944	808,646	4,972	404,323
Christian Cerda	3/6/2015	1,278	639	34.30	3/6/2022	4,270	347,236	—	—
	6/5/2015	1,284	1,284	32.38	6/5/2022	—	—	—	—
	3/11/2016	1,417	3,542	33.14	3/11/2023	15,666	1,273,959	—	—
	6/10/2016	1,828	5,484	37.62	6/10/2023	6,600	536,712	—	—
	9/9/2016	597	2,088	39.09	9/9/2023	—	—	—	—
	3/10/2017	—	—	—	—	9,056	736,434	6,037	490,929
	3/9/2018	—	—	—	—	10,972	892,243	5,486	446,122
	3/9/2018	—	—	—	—	10,972	892,243	5,486	446,122
Russell J. Campanello	3/6/2015	4,360	290	34.30	3/6/2022	1,941	157,842	—	—
	6/5/2015	4,091	584	32.38	6/5/2022	—	—	—	—
	3/11/2016	4,289	1,949	33.14	3/11/2023	8,616	700,653	—	—
	6/10/2016	3,360	2,015	37.62	6/10/2023	—	—	—	—
	3/10/2017	—	—	—	—	4,856	394,890	3,237	263,233
	3/9/2018	—	—	—	—	5,486	446,122	2,743	223,061
Glen D. Weinstein	3/7/2014	2,813	—	43.35	3/7/2021	—	—	—	—
	3/6/2015	2,034	290	34.30	3/6/2022	1,941	157,842	—	—
	6/5/2015	4,091	584	32.38	6/5/2022	—	—	—	—
	3/11/2016	5,844	2,656	33.14	3/11/2023	11,731	953,965	—	—
	6/10/2016	4,579	2,746	37.62	6/10/2023	—	—	—	—
	3/10/2017	—	—	—	—	5,831	474,177	3,887	316,091
	3/9/2018	—	—	—	—	6,858	557,693	3,429	278,846
	3/9/2018	—	—	—	—	6,858	557,693	3,429	278,846



- (1) Except as otherwise noted, stock option grants vest over a four-year period, at a rate of twenty-five percent (25%) on the first anniversary of the grant date, and the remainder in equal quarterly installments thereafter.
- (2) Stock options granted on June 6, 2014 vest at a rate of twenty-five percent (25%) on March 7, 2015, and the remainder in equal quarterly installments over the following three-year period.
- (3) Restricted stock unit awards vest over a four-year period, at a rate of twenty-five percent (25%) on each anniversary of the grant date.
- (4) Amounts disclosed in this column were calculated based on the closing price of our common stock on December 28, 2018, the last business date of the fiscal year ended December 29, 2018.
- (5) PSU awards will be earned and vest at the end of a three-year cumulative period. For additional information on the PSU awards, see the section above entitled “Compensation Discussion and Analysis — Elements of Compensation — Long-Term Incentives.”

Option Exercises and Stock Vested

The following table sets forth, for each of the named executive officers, information with respect to the exercise of stock options and the vesting of restricted stock unit awards and PSUs during the year ended December 29, 2018.

OPTION EXERCISES AND STOCK VESTED — 2018

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise(\$) (1)	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting(\$) (2)
Colin M. Angle	40,825	2,592,661	57,365	3,977,771
Alison Dean	9,508	525,334	20,867	1,446,973
Christian Cerda	38,985	2,811,363	23,480	1,632,444
Russell J. Campanello	23,150	1,406,149	11,752	814,361
Glen D. Weinstein	5,901	448,983	11,940	828,483

- (1) Amounts disclosed in this column were calculated based on the difference between the fair market value of our common stock on the date of exercise and the exercise price of the options in accordance with regulations promulgated under the Exchange Act.
- (2) Amounts disclosed in this column were calculated based on the fair market value of the shares on the date of settlement following vesting.

Potential Benefits Upon Termination or Change in Control

Severance and Change in Control Arrangements in General

The Company has entered into executive agreements with each of the named executive officers, the terms of which are described in further detail in the “Compensation Discussion and Analysis” section above.

Cash Payments and/or Acceleration of Vesting Following Certain Termination Events

Assuming the employment of our named executive officers was terminated without cause (not in connection with a change in control) on December 29, 2018, our named executive officers would be entitled to cash payments in the amounts set forth opposite their names in the table below, subject to any deferrals required under Section 409A of the Code.

Name	Base Salary (\$)	Continuation of Health Plan Premium Payments (\$)	Total (\$)
Colin M. Angle	375,000	14,940	389,940
Alison Dean	237,500	13,041	250,541
Christian Cerda	225,000	14,940	239,940
Russell J. Campanello	175,000	14,940	189,940
Glen D. Weinstein	190,000	13,041	203,041

Assuming the employment of our named executive officers was terminated by the Company without cause during the period beginning on the date that is 45 days prior to the date of the public announcement of the execution of a definitive agreement for a change in control and ending on the first anniversary of the effective date of the change in control, or such officers resigned with good reason during the one-year period following a change in control and that such termination or resignation occurred on December 29, 2018, our named executive officers would be entitled to cash payments in the amounts set forth opposite their names in the below table, subject to any delay in payment required under Section 409A of the Code, and acceleration of vesting as set forth in the table below. The total amount payable to each executive officer may be subject to reduction in certain circumstances if the amount would cause the executive officer to incur an excise tax under Section 4999 of the Code. The following table provides the market value (that is, the value based upon our stock price on December 28, 2018, minus the exercise price, if any) of stock options and restricted stock units that would become exercisable or vested as a result of these acceleration events as of December 29, 2018.

Name	Base Salary (\$)	Bonus (\$)	Continuation of Health Plan Premium Payments (\$)	Market Value of Stock Options (\$)	Market Value of Restricted Stock Units and PSUs (\$)	Total (\$)
Colin M. Angle	1,500,000	1,500,000	59,759	1,260,436	14,728,516	19,048,711
Alison Dean	950,000	760,000	52,164	482,596	5,246,441	7,491,201
Christian Cerda	900,000	720,000	59,759	591,365	5,660,767	7,931,891
Russell J. Campanello	700,000	455,000	59,759	224,175	2,672,175	4,111,109
Glen D. Weinstein	760,000	494,000	52,164	290,183	3,333,632	4,929,979

Director Compensation

In connection with our efforts to attract and retain highly-qualified individuals to serve on our board of directors, we maintain a cash and equity compensation policy for our non-employee members of our board of directors. In fiscal year 2018, each non-employee member of our board of directors was entitled to the following cash compensation:

Annual retainer for Board membership	\$ 50,000
Annual retainer for lead independent director	\$ 20,000
Audit Committee	
Annual retainer for committee membership	\$ 10,000
Additional retainer for committee chair	\$ 10,000
Compensation and Talent Committee	
Annual retainer for committee membership	\$ 7,500
Additional retainer for committee chair	\$ 7,500
Nominating and Corporate Governance Committee	
Annual retainer for committee membership	\$ 5,000
Additional retainer for committee chair	\$ 5,000
¹ Strategy and Finance Committee	
Annual retainer for committee membership	\$ 7,500
Additional retainer for committee chair	—

Pursuant to our Non-employee Directors' Deferred Compensation Program, each non-employee director may elect in advance to defer the receipt of these cash fees. During the deferral period, the cash fees will be deemed invested in stock units. The deferred compensation will be settled in shares of our common stock upon the termination of service of the director or such other time as may have been previously elected by the director. The shares will be issued from our 2018 Stock Option and Incentive Plan or a subsequent stock option and incentive plan approved by our stockholders.

In 2018, each of our non-employee members of our board of directors was entitled to the following equity compensation:

Upon initial election to the board of directors, a non-employee director receives a one-time grant of RSUs having a fair market value of \$220,000, measured at the end of the tenth week of the fiscal quarter in which the director was elected, which vests over a four-year period at a rate of twenty-five percent (25%) on each of the first four anniversaries of the grant date.

Beginning in the second quarter of 2018, at the end of the tenth week of the fiscal quarter in which our annual meeting of stockholders occurs, each re-elected non-employee director receives a grant of RSUs having a fair market value of \$130,000, which vests in full on the first anniversary of such grant.

All of our directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the board of directors.

¹ The Strategy and Finance Committee disbanded on May 23, 2018

The following table provides compensation information for the fiscal year ended December 29, 2018 for each non-employee member of our board of directors. No member of our board of directors receives any additional compensation for services rendered as a member of our board of directors.

DIRECTOR COMPENSATION TABLE — 2018

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(4)	Total (\$)
Mohamad Ali (1)	65,000	129,957	194,957
Michael Bell	75,000	129,957	204,957
Ronald Chwang, Ph.D. (2)	45,000		45,000
Deborah G. Ellinger	80,000	129,957	209,957
Elisha Finney	67,500	129,957	197,457
Ruey-Bin Kao (3)	25,822	219,966	245,788
Andrew Miller	75,000	129,957	204,957
Michelle V. Stacy	61,250	129,957	191,207

- (1) Mr. Ali deferred all of his 2018 cash compensation pursuant to our Non-employee Directors' Deferred Compensation Program under which he received stock units in lieu of cash.
- (2) Dr. Chwang retired from the board following the expiration of his term at the 2018 annual meeting.
- (3) Ruey-Bin Kao was elected to the board of directors in June 2018 and received a stock award in connection with his election.
- (4) Represents the grant date fair value of restricted stock units awarded in the fiscal year ended December 29, 2018 in accordance with ASC Topic 718 disregarding any estimates of forfeitures. The grant date fair value is the fair market value of our common stock on the date of grant multiplied by the number of shares of common stock underlying such restricted stock unit award.

The non-employee members of our board of directors who held such position on December 29, 2018 held the following aggregate number of unvested restricted stock units as of such date:

Name	Number of Unvested Restricted Stock Units
Mohamad Ali	3,725
Michael Bell	4,791
Deborah G. Ellinger	1,868
Elisha Finney	4,745
Ruey-Bin Kao	2,720
Andrew Miller	3,746
Michelle V. Stacy	1,868



Equity Compensation Plan Information

The following table provides information as of December 29, 2018 regarding shares of common stock that may be issued under our equity compensation plans, consisting of the Amended and Restated 2004 Stock Option and Incentive Plan, the 2005 Stock Option and Incentive Plan, as amended, the Evolution Robotics, Inc. 2007 Stock Plan, the 2015 Stock Option and Incentive Plan, the 2018 Stock Option and Incentive Plan, and our 2017 Employee Stock Purchase Plan (the “ESPP”).

Plan Category	Number of securities to be issued upon exercise of outstanding options, units and rights (a)	Weighted average exercise price of outstanding options, units and rights (b)	Numbers of securities remaining available for future issuance under equity compensation plan (excluding securities referenced in column (a))(c)
Equity compensation plans approved by security holders	1,584,476(1)	\$35.06	1,623,670(2)
Equity compensation plans not approved by security holders	7,793(3)	\$ 4.68	—
Total	1,592,269(4)	\$34.55	1,623,670

- (1) Includes 454,468 shares of common stock issuable upon the exercise of outstanding options, 855,889 shares of common stock issuable upon the vesting of restricted stock units, and 274,119 shares of common stock issuable upon the vesting of PSUs if specified performance metrics are achieved.
- (2) As of December 29, 2018, there were no shares available for grants under the Amended and Restated 2004 Stock Option and Incentive Plan, our 2005 Stock Option and Incentive Plan, as amended, the Evolution Robotics, Inc. 2007 Stock Plan, and the 2015 Stock Option and Incentive Plan, 1,623,670 shares available under the 2018 Stock Option and Incentive Plan and 653,817 shares available under the ESPP.
- (3) Represents shares issued pursuant to the Evolution Robotics, Inc. 2007 Stock Plan, acquired by the Company as part of the acquisition of Evolution Robotics, Inc., on October 1, 2012.
- (4) Includes 462,261 shares of common stock issuable upon the exercise of outstanding options.

Transactions with Related Persons

Mr. Miller has served as a member of our board of directors since September 2017, and currently serves as the Chief Financial Officer of PTC Inc. (“PTC”), which provides engineering software and cloud services to the Company. In fiscal year 2018, the Company paid to PTC approximately \$407,126.38 in respect of these services.

Other than the payments to PTC described above and the compensation agreements and other arrangements which are described in the “Compensation Discussion and Analysis” section of this proxy statement, in 2018, there was no transaction or series of similar transactions to which we were or will be a party in which the amount involved exceeded or will exceed \$120,000 and in which any director, executive officer, holder of five percent or more of any class of our capital stock or any member of their immediate family had or will have a direct or indirect material interest.

Our board of directors has adopted a written related party transaction approval policy, which sets forth our policies and procedures for the review, approval or ratification of any transaction required to be reported in our filings with the SEC. Our policy with regard to related party transactions is that all related party transactions are to be reviewed by our general counsel, who will determine whether the contemplated transaction or arrangement requires the approval of the board of directors, the nominating and corporate governance committee, both or neither.

PROPOSAL 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The audit committee of the board of directors has retained the firm of PricewaterhouseCoopers LLP (“PwC”), independent registered public accountants, to serve as independent registered public accountants for our 2019 fiscal year. PwC has served as our independent registered public accounting firm since 1999. The Company is asking stockholders to ratify the selection by the audit committee of the board of directors of PwC as our independent auditors for the 2019 fiscal year. Although ratification by the stockholders is not required by law, the board of directors has determined that it is desirable to request approval of this selection by the stockholders as a matter of good corporate governance. In the event the stockholders fail to ratify the appointment of PwC, the audit committee will consider this factor when making any determinations regarding PwC.

Independence and Quality

As provided in the audit committee charter, the audit committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the company. Each year, the audit committee considers whether to retain PwC and whether such service continues to be in the best interests of the Company and our stockholders. Among other things, the audit committee considers:

- the quality and scope of the audit;
- the independence of PwC;
- the performance of the lead engagement partner, the number of people staffed on the engagement team, and the quality of the engagement team, including the quality of the audit committee’s ongoing communications with and the capability and expertise of the team;
- PwC’s tenure as our independent auditor and its familiarity with our global operations and business, accounting policies and practices, and internal controls over financial reporting; and
- external data relating to audit quality and performance, including recent PCAOB inspection reports available for PwC.

Based on this evaluation, the members of the audit committee and the board of directors believe that PwC is independent and that it is in the best interests of the Company and our stockholders to retain PwC to serve as our independent auditors for the fiscal year 2019.

The audit committee is also responsible for selecting the lead engagement partner. The rules of the Securities and Exchange Commission (the “SEC”) and PwC’s policies require mandatory rotation of the lead engagement partner every five years. In 2015, the audit committee selected a new lead engagement partner to begin in the 2016 fiscal year. During 2015, the audit committee, including the chair of the audit committee, were directly involved in the selection of the new lead engagement partner. The process for selecting a new lead engagement partner was fulsome and allowed for thoughtful consideration of multiple candidates, each of whom met a list of specified criteria. The process included discussions between the chair of the audit committee and PwC as to all of the final candidates under consideration for the position, meetings with the full audit committee and management, and robust interviews with the final candidates.

Pre-Approval of Audit and Non-audit Services

The audit committee of the board of directors has implemented procedures under our audit committee pre-approval policy for audit and non-audit services (the “Pre-Approval Policy”) to ensure that all audit and permitted non-audit services to be provided to us have been pre-approved by the audit committee. Specifically, the audit committee pre-approves the use of PwC for specified audit and non-audit services, within approved monetary limits. If a proposed service has not been pre-approved pursuant to the Pre-Approval Policy, then it must be specifically pre-approved by the audit committee before it may be provided by PwC. Any pre-approved services exceeding the pre-approved monetary limits require specific approval by the audit committee. For additional information concerning the audit committee and its activities with PwC, see “The Board of Directors and Its Committees” and “Report of the Audit Committee of the Board of Directors.”

Representatives of PwC attended all of the standard audit committee meetings in 2018. We expect that a representative of PwC will attend the annual meeting, and the representative will have an opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from stockholders.

PricewaterhouseCoopers LLP Fees

The following table shows the aggregate fees for professional services rendered by PwC to us during the fiscal years ended December 29, 2018 and December 30, 2017.

	2018	2017
Audit Fees	\$ 1,789,328	\$ 1,793,395
Audit-Related Fees	5,381	0
Tax Fees	396,272	939,087
All Other Fees	213,879	5,698
Total	\$ 2,404,860	\$ 2,738,180

Audit Fees

Audit Fees for both years consist of fees for professional services associated with the annual consolidated financial statements audit, statutory filings, consents and assistance with and review of documents filed with the SEC.

Audit-Related Fees

Consists of fees associated with services related to review of accounting for significant transactions and other services that were reasonably related to the performance of audits or reviews of our financial statements and were not reported above under “Audit Fees.”

Tax Fees

Tax Fees consist of fees for professional services rendered for assistance with federal, state, local and international tax planning and compliance.

All Other Fees

All other fees include licenses to technical accounting research software and fees associated with services to perform an assessment of compliance with global privacy laws. The audit committee has determined that the provision of services described above to us by PwC is compatible with maintaining their independence.

Recommendation of the Board

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU
VOTE “FOR” THE RATIFICATION OF PRICEWATERHOUSECOOPERS LLP
AS IROBOT’S INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR 2019.**

PROPOSAL 3

APPROVAL OF AMENDMENTS TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO ELIMINATE SUPERMAJORITY VOTING REQUIREMENTS

At our 2014 annual meeting of stockholders, our stockholders voted to request that our board of directors take the steps necessary so that each voting requirement in our existing amended and restated certificate of incorporation (the “Existing Certificate”) and by-laws that calls for a greater than a simple majority vote be eliminated and replaced by a majority voting standard.

In each of 2015, 2016, 2017 and 2018, our nominating and corporate governance committee and our board of directors determined it was appropriate to propose the amendments described below, and included the proposal described below in our proxy statement for the respective annual meeting. Despite receiving the affirmative votes of a majority of holders of the outstanding shares at each respective annual meeting, in each year the proposal failed to receive the affirmative vote of holders of 75% of the outstanding shares, which is required for approval.

Our board of directors continues to believe that the amendments described below are in the best interests of the Company’s stockholders, and, in light of the strong support received at the 2015, 2016, 2017 and 2018 annual meetings, our board of directors has unanimously adopted a resolution approving and declaring the advisability of the below amendments to our Existing Certificate, which change the voting provisions in the Existing Certificate as follows:

Removal of Directors; Article VI, Section 5 - Currently, the approval of the holders of 75% or more of the shares of the Company entitled to vote at an election of directors is required to remove a director from office prior to the expiration of his or her term with cause. If this proposal is approved, stockholders will have the ability to remove a director from office prior to the expiration of his or her term with cause and the affirmative vote of a majority of the shares of the Company entitled to vote at an election of directors, which is the lowest allowable vote threshold under Delaware law; provided, however, that if Proposal 4 is approved by stockholders, the ability to remove will be without cause.

By-law Amendments; Article VIII, Section 2 - Currently, the Existing Certificate allows stockholders to amend or repeal our by-laws if at least 75% of the shares of the Company entitled to vote on such matter vote in favor of the amendment or repeal. If this proposal is approved, stockholders will have the ability to amend our by-laws with the affirmative vote of a majority of the shares cast and entitled to vote on such matter (with “abstentions,” “broker non-votes,” and “withheld” votes not counted as a vote either “for” or “against” such amendment or repeal).

Amendments to Certain Provisions of the Certificate of Incorporation; Article IX - Currently, the approval of at least 75% of the shares of the Company entitled to vote on such matter is required to amend or repeal Articles V, VI, VII, VIII or IX of the Existing Certificate, which address, among other things, actions by written consent of stockholders, special meetings of stockholders requirements and procedures for electing and removing board members and filling vacancies, limitation of liability of directors, by-law amendments, and amendments of the Existing Certificate. If this proposal is approved, the threshold approval for stockholders to amend or repeal these provisions will be a vote of the majority of the outstanding shares of the Company entitled to vote on such amendment or repeal, which is the lowest allowable vote threshold under Delaware law.

This description of the proposed amendments to our Existing Certificate is a summary and is qualified by the full text of the proposed amendments to our Existing Certificate, which is attached to this proxy statement as Annex A and is marked to show the changes described above.

To be approved, the proposed amendments to our Existing Certificate require an affirmative vote of holders of 75% of the outstanding shares entitled to vote on the record date. If approved, the proposed amendments to our Existing Certificate will become effective upon the filing of an amended and restated certificate of incorporation with the Secretary of State of the State of Delaware, which we would do promptly after the annual meeting.

If this proposal is approved by the stockholders, we will make conforming amendments to our by-laws to require the vote of a majority of the shares cast for the amendment or repeal of our by-laws.

Recommendation of the Board

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” APPROVAL OF AMENDMENTS TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO ELIMINATE SUPERMAJORITY VOTING REQUIREMENTS.

PROPOSAL 4

APPROVAL OF AMENDMENTS TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO DECLASSIFY THE BOARD OF DIRECTORS

At our 2015 annual meeting of stockholders, our stockholders voted to request that our board of directors take the steps necessary to reorganize the board of directors into one class with each director subject to election each year. As part of the request, our stockholders proposed that the Company would have the option to phase such declassification in over three years.

In 2016, our board of directors, after carefully considering the advantages and disadvantage of reorganizing the board of directors into one class with each director subject to election each year, unanimously adopted a resolution approving and declaring the advisability of amendments to our Existing Certificate that would declassify our board of directors over a three-year period and provide for the annual election of all of our directors commencing at the 2017 annual meeting, subject to obtaining approval of such amendments by our stockholders at the 2016 annual meeting.

Despite receiving the affirmative votes of holders of over 68% of the outstanding shares at the 2016 annual meeting, the proposal failed to receive the affirmative vote of holders of 75% of the outstanding shares, which is the required threshold for approval of the proposal.

In 2017 and 2018, our board of directors, after further careful consideration, unanimously adopted a resolution approving and declaring the advisability of amendments to our Existing Certificate that would immediately declassify our board of directors and provide for the annual election of all of our directors commencing at the next scheduled annual meeting, subject to obtaining approval of such amendments by our stockholders. Despite receiving the affirmative votes of holders of over 69% and 53% of the outstanding shares at the 2017 and 2018 annual meetings, respectively, the proposal failed to receive the affirmative vote of holders of 75% of the outstanding shares, which is the required threshold for approval of the proposal.

Our board of directors continues to believe that the amendments described below are in the best interests of the Company's stockholders and has again unanimously adopted a resolution approving and declaring the advisability of the below amendments to our Existing Certificate, to declassify the board commencing at the 2020 annual meeting, subject to approval by the Company's stockholders. If this Proposal 4 is approved by the stockholders, the terms for all directors will end at the 2020 annual meeting, and commencing with the 2020 annual meeting, all directors will be elected for one-year terms at each subsequent annual meeting. If this Proposal 4 is approved, any director appointed by the board of directors as a result of a newly created directorship or to fill a vacancy would hold office until the next occurring annual meeting.

Article VI, Section 3 of our Existing Certificate currently provides that our directors are divided into three classes, with each class serving a three-year term. Under the proposed amendments to our Existing Certificate in this Proposal 4, Article VI, Section 3 of the Existing Certificate would be amended to eliminate the classified board structure. If the proposed amendments are approved, commencing with the 2019 annual meeting of stockholders, all directors will stand for election for one-year terms expiring at the next succeeding annual meeting of stockholders. In all cases, each director will hold office until his or her successor is duly elected and qualified or until his or her earlier resignation or removal. Any director appointed to the board of directors to fill a vacancy following the 2019 annual meeting of stockholders will hold office for a term expiring at the next annual meeting of stockholders following such appointment. Corresponding changes related to the declassification of the board would be made to Article VI, Section 4 of the Existing Certificate pertaining to vacancies on the board of directors. Article VI, Section 5 of the Existing Certificate, which currently provides that directors may be removed by stockholders only for cause, would also be amended to allow for removal of directors without cause. If the stockholders do not approve this Proposal 4, our board of directors will remain classified and our directors will continue to be subject to the classifications set forth in our Existing Certificate.

This description of the proposed amendments to our Existing Certificate is a summary and is qualified by the full text of the proposed amendments to our Existing Certificate, which is attached to this proxy statement as Annex A and is marked to show the changes described above.

To be approved, the proposed amendments to our Existing Certificate require an affirmative vote of holders of 75% of the outstanding shares entitled to vote on the record date. If approved, the proposed amendments to our Existing Certificate will become effective upon the filing of an amended and restated certificate of incorporation with the Secretary of State of the State of Delaware, which we would do promptly after the annual meeting.

Recommendation of the Board

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL OF AMENDMENTS TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO DECLASSIFY THE BOARD OF DIRECTORS.

PROPOSAL 5

APPROVAL OF AMENDMENT TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO ELIMINATE THE PROHIBITION ON STOCKHOLDERS' ABILITY TO CALL A SPECIAL MEETING

Our Existing Certificate and our by-laws provide that special meetings of the stockholders may be called only by the affirmative vote of a majority of the board of directors.

As part of our board of directors' ongoing review of corporate governance practices, the board of directors has reviewed and considered the advantages and disadvantages of permitting stockholders to call special meetings. Stockholder-called special meetings may divert management's time away from the Company's day-to-day operations and involve significant organization, distribution, legal and other costs, which may ultimately be counter to the best interest of the Company's stockholders as a whole. The board of directors also recognizes that the ability to call special meetings would allow stockholders to convene to vote on matters outside of the annual meeting that are important to the Company's growth and success. As a result, our board of directors believes that stockholders, or groups of stockholders, owning at least 25% of the Company's outstanding common stock (the "Requisite Threshold") should have the ability to call special meetings.

In 2017 and 2018, our board of directors unanimously adopted a resolution approving and declaring the advisability of an amendment to our Existing Certificate to eliminate the prohibition on stockholders' ability to call a special meeting, subject to obtaining approval of such amendments by our stockholders, and unanimously approved, subject to stockholder approval of this proposal, amendments to our by-laws to establish the requirements and procedures for stockholders to call special meetings.

Despite receiving the affirmative votes of holders of over 69% and 53% of the outstanding shares at the 2017 and 2018 annual meetings, respectively, the proposal failed to receive the affirmative vote of holders of 75% of the outstanding shares, which is the required threshold for approval of the proposal. Our board of directors has again unanimously adopted a resolution approving and declaring the advisability of an amendment to our Existing Certificate to remove the first sentence of Article V, Section 2, which provides that special meetings may only be called by the affirmative vote of a majority of the board of directors.

Our board of directors believes that this amendment is in the best interests of the Company's stockholders. Our board of directors has unanimously approved, subject to stockholder approval of this proposal, amendments to our by-laws to establish the requirements and procedures for stockholders to call special meetings (the "By-law Amendment"). The By-law Amendment provides that stockholders, or groups of stockholders, holding the Requisite Threshold may direct the Company's Secretary to call special meetings. The By-law Amendment will become effective only upon approval of this proposal.

The above description of the proposed amendment to our Existing Certificate is a summary and is qualified by the full text of the proposed amendment to our Existing Certificate, which is attached to this proxy statement as Annex A and is marked to show the changes described above.

To be approved, the proposed amendment to our Existing Certificate requires an affirmative vote of holders of 75% of the outstanding shares entitled to vote on the record date. If approved, the proposed amendment to our Existing Certificate will become effective upon the filing of an amended and restated certificate of incorporation with the Secretary of State of the State of Delaware, which we would do promptly after the annual meeting.

Recommendation of the Board

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" APPROVAL OF AN AMENDMENT TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO ELIMINATE THE PROHIBITION ON STOCKHOLDERS' ABILITY TO CALL A SPECIAL MEETING.

PROPOSAL 6

ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

At our 2018 annual meeting of stockholders, our stockholders voted, on a non-binding, advisory basis, for the Company to hold future, non-binding advisory votes on the compensation of our named executive officers on an annual basis. In accordance with the advisory vote by our stockholders, we hold a non-binding, advisory vote on the compensation of our named executive officers every year.

The following proposal, commonly known as a “say on pay” proposal, gives our stockholders the opportunity to vote to approve, on an advisory basis, the compensation of our named executive officers. This vote is not intended to address any specific item of compensation or the compensation of any particular officer, but rather the overall compensation of our named executive officers and our compensation philosophy, policies and practices, as discussed in this proxy statement. Accordingly, we are asking our stockholders to vote “FOR” the following resolution at our annual meeting of stockholders:

“RESOLVED, that the Company’s stockholders approve, on an advisory basis, the compensation of the Company’s named executive officers, as disclosed in this proxy statement, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.”

Before you vote, we recommend that you read the Compensation Discussion and Analysis and Executive Compensation Summary sections of this proxy statement for additional details on the Company’s executive compensation programs and philosophy.

This vote is advisory, and therefore not binding on the Company, the compensation and talent committee or our board of directors. However, our board of directors and our compensation and talent committee value the opinions of our stockholders and intend to take into account the outcome of the vote when considering future compensation decisions for our named executive officers.

Recommendation of the Board

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of the Company's common stock as of March 8, 2019: (i) by each person who is known by the Company to beneficially own more than 5% of the outstanding shares of common stock; (ii) by each director or nominee of the Company; (iii) by each named executive officer of the Company; and (iv) by all directors and executive officers of the Company as a group. Unless otherwise noted below, the address of each person listed on the table is c/o iRobot Corporation, 8 Crosby Drive, Bedford, Massachusetts 01730.

Name of Beneficial Owner	Shares Beneficially Owned(1)	Percentage of Shares Beneficially Owned(2)
Primecap Management Company(3) 177 E. Colorado Blvd., 11 th Floor Pasadena, CA 91105	4,130,500	14.82%
BlackRock, Inc.(4) 55 East 52 nd St. New York, NY 10055	3,943,958	14.15%
The Vanguard Group, Inc.(5) 100 Vanguard Blvd., Malvern, PA 19355	2,719,832	9.76%
FMR LLC(6) 245 Summer Street Boston, MA 02210	2,589,137	9.29%
Colin M. Angle(7)	561,993	2.00%
Alison Dean(8)	66,043	*
Christian Cerda(9)	45,055	*
Russell J. Campanello(10)	51,479	*
Glen D. Weinstein(11)	72,802	*
Mohamad Ali	11,791	*
Michael Bell	2,846	*
Ruey-Bin Kao	0	*
Deborah G. Ellinger	16,858	*
Elisha Finney(12)	3,273	*
Andrew Miller	1,715	*
Michelle V. Stacy(13)	12,782	*
All executive officers, directors and nominees as a group (12 individuals)	846,637	3.01%

* Represents less than 1% of the outstanding common stock.



- (1) Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to shares. Unless otherwise indicated below, to the knowledge of the Company, all persons listed below have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law. Pursuant to the rules of the SEC, the number of shares of common stock deemed outstanding includes (i) shares issuable pursuant to options held by the respective person or group that are currently exercisable or may be exercised within 60 days of March 8, 2019 and (ii) shares issuable pursuant to restricted stock units held by the respective person or group that vest within 60 days of March 8, 2019.
- (2) Applicable percentage of ownership as of March 8, 2019 is based upon 27,864,951 shares of common stock outstanding.
- (3) PRIMECAP Management Company has sole voting power with respect to 4,063,100 shares and sole dispositive power with respect to 4,130,500. The address of PRIMECAP Management Company is 177 E. Colorado Blvd, 11th Floor, Pasadena, CA 91105. This information has been obtained from a Schedule 13G/A filed by PRIMECAP Management Company with the SEC on January 9, 2019.
- (4) BlackRock, Inc. has sole voting power with respect to 3,878,966 shares and sole dispositive power with respect to 3,943,958 shares. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055. This information has been obtained from a Schedule 13G/A filed by BlackRock, Inc. with the SEC on January 28, 2019.
- (5) The Vanguard Group, Inc. has sole voting power with respect to 56,111 shares, shared voting power with respect to 6,200 shares, sole dispositive power with respect to 2,660,324 shares and shared dispositive power with respect to 59,508 shares. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 53,308 shares as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 9,003 shares as a result of its serving as investment manager of Australian investment offerings. The address of each reporting entity is 100 Vanguard Boulevard, Malvern, PA 19355. This information has been obtained from a Schedule 13G/A filed by The Vanguard Group, Inc. with the SEC on February 13, 2019.
- (6) FMR LLC has sole voting power with respect to 869,527 shares and sole dispositive power with respect to 2,589,137 shares, and Abigail P. Johnson has sole dispositive power over 2,589,137 shares. The address of FMR LLC is 245 Summer Street, Boston, MA 02210. This information has been obtained from a Schedule 13G filed by FMR LLC with the SEC on February 13, 2019.
- (7) Includes 164,768 shares issuable upon exercise of stock options and 28,776 shares issuable upon vesting of restricted stock units.
- (8) Includes 8,060 shares issuable upon exercise of stock options and 10,407 shares issuable upon vesting of restricted stock units.
- (9) Includes 3,201 shares issuable upon exercise of stock options and 9,679 shares issuable upon vesting of restricted stock units.
- (10) Includes 17,408 shares issuable upon exercise of stock options and 5,145 shares issuable upon vesting of restricted stock units.
- (11) Includes 20,931 shares issuable upon exercise of stock options and 6,596 shares issuable upon vesting of restricted stock units.
- (12) Includes 959 shares issuable upon vesting of restricted stock units.
- (13) Includes 4,998 shares held in a grantor-retained annuity trust for the benefit of Ms. Stacy during the annuity term of the trust and for the benefit of her children thereafter.

ADDITIONAL INFORMATION

Other Matters

The board of directors knows of no other matters to be brought before the annual meeting. If any other matters are properly brought before the annual meeting, the persons appointed in the accompanying proxy intend to vote the shares represented thereby in accordance with their best judgment on such matters, under applicable laws.

Householding of Proxy Materials

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single Notice or Proxy Statement addressed to those stockholders. This process, which is commonly referred to as “householding,” potentially means extra convenience for stockholders and cost savings for companies.

Brokers with account holders who are Company stockholders may be “householding” our proxy materials. A single Notice or Proxy Statement may be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that it will be “householding” communications to your address, “householding” will continue until you are notified otherwise or until you notify your broker or the Company that you no longer wish to participate in “householding.”

If, at any time, you no longer wish to participate in “householding” and would prefer to receive a separate proxy statement and annual report, you may (1) notify your broker, (2) direct your written request to: iRobot Corporation, 8 Crosby Drive, Bedford, Massachusetts 01730, Attention: Secretary or (3) contact our Investor Relations department by telephone at (781) 430-3003. Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request “householding” of their communications should contact their broker. In addition, the Company will promptly deliver, upon written or oral request to the address or telephone number above, a separate copy of the annual report and proxy statement to a stockholder at a shared address to which a single copy of the documents was delivered.

STOCKHOLDER PROPOSALS

Proposals of stockholders intended for inclusion in the proxy statement to be furnished to all stockholders entitled to vote at our 2020 annual meeting of stockholders, pursuant to Rule 14a-8 promulgated under the Exchange Act by the Securities and Exchange Commission, must be received at the Company’s principal executive offices not later than December 10, 2019. Stockholders who meet the applicable eligibility requirements under the proxy access provision of our by-laws and wish to include nominees for our board of directors in the Company’s proxy statement for the 2020 annual meeting, or stockholders who wish to make a proposal at the 2020 annual meeting (other than a proposal made pursuant to Rule 14a-8 or pursuant to the proxy access provision of our by-laws), must in each case notify us between January 23, 2020 and February 22, 2020. If a stockholder who wishes to present a proposal fails to notify us by February 22, 2020 and such proposal is brought before the 2020 annual meeting, then under the Securities and Exchange Commission’s proxy rules, the proxies solicited by management with respect to the 2020 annual meeting will confer discretionary voting authority with respect to the stockholder’s proposal on the persons selected by management to vote the proxies. If a stockholder makes a timely notification, the

proxies may still exercise discretionary voting authority under circumstances consistent with the SEC's proxy rules. In order to curtail controversy as to the date on which we received a proposal, it is suggested that proponents submit their proposals by Certified Mail, Return Receipt Requested, to iRobot Corporation, 8 Crosby Drive, Bedford, Massachusetts 01730, Attention: Secretary.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC. Such persons are required by regulations of the SEC to furnish us with copies of all such filings. Based solely on our review of copies of such filings we believe that all such persons complied on a timely basis with all Section 16(a) filing requirements during the fiscal year ended December 29, 2018, except that Messrs. Angle, Cerda, Campanello and Weinstein and Ms. Dean each did not timely file a Form 4 with respect to one transaction.

EXPENSES AND SOLICITATION

The Company will pay all costs of soliciting these proxies. In addition, some of our officers and employees may solicit proxies by telephone or in person. We will reimburse brokers for the expenses they incur in forwarding the proxy materials to you. The Company has retained Georgeson LLC to assist us with the solicitation of proxies for a fee not to exceed \$11,000, plus reimbursement for out-of-pocket expenses.

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Exhibit A

iRobot Corporation
Supplemental Reconciliation of GAAP Net Income to Adjusted EBITDA
(unaudited, in thousands)

	For the twelve months ended	
	December 29, 2018	December 30, 2017
GAAP Net Income	\$ 87,992	\$ 50,964
Interest income, net	(944)	(1,649)
Income tax expense	20,630	25,402
Depreciation	16,965	12,284
Amortization of acquired intangible assets	19,609	13,215
EBITDA	144,252	100,216
Stock-based compensation	25,804	19,751
Net merger, acquisition and divestiture expense	138	3,109
Gain on business acquisition	—	(2,243)
IP litigation expense, net	3,556	5,068
Adjusted EBITDA	<u>\$ 173,750</u>	<u>\$ 125,901</u>
Adjusted EBITDA as a % of revenue	15.9%	14.2%

Use of Non-GAAP Financial Measures

In addition to disclosing financial results in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, we consider and use non-GAAP financial measures as supplemental 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.

In evaluating our business, we consider and use Adjusted EBITDA as a non-GAAP supplemental measure of our operating performance. We define Adjusted EBITDA as earnings before interest, taxes, depreciation, amortization, stock-based compensation expense, net merger, acquisition and divestiture expense, gain on business acquisition, and net intellectual property litigation expense. Management believes this non-GAAP measure is frequently used by securities analysts, investors and other interested parties as a measure of financial performance. The term Adjusted EBITDA is not a measure of operating income, operating performance or liquidity presented in accordance with U.S. GAAP. Adjusted EBITDA has limitations as an analytical tool, and when assessing the Company's operating performance, investors should not consider Adjusted EBITDA in isolation, or as a substitute for net income (loss) or other consolidated income statement data prepared in accordance with U.S. GAAP. Among other things, Adjusted EBITDA does not reflect the Company's actual cash expenditures. Other companies may calculate similar measures differently than iRobot, limiting their usefulness as comparative tools. iRobot compensates for these limitations by relying primarily on its GAAP results and using Adjusted EBITDA only supplementally.

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ANNEX A

PROPOSED AMENDMENTS TO OUR CERTIFICATE OF INCORPORATION

The following are proposed changes to our amended and restated certificate of incorporation as described in Proposals 3, 4 and 5. The text indicated by underline will be added, and the text indicated by strike-through will be deleted.

**AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
IROBOT CORPORATION**

iRobot Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The name of the Corporation is iRobot Corporation. The date of the filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware was December 20, 2000 (the "Original Certificate"). The name under which the Corporation filed the Original Certificate was iRobot Corporation.
2. This Amended and Restated Certificate of Incorporation (the "Certificate") amends, restates and integrates the provisions of the Amended and Restated Certificate of Incorporation that was filed with the Secretary of State of the State of Delaware on ~~October 26~~November 15, 2005 (the "Amended and Restated Certificate"), and was duly adopted in accordance with the provisions of Sections 242 and 245 of the Delaware General Corporation Law (the "DGCL").
3. The text of the Amended and Restated Certificate is hereby amended and restated in its entirety to provide as herein set forth in full.

ARTICLE I

The name of the Corporation is iRobot Corporation.

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is c/o Corporation Service Company, 2711 Centerville Road, Suite 400, City of Wilmington 19808, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

ARTICLE IV
CAPITAL STOCK

The total number of shares of capital stock which the Corporation shall have authority to issue is One Hundred Five Million (105,000,000) shares, of which (i) One Hundred Million (100,000,000) shares shall be a class designated as common stock, par value \$0.01 per share (the "Common Stock"), and (ii) Five Million (5,000,000) shares shall be a class designated as undesignated preferred stock, par value \$0.01 per share (the "Undesignated Preferred Stock").

The number of authorized shares of the class of Common Stock and Undesignated Preferred Stock may from time to time be increased or decreased (but not below the number of shares outstanding) by the affirmative vote of the holders of a majority of the outstanding shares of Common Stock entitled to vote, without a vote of the holders of the Undesignated Preferred Stock (except as otherwise provided in any certificate of designations of any series of Undesignated Preferred Stock).

The powers, preferences and rights of, and the qualifications, limitations and restrictions upon, each class or series of stock shall be determined in accordance with, or as set forth below in, this Article IV.

A. COMMON STOCK

Subject to all the rights, powers and preferences of the Undesignated Preferred Stock and except as provided by law or in this Article IV (or in any certificate of designations of any series of Undesignated Preferred Stock):

(a) the holders of the Common Stock shall have the exclusive right to vote for the election of directors of the Corporation (the "Directors") and on all other matters requiring stockholder action, each outstanding share entitling the holder thereof to one vote on each matter properly submitted to the stockholders of the Corporation for their vote; provided, however, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Certificate (or on any amendment to a certificate of designations of any series of Undesignated Preferred Stock) that alters or changes the powers, preferences, rights or other terms of one or more outstanding series of Undesignated Preferred Stock if the holders of such affected series are entitled to vote, either separately or together with the holders of one or more other such series, on such amendment pursuant to this Certificate (or pursuant to a certificate of designations of any series of Undesignated Preferred Stock) or pursuant to the DGCL;

(b) dividends may be declared and paid or set apart for payment upon the Common Stock out of any assets or funds of the Corporation legally available for the payment of dividends, but only when and as declared by the Board or any authorized committee thereof; and

(c) upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the net assets of the Corporation shall be distributed pro rata to the holders of the Common Stock.

B. UNDESIGNATED PREFERRED STOCK

The Board of Directors or any authorized committee thereof is expressly authorized, to the fullest extent permitted by law, to provide for the issuance of the shares of Undesignated Preferred Stock in one or more series of such stock, and by filing a certificate pursuant to applicable law of the State of Delaware, to establish or change from time to time the number of shares of each such series, and to fix the designations, powers, including voting powers, full or limited, or no voting powers, preferences and the relative, participating, optional or other special rights of the shares of each series and any qualifications, limitations and restrictions thereof.

ARTICLE V

STOCKHOLDER ACTION

1. Action without Meeting. Except as otherwise provided herein, any action required or permitted to be taken by the stockholders of the Corporation at any annual or special meeting of stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders and may not be taken or effected by a written consent of stockholders in lieu thereof.

2. Special Meetings. Except as otherwise required by statute and subject to the rights, if any, of the holders of any series of Undesignated Preferred Stock, special meetings of the stockholders of the Corporation may be called only by the Board of Directors acting pursuant to a resolution approved by the affirmative vote of a majority of the Directors then in office. Only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders of the Corporation.

ARTICLE VI

DIRECTORS

1. General. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors except as otherwise provided herein or required by law.

2. Election of Directors. Election of Directors need not be by written ballot unless the By-laws of the Corporation (the "By-laws") shall so provide.

3. Number of Directors; Term of Office. The number of Directors of the Corporation shall be fixed solely and exclusively by resolution duly adopted from time to time by the Board of Directors.

The Directors, other than those who may be elected by the holders of any series of Undesignated Preferred Stock, shall be classified, with respect to the term for which they severally hold office, into three classes, as nearly equal in number as reasonably possible. The initial Class I Directors of the Corporation shall be Colin M. Angle and Ronald Chwang; the initial Class II Directors of the Corporation shall be Helen Greiner, George C. McNamee and Peter Meekin; and the initial Class III Directors of the Corporation shall be Rodney A. Brooks, Andrea Geisser and Jacques S. Gansler. The initial Class I Directors shall serve for a term expiring at the annual meeting of stockholders to be held in 2006, the initial Class II Directors shall serve for a term expiring at the annual meeting of stockholders to be held in 2007, and the initial Class III Directors shall serve for a term expiring at the annual meeting of stockholders to be held in 2008. At each annual meeting of stockholders, Directors elected to succeed those Directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election. **Subject to the rights, if any, of the holders of any series of Undesignated Preferred Stock, at the annual meeting of stockholders of the Corporation that is held in calendar year 2020 and at each annual meeting of stockholders of the Corporation thereafter, all Directors shall be elected to hold office for a one-year term expiring at the next annual meeting of stockholders of the Corporation.** Notwithstanding the foregoing, the Directors elected to each class shall hold office until their successors are duly elected and qualified or until their earlier resignation, death or removal.

Notwithstanding the foregoing, whenever, pursuant to the provisions of Article IV of this Certificate, the holders of any one or more series of Undesignated Preferred Stock shall have the right, voting separately as a series or together with holders of other such series, to elect Directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Certificate and any certificate of designations applicable thereto.

4. Vacancies. Subject to the rights, if any, of the holders of any series of Undesignated Preferred Stock to elect Directors and to fill vacancies in the Board of Directors relating thereto, any and all vacancies in the Board of Directors, however occurring, including, without limitation, by reason of an increase in size of the Board of Directors, or the death, resignation, disqualification or removal of a Director, shall be filled solely and exclusively by the affirmative vote of a majority of the remaining Directors then in office, even if less than a quorum of the Board of Directors, and not by the stockholders. Any Director appointed in accordance with the preceding sentence shall hold office **for a term expiring at the next annual meeting of stockholders of the Corporation held after such appointment** for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy occurred and until such Director's successor shall have been duly elected and qualified or until his or her earlier resignation, death or removal. ~~Subject to the rights, if any, of the holders of any series of Undesignated Preferred Stock to elect Directors, when the number of Directors is increased or decreased, the Board of Directors shall, subject to Article VI.3 hereof, determine the class or classes to which the increased or decreased number of Directors shall be apportioned; provided, however, that no decrease in the number of Directors shall shorten the term of any incumbent Director.~~ In the event of a vacancy in the Board of Directors, the remaining Directors, except as otherwise provided by law, shall exercise the powers of the full Board of Directors until the vacancy is filled.

5. Removal. Subject to the rights, if any, of any series of Undesignated Preferred Stock to elect Directors and to remove any Director whom the holders of any such stock have the right to elect, any Director (including persons elected by Directors to fill vacancies in the Board of Directors) may be removed from office ~~(i) only with~~ **without** cause ~~and (ii) only~~ by the affirmative vote of the holders of ~~75% or more~~ **majority** of the shares then entitled to vote at an election of Directors. At least forty-five (45) days prior to any meeting of stockholders at which it is proposed that any Director be removed from office, written notice of such proposed removal ~~and the alleged grounds thereof~~ shall be sent to the Director whose removal will be considered at the meeting.

ARTICLE VII

LIMITATION OF LIABILITY

A Director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability (a) for any breach of the Director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the DGCL or (d) for any transaction from which the Director derived an improper personal benefit. If the DGCL is amended after the effective date of this Certificate to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of a Director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

Any repeal or modification of this Article VII by either of (i) the stockholders of the Corporation or (ii) an amendment to the DGCL, shall not adversely affect any right or protection existing at the time of such repeal or modification with respect to any acts or omissions occurring before such repeal or modification of a person serving as a Director at the time of such repeal or modification.

ARTICLE VIII

AMENDMENT OF BY-LAWS

1. Amendment by Directors. Except as otherwise provided by law, the By-laws of the Corporation may be amended or repealed by the Board of Directors by the affirmative vote of a majority of the Directors then in office.

2. Amendment by Stockholders. The By-laws of the Corporation may be amended or repealed at any annual meeting of stockholders, or special meeting of stockholders called for such purpose as provided in the By-laws, by the affirmative vote of ~~at least 75%~~ **the majority** of the ~~outstanding shares~~ **votes cast by the stockholders** entitled to vote on such amendment or repeal, voting together as a single class **(with “abstentions”, “broker non-votes” and “withheld” votes not counted as a vote either “for” or “against” such amendment or repeal)**; provided, however, that if the Board of Directors recommends that stockholders approve such amendment or repeal at such meeting of stockholders, such amendment or repeal shall only require the affirmative vote of the majority of the outstanding shares entitled to vote on such amendment or repeal, voting together as a single class.

ARTICLE IX

AMENDMENT OF CERTIFICATE OF INCORPORATION

The Corporation reserves the right to amend or repeal this Certificate in the manner now or hereafter prescribed by statute and this Certificate, and all rights conferred upon stockholders herein are granted subject to this reservation. Whenever any vote of the holders of voting stock is required to amend or repeal any provision of this Certificate, and in addition to any other vote of holders of voting stock that is required by this Certificate or by law, such amendment or repeal shall require the affirmative vote of the majority of the outstanding shares entitled to vote on such amendment or repeal, and the affirmative vote of the majority of the outstanding shares of each class entitled to vote thereon as a class, at a duly constituted meeting of stockholders called expressly for such purpose; provided, however, that ~~the affirmative vote of not less than 75% of the outstanding shares entitled to vote on such amendment or repeal, and the affirmative vote of not less than 75% of the outstanding shares of each class entitled to vote thereon as a class, shall be required to amend or repeal any provision of Article V, Article VI, Article VII, Article VIII or Article IX of this Certificate.~~

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 29, 2018

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file no. 001-36414

iROBOT CORPORATION*(Exact name of registrant as specified in its charter)***Delaware***(State or other jurisdiction of incorporation or organization)***8 Crosby Drive, Bedford, MA***(Address of principal executive offices)***77-0259 335***(I.R.S. Employer Identification No.)***01730***(Zip Code)***(781) 430-3000****(Registrant's telephone number, including area code)**

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**Common Stock, \$0.01 par value per share The Nasdaq Stock Market LLC****SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:****None**

Indicate by check-mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check-mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.



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.

Large accelerated filer

Accelerated filer

Non-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 aggregate market value of the Common Stock held by nonaffiliates of the registrant was approximately \$2.0 billion based on the last reported sale of the Common Stock on The Nasdaq Global Select Market on June 29, 2018, the last business day of the registrant's most recently completed second fiscal quarter.

As of January 31, 2019, there were 27,796,614 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file a definitive Proxy Statement pursuant to Regulation 14A within 120 days of the end of the fiscal year ended December 29, 2018. Portions of such Proxy Statement are incorporated by reference into Part III of this Form 10-K.

iROBOT CORPORATION
ANNUAL REPORT ON FORM 10-K
Year Ended December 29, 2018
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PART I

ITEM 1. BUSINESS

This Annual Report on Form 10-K contains forward-looking statements. All statements other than statements of historical facts contained in this Annual Report on Form 10-K, including statements regarding our future results of operations and financial position, business strategy, plans and objectives of management for future operations, and plans for product development, launches and manufacturing are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss certain of these risks in greater detail in the Risk Factors section and elsewhere in this Annual Report on Form 10-K. Also, these forward-looking statements speak only as of the date of this Annual Report on Form 10-K, and we have no plans to update our forward-looking statements to reflect events or circumstances occurring after the date of this Annual Report. We caution readers not to place undue reliance upon any such forward-looking statements.

iRobot and its stylized logo, Roomba, NorthStar, Create, iAdapt, Aware, Home Base, Looj, Braava, Braava jet, AeroForce, Better Together, Mirra, vSLAM and Virtual Wall are trademarks of iRobot Corporation.

Overview

iRobot Corporation ("iRobot" or the "Company" or "we") is a leading global consumer robot company that designs and builds robots that empower people to do more both inside and outside of the home. The Company's consumer robots help people find smarter ways to clean and accomplish more in their daily lives. iRobot's portfolio of solutions features proprietary technologies for the connected home and advanced concepts in cleaning, mapping and navigation, human-robot interaction, and physical solutions. Leveraging this portfolio, iRobot's engineers are building an ecosystem of robots to empower the smart home. For more than 25 years, we have been a pioneer in the robotics and consumer products industries.

Since our founding in 1990, we have developed expertise in the disciplines necessary to design and build 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 develop next-generation and new products, reducing the time, cost and risk associated with product development. Our significant expertise in consumer needs, robot design, engineering and smart home technologies and trends positions us to capitalize on the growth we expect in the market for robot-based consumer products.

Over the past seventeen years, we have sold more than 25 million consumer robots worldwide. During 2016, we took several steps to become more focused on our well-established consumer robot business in order to capitalize on the substantial opportunities available to us within consumer markets. 2016 was a pivotal year for iRobot as we exited our non-consumer businesses to focus solely on products for the home. In the second quarter of 2016, we completed the sale of our defense and security business and exited the remote presence business. These actions were taken to solidify our position as the leader in diversified consumer robots and to focus on key technologies, with an emphasis on software, that allow our robots to more effectively understand the homes in which they operate.

During 2017, we expanded our global operations with the acquisition of two of our major distributors in Japan and Europe. On April 3, 2017, we closed the acquisition of the iRobot-related distribution business of Sales On Demand Corporation ("SODC") based in Tokyo, Japan for approximately \$16.6 million in cash. On October 2, 2017, we closed the acquisition of our largest European distributor, Robopolis SAS ("Robopolis"), a French company, for a final purchase price, following adjustments for working capital pursuant to the agreement with Robopolis, of \$169.4 million in cash, net of acquired cash of \$38.0 million. This provided us more direct control of 75% of our global revenue through a direct presence in countries including Austria, Belgium, France, Germany, Japan, the Netherlands, Portugal and Spain.

In 2018, iRobot sold more than \$1 billion in consumer robots. The Company capitalized on incremental investments in research and development made and introduced new products in 2018. In the third quarter of 2018, iRobot introduced the Roomba i7 and i7+ in the U.S., robot vacuums that remember a home's floor plan and clean specific rooms by name. Ushering in a new era of consumer robots, the Roomba i7+ allows customers to clean specific rooms in the home. Using Imprint™ Smart

Mapping, the Roomba i7+ learns the home's floor plan, giving customers total control to choose which rooms to clean and when. When the Roomba i7+ robot vacuum is finished cleaning, it empties its own dust bin into the Clean Base™, which holds 30 bins of dirt, allowing customers to forget about vacuuming for weeks at a time.

The Roomba i7 and i7+ further extend our product ecosystem, bringing a new level of intelligence and automation to robotic vacuum cleaners with the ability to learn, map and adapt to a home's floor plan. In the third quarter of 2018, we also introduced the Roomba e5 in the U.S., a highly-featured product at a more accessible price, to our lineup. In the fourth quarter of 2018, we also introduced the Roomba e5 in markets outside of the U.S. in advance of the holiday season.

Our total revenue for 2018 was \$1,092.6 million, which represents a 23.6% increase from 2017 revenue of \$883.9 million. Domestic revenue grew \$108.4 million, primarily as a result of strong sales of the Roomba 900 and 600 series robots, as well as the significant investments in advertising media and national promotions. International revenue grew by \$100.2 million in 2018 with increases in most markets.

Our financial performance in 2019 will be driven by our continued focus as a leading global consumer robots company. Our strategy is to maintain Roomba's leadership in the robotic vacuum cleaner segment while positioning the Company as a strategic player in the emerging smart home. We expect growth to be driven by:

- deeper household penetration of Roomba globally;
- broader roll out of the Roomba i7 and i7+ which were launched in the U.S. in 2018;
- continued investment in innovation to extend our technology and product leadership;
- further adoption of Braava products through targeted marketing programs; and
- introduction of additional new products mid-year in 2019.

Strategy

In 2002, iRobot created the home robot cleaning category with the introduction of its Roomba vacuuming robot. Today, we are a global enterprise that has sold more than 25 million consumer robots worldwide. iRobot's success in driving adoption of connected Roomba robots has created a unique opportunity to extend consumer value in the home and expand our business. Our long-term strategy is to increase the penetration of our products in existing markets, expand current products into new markets, and develop and launch new products into current and new markets. We estimate household penetration of iRobot products to be 11% in the U.S. and in the single digits globally. We believe that the current trend towards smart home and product integration provides us with a significant opportunity for product revenue growth. As our customer base grows, iRobot plans to create an ecosystem of connected robots designed to integrate with other devices. This ecosystem will create greater possibilities for new features and capacities and empower the smart home.

Global expansion is a key component of our strategy. Our relentless pursuit of product leadership, through targeted investment in key technologies and capabilities, coupled with our investments in furthering our global brand and targeted marketing initiatives, allows us to continue to maintain our leadership position in the robotic vacuum cleaner segment despite increasing competition. Our acquisitions of distributors in Japan and Europe furthered this strategic objective.

To successfully execute our 2019 plan and drive revenue diversification and significant revenue growth beyond 2019, we plan to continue to make investments in our business during the year. These investments are expected to help iRobot achieve the following goals:

- Continue to strengthen our marketing capabilities globally and accelerate worldwide consumer adoption of Roomba to maintain our market-leading position in robotic vacuum cleaners;
- Continue to develop our wet floor care business to generate a material, secondary revenue stream;
- Launch iRobot Terra, an autonomous robotic lawn mower that will re-invent the robotic lawnmower category with state-of-the-art mapping and navigation technology. In 2019, iRobot plans to make Terra available for purchase in limited quantities in Germany and for beta testing in the U.S.;
- Scale our infrastructure to support global operations and connected products;

- Explore, develop and grow adjacent non-floor care consumer robot products that can generate meaningful diversified revenue streams; and
- Make continued operational improvements that can reduce product and operating costs.

Key pillars of our strategy include:

Technology: As a leading global consumer robotics company, iRobot must develop and maintain best-in-class technology in the areas of cleaning, mapping and navigation. In 2019, iRobot plans to take steps towards expanding its product lines with new products that will deliver innovative solutions to improve cleaning performance, efficiency and ease-of-use. Mapping and navigation continues to be the core focus for iRobot. Consumer robots that can map and are spatially aware create a unique and differentiating opportunity to grow consumer value.

Brand: iRobot enjoys consistently high brand awareness and high purchase intent in major markets around the world. Along with high awareness, consumers consider the iRobot brand and our products to be premium, innovative and of high quality. These favorable impressions come as a result of the millions of consumers around the world who own iRobot products and an even greater number who are aware of the brand through advertising and the positive word-of-mouth from existing owners.

Portfolio: Our strategy includes building a portfolio of investments, including physical platforms, digital and data capabilities, to diversify across domestic and foreign markets and delivering a steady progression of innovation and growth over time. To achieve this, we plan to focus on developing digital, data and physical products that continue to leverage connectivity and spatial intelligence to deliver meaningful benefits to users. In 2018, we launched Roomba i7 and i7+, introducing Imprint™ Smart Mapping, a smart mapping technology that allows users to control which rooms are cleaned and when. This new intelligence platform enables rapid-paced innovation to continuously deliver new intelligence-based features sets to iRobot consumers. The initial set of features enables the connected robots to communicate with consumers to help optimize their personal cleaning experience. The intelligence platform is focused on personalization, learning and prediction. Customers can now be informed when specific maintenance is needed, make suggestions on personalized cleaning schedules and optimize charging.

Talent: Our employees are the most important driver of who we are. Our success, diversity and reputation as developers of great talent make us an attractive employer to the top talent all over the world. Talent recruitment and retention continues to be at the core of what we accomplish as we map out our culture and work towards achieving our vision. We are also growing our company to meet organization needs by strategically investing in our employees around the globe.

Technology

In 2016, iRobot narrowed its focus to the consumer market and made increased, but disciplined investments in advancing mapping and navigation, and user interaction including cloud and app development and cleaning efficacy. From the launch of Braava jet, to the introduction of a lower cost Visual Simultaneous Localization and Mapping, or vSLAM, solution in Roomba 960, these strategic investments in technology had an immediate impact on product diversification, performance and market expansion. In 2017, we introduced two new connected products to the product portfolio bringing the advantages of cloud connectivity to more consumers. With the iRobot HOME App, we also delivered our robots' maps directly to our customers through the launch of post-mission cleaning maps. In 2018, we introduced three new connected products including a new intelligence platform with the ability to learn, map and adapt to a home's floor plan, as well as empty its own dust bin into the Clean Base. We believe the improved performance of our connected robots, and the data sourced from our maps, will accelerate new product development and digital partnerships for the smart home.

We plan to continue to leverage opportunities, enabled by our growing connected product portfolio, to invest in developing technologies and interfaces for our products to provide a convenient and personalized user experience. At the foundation of our effort to drive enhanced user experience has been the deployment of our new connectivity and cloud infrastructure through AWS. We made this investment to enable us to scale our connected products globally, with increased access to valuable cloud services and applications to support future product features, and to integrate with other devices in the smart home. iRobot plans to continue to identify additional ways to advance the smart home experience by enabling a broader understanding of the home's space, enabled through Roomba's spatial awareness of the home.

From robotic vacuum cleaning to mopping and lawn care, we are dedicated to developing market-leading solutions that provide compelling value to customers worldwide. From our customers' perspective, the core value of our robots is the ability to efficiently and effectively perform a physical mission - the task for which that robot was initially purchased. In addition, we focus on features that allow the robots to perform longer, without consumer interaction. Our goal is to deliver maximum autonomy and effectiveness of the mission.

Products

We sell various products that are designed for use in and around the home. Our current consumer products are focused on both indoor and outdoor cleaning applications. We believe our consumer products provide value to our customers by delivering a better way to clean and by freeing people from repetitive home cleaning tasks. To ensure the continued acceptance of our robots, we will continue to invest in technology necessary to further improve their capabilities.

The opportunity for robots working together to accomplish multiple tasks with little intervention from the user is expected to be a significant step forward. Consumers can already use third party integration software to operate Roomba. We believe the mapping and spatial awareness capabilities of our consumer robots will play an important role in allowing other smart devices in the home to more seamlessly work together and advance the next-generation smart home.

We currently offer multiple Roomba floor vacuuming robots at varying price points ranging from approximately \$299 to \$1,099 based upon features and performance characteristics. Roomba's design allows it to clean under toe kicks, beds and other furniture, resulting in cleaner floors since the Roomba can access more of the floor than standard upright vacuum cleaners. In addition, Roomba eliminates the need to manually vacuum for many users - it cleans automatically upon the push of a button or through scheduling.

In 2018, we launched several new robotic vacuum cleaners:

- Roomba i7 brings a new level of intelligence and automation to robotic vacuum cleaners with the ability to learn, map and adapt to a home's floor plan;
- Roomba i7+ includes all the features of i7 plus the ability for the robot to empty its own bin into the Clean Base with Automatic Dirt Disposal. This brings a level of automation that allows users to forget about vacuuming for weeks at a time; and
- Roomba e5 is an affordable, highly-featured product which includes WiFi connectivity, intelligent navigation with Dirt Detect technologies and iRobot's dual multi-surface rubber brushes.

In addition to the newly launched products, we continue to offer an assortment of other robotic vacuum cleaner offerings. Roomba 900 series robots help keep floors cleaner throughout the entire home with intelligent visual navigation and iRobot HOME App control with wireless connectivity. The Roomba 800 series robots offer our AEROForce technology which incorporates brushless, counter-rotating extractors that amplify suction for superior performance over bristle brushes, while requiring less maintenance than previous Roomba models. The Roomba 600 series robots offer a three-stage cleaning system which thoroughly vacuums every section of the floor multiple times, as well as an improved brush design enabling the robot to better handle fibers like hair, pet fur, lint and carpet fuzz.

We currently offer the Braava family of automatic floor mopping robots designed exclusively for hard-surface floors. These robots provide a different cleaning approach than our Roomba products. The Braava robots, priced at \$199 and \$299, automatically dust and damp mop hard-surface floors using popular cleaning cloths or our specially designed reusable microfiber cloths, and include a special reservoir that dispenses liquid throughout the cleaning cycle to keep the cloth damp. Braava jet works with Braava jet Cleaning Pads to tackle a range of hard-floor cleaning jobs, from wet mopping and damp sweeping to simple dusting.

Our Mirra Pool Cleaning Robot is used to clean residential pools and removes debris as small as two microns from pool floors, walls and stairs. Mirra is brought to market under the iRobot brand through a relationship with Aquatron, Inc., which develops and manufactures the pool cleaning robots.

In 2019, we plan to capitalize on the incremental investments we made in 2017 and 2018 with the introduction of Terra, and additional new products midyear 2019. In January 2019, we announced Terra, an autonomous robotic lawn mower that we believe will revolutionize the robotic lawnmower category with state-of-the-art mapping and navigation technology. Terra

mows like people do, intelligently navigating the yard and cutting efficiently in systematic rows. We plan to make Terra available in limited quantities for purchase in Germany and for beta testing in the U.S. in 2019.

Strategic Alliances

In addition to our internal technology development, we leverage relevant robotic technologies through licensing, acquisitions, venture investments and/or other partnerships. These strategic alliances are an important part of our product development, advanced research and distribution strategies. We rely on strategic alliances to provide technology and complementary product offerings to drive market adoption of our robotic products.

We seek to form relationships with organizations that can provide best-in-class technology or market advantages for establishing iRobot technology. This includes expanded collaborations with other smart home technologies that may leverage spatial understanding from our products to provide end users with a more intuitive and personalized smart home experience.

Sales and Distribution Channels

We sell our consumer products through distributor and retail sales channels, as well as our online store. For the fiscal years ended December 29, 2018, December 30, 2017, and December 31, 2016, sales to non-U.S. customers accounted for 48.7%, 48.8%, and 51.2% of total revenue, respectively. For the fiscal years ended December 29, 2018 and December 30, 2017, the Company generated 17.3% and 13.5% of total revenue from one of its retailers (Amazon), respectively. For the fiscal year ended December 31, 2016, the Company generated 12.9%, 12.3% and 10.4% of total revenue from SODC, Robopolis, and Amazon, respectively. In April 2017, the Company acquired the iRobot-related distribution business of SODC, and in October 2017, the Company acquired Robopolis.

In the United States and Canada, we sell our consumer products primarily through a network of national retailers. Certain smaller domestic retail operations are supported by distributors to whom we sell our products directly. With the acquisition of SODC and Robopolis, iRobot now directly services retailers in Japan and countries that were previously serviced by Robopolis, including Austria, Belgium, France, Germany, Netherlands, Portugal and Spain. In support of sales in the United States, Canada, Japan and the seven European countries previously serviced by Robopolis, we maintain in-house sales, marketing and product management teams. In China, retailers are serviced by two local distributors. Due to the special needs of this market, we maintain a local sales, marketing and product team to support the distributors, manage the local marketing plan and meet product needs. Throughout the rest of the world, our products are sold primarily through a network of in-country distributors who resell to retail stores in their respective countries. These distributors are supported by our international sales and product marketing team.

Our retail and distributor networks are our primary distribution channels for our products. We have established valuable databases and customer lists that allow us to target directly those consumers most likely to purchase a new robot or upgrade. With Wi-Fi connectivity implemented across Roomba 690 and higher models, iRobot can more directly provide customer support via the iRobot HOME App. In addition, connectivity enables us to provide direct marketing material and push new features/fixes to robots in the field. We believe we maintain a close connection with our customers in each of our markets, which provides an enhanced position from which to improve our distribution and product offerings.

Customer Service and Support

We also provide ongoing customer service and support. Consumer customer service representatives, the majority of whom are employees of outsourced service organizations or our distribution partners, are extensively trained on the technical intricacies of our consumer products. Because of the connected nature of our new robot technology, our customer service representatives are able to access robot information remotely to identify issues and behaviors relevant in troubleshooting and address customer questions and concerns.

Marketing and Brand

We market our consumer robots to end-user customers through our extensive network of retail partners with the support of our sales and marketing teams as well as in collaborations with in-country distributors. In addition, we sell directly to consumers through iRobot's e-commerce channels around the world. For consumers seeking information about our products, the iRobot website showcases our brand, allows consumers to learn more about our Roomba and Braava products, including the latest product innovations, and enables direct-to-consumer sales. The website also plays an important after-sales role for owners seeking spare parts and accessories, as well as a location for useful FAQ's and trouble-shooting solutions.

Our marketing strategy is to drive consumer awareness and interest in Roomba robot vacuums and Braava robot mops. Our sales and marketing expenses represented 19.3%, 18.3% and 17.4% of our total revenue in 2018, 2017 and 2016, respectively. We expect to continue to invest in national advertising, consumer and industry trade shows, direct marketing and public relations to further build brand awareness.

In 2017, iRobot launched our first ever Braava national television advertising campaign in the U.S., and category revenue grew 65% in 2017 over full-year 2016. In 2018, the momentum generated by this campaign continued driving U.S. revenue growth. We have built a trusted, recognized brand by providing high-quality robots. Customer word-of-mouth has been a significant driver of our brand's success to date. iRobot owner loyalty encourages repurchase, and positive customer experiences inspire others to adopt our products. Our marketing, public relations and consumer service efforts fuel this word-of-mouth momentum.

In April 2017, we acquired SODC, launching four new iRobot offices in Japan. In October 2017, we acquired our largest European distributor, Robopolis, launching new iRobot offices in seven countries, including Austria, Belgium, France, Germany, Netherlands, Portugal and Spain. These acquisitions afford us greater control and consistency in our approach to all market activities including sales, marketing, branding, channel relationships and customer service.

Manufacturing

Our core competencies are the design, development and marketing of robots. Our manufacturing strategy is to outsource non-core competencies, such as the production of our robots, to third-party entities skilled in manufacturing. By relying on the outsourced manufacture of our robots, we can focus our engineering expertise on the design of robots and associated technologies.

Manufacturing a new product requires a close relationship between our product designers and the manufacturing organizations. Using multiple engineering techniques, our products are introduced to the selected production facility at an early-development stage and the feedback provided by manufacturing is incorporated into the design before tooling is finalized and mass production begins. As a result, we believe that we can significantly reduce the time required to move a product from its design phase to mass production deliveries, with improved quality and yields.

We outsource the manufacturing of our consumer products to three contract manufacturers, each of which manufactures our robots at a single plant in Southern China. In addition, one of our contract manufactures plans to begin partial production outside of China beginning in 2019. Our production processes give us the capacity to produce up to 20,000 robots a day, helping us to meet demand for peak seasons.

Under our agreements with our contract manufacturers, manufacturers supply us with specified quantities of products that align with demand forecasts that we establish based upon historical trends and analysis from our sales and product management functions.

Research and Development

We believe that our future success depends upon our ability to continue to develop new products and product accessories, and enhancements to and applications for our existing products. For the years ended December 29, 2018, December 30, 2017 and December 31, 2016, our research and development expenses were \$140.6 million, \$113.1 million and \$79.8 million, or 12.9%, 12.8% and 12.1% of revenue, respectively. We intend to continue our investment in research and development to respond to and anticipate customer needs, and to enable us to introduce new products over the next few years that will continue to address our existing and adjacent market sectors.

Our research and development is conducted by teams dedicated to particular projects. Our research and development efforts are primarily located at our headquarters in Bedford, Massachusetts and our office in Pasadena, California.

Competition

The market for robots is highly competitive, rapidly evolving and subject to changing technologies, shifting customer needs and expectations and the likely increased introduction of new products. A number of established companies have developed or are developing robots that will compete directly with our product offerings, and many of our competitors have significantly more financial and other resources than we possess. Our competitors include consumer electronics companies

such as Samsung, LG, Xiaomi, Cecotec and Shark, traditional floor cleaning brands with robotic offerings such as Dyson, Bissell and Hoover; and firms primarily focused on robotic cleaning such as Ecovacs and iLife.

While we believe many of our customers purchase our Roomba floor vacuuming robots and Braava mopping robots as a supplement to, rather than a replacement for, their traditional vacuum cleaners and wet floor cleaning methods, we do compete in some cases with providers of traditional cleaning products.

We believe that the principal competitive factors in the market for robots include product features, performance for the intended mission, cost of purchase, total cost of system operation, including maintenance and support, ease of use, integration with existing equipment, quality, reliability, customer support, brand and reputation.

Our ability to remain competitive will depend to a great extent upon our ongoing performance in the areas of product development and customer support. We cannot provide assurance that our products will continue to compete favorably or that we will be successful in the face of increasing competition from new products and enhancements introduced by existing competitors or new companies entering the markets in which we provide products.

Intellectual Property

We believe that our continued success depends in large part on our proprietary technology, the technical competence and ability of our employees to continue to innovate. The ownership of intellectual property rights is an important factor in our business. This includes patents, copyrights, trademarks, service marks, trade dress and other forms of intellectual property rights in the U.S. and a number of foreign countries. The Company currently holds a significant number of patents and has filed numerous additional patent applications. As of December 29, 2018, we held 460 U.S. patents, more than 800 foreign patents, additional design registrations, and more than 500 patent applications pending worldwide. While our U.S. patents will begin to expire in 2022, no single intellectual property right is solely responsible for protecting our products. We will continue to file and prosecute patent (or design registration, as applicable) applications when and where appropriate to attempt to protect our rights in our proprietary technologies. We also encourage our employees to continue to invent and develop new technologies so as to maintain our competitiveness in the marketplace. It is possible that our current patents, or patents which we may later acquire, may be successfully challenged or invalidated in whole or in part. It is also possible that we may not obtain issued patents for our pending patent applications or other inventions we seek to protect. In that regard, we sometimes permit certain intellectual property to lapse or go abandoned under appropriate circumstances. It is also possible that we may not develop proprietary products or technologies in the future that are patentable, or that any patent issued to us may not provide us with any competitive advantages, or that the patents of others will harm or altogether preclude our ability to do business.

Our registered U.S. trademarks include iRobot and its stylized logo, Roomba, NorthStar, Create, iAdapt, Aware, Home Base, Looj, Braava, Braava jet, AeroForce, Better Together, Mirra, vSLAM and Virtual Wall. Our marks iRobot, Roomba, Braava, Braava jet, Virtual Wall, and certain other trademarks, have also been registered in selected foreign countries.

Our means of protecting our proprietary rights may not be adequate, and our competitors may independently develop technology that is similar to ours. Legal protections afford only limited protection for our technology. The laws of many countries do not protect our proprietary rights to as great an extent as do the laws of the United States. Despite our efforts to protect our proprietary rights, unauthorized parties have in the past attempted, and may in the future attempt, to copy aspects of our products or to obtain and use information that we regard as proprietary. Some of our competitors seek to compete primarily through aggressive pricing and low-cost structures while infringing on our intellectual property. In 2017, we initiated a multi-party litigation at the U.S. International Trade Commission ("ITC") as well as in federal district court in Massachusetts based on claims of patent infringement. In November 2018, the ITC issued a Notice of Final Determination confirming that U.S. Patent No. 9,038,233 is valid and infringed, and that the infringing products for bObsweep, Inc., bObsweep USA, Hoover, and Shenzhen Silver Star Intelligent Technology Co., Ltd. should be barred from importation into the United States. Prior to the issuance of the Final Determination, iRobot entered into confidential settlements with Shenzhen Zhiyi Technology Co. Ltd. d/b/a iLife, Micro-Star International, Black & Decker, and Matsutek. There is no guarantee that we will prevail on other patent infringement claims against third parties. Third parties may also design around our proprietary rights, which may render our protected products less valuable, if the design around is favorably received in the marketplace. In addition, if any of our products or the technology underlying our products is covered by third-party patents or other intellectual property rights, we could be subject to various legal actions. We cannot assure you that our products do not infringe patents held by others or that they will not in the future. We have received in the past communications from third parties relating to technologies used in our

various robot products that have alleged infringement of patents or violation of other intellectual property rights. Some of these allegations have resulted in actions filed against iRobot in foreign jurisdictions. In response to these communications, we have contacted these third parties to convey our good faith belief that we do not infringe the patents in question or otherwise violate those parties' rights. Where an action has been filed, we will defend iRobot against the allegations. We cannot assure you that we will not receive further correspondence from these parties, not be subject to additional allegations of infringement from others, and cannot assure you that iRobot will prevail in any ongoing or subsequently filed actions. Litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity, misappropriation, or other claims. Any such litigation could result in substantial costs and diversion of our resources. Moreover, any settlement of or adverse judgment resulting from such litigation could require us to obtain a license to continue to use the technology that is the subject of the claim, or otherwise restrict or prohibit our use of the technology. Any required licenses may not be available to us on acceptable terms, if at all. If we attempt to design around the technology at issue or to find another provider of suitable alternative technology to permit us to continue offering applicable software or product solutions, our continued supply of software or product solutions could be disrupted or our introduction of new or enhanced software or products could be significantly delayed.

Seasonality

Historically, we have experienced higher revenue in the second half of the year compared to the first half of the year due in large part to seasonal holiday demand. In 2018, 2017 and 2016, our second-half consumer product revenue represented 59.4%, 60.2% and 57.5% of our annual consumer product revenue, respectively. We have also experienced higher selling and marketing expenses in the second half of the year compared to the first half of the year due to increase marketing campaigns to support seasonal holiday demand. In 2018, 2017 and 2016, our second-half selling and marketing expense represented 63.3%, 61.3% and 57.4% of our annual selling and marketing expense, respectively.

Regulations

Our business requires compliance with a variety of laws and regulations in the United States and abroad regarding privacy, data protection, and data security. In particular, we are subject to numerous U.S. federal, state, and local laws and regulations and foreign laws and regulations regarding privacy and the collection, sharing, use, processing, disclosure, and protection of personal information and other user data. In addition, the global nature of our business operations also creates various domestic and foreign regulatory challenges and subject us to laws and regulations such as the U.S. Foreign Corrupt Practices Act, or FCPA, the U.K. Bribery Act, and similar anti-bribery and anti-corruption laws in other jurisdictions. Our products are also subject to U.S. export controls, including the U.S. Department of Commerce's Export Administration Regulations and various economic and trade sanctions regulations established by the Treasury Department's Office of Foreign Assets Controls.

The laws in each of these areas - in particular those related to data privacy - are continually changing and evolving in unpredictable ways. New laws and regulations in any of these areas, as well as compliance with these laws (and their derivatives) may have an adverse effect on our business. If we fail to comply with these laws, we may be subject to significant liabilities and other penalties.

We are also subject to international and U.S. federal, state, and local laws and regulations designed to protect the environment, regulate energy efficiency and to regulate the discharge of materials into the environment. We believe that our policies, practices, and procedures are properly designed to prevent unreasonable risk of environmental damage and associated financial liability. To date, environmental control regulations have not had a significant adverse effect on our overall operations.

Prior to our divestiture of the defense and security business unit in April 2016, we were subject to various government regulations, including various U.S. federal government regulations as a contractor and subcontractor to the U.S. federal government. We continue to remain subject to certain of these regulations only as they pertain to matters related to our operation of the defense and security business unit prior to our completion of the sale of this business.

Employees

As of December 29, 2018, we had 1,032 full-time employees. Approximately 31% of our employees are based outside of the United States. None of our employees in the United States are represented by a labor union. In certain foreign subsidiaries, labor unions or workers' councils represent some of our employees. We believe that we have a good relationship with our employees.

Available Information

We were incorporated in California in August 1990 under the name IS Robotics, Inc. and reincorporated as IS Robotics Corporation in Massachusetts in June 1994. We reincorporated in Delaware as iRobot Corporation in December 2000. We conduct operations and maintain a number of subsidiaries in the United States and abroad, including operations in Austria, Belgium, China, France, Germany, Hong Kong, Japan, Netherlands, Portugal, Spain, and the United Kingdom. We also maintain iRobot Securities Corporation, a Massachusetts securities corporation, to invest our cash balances on a short-term basis. Our website address is www.irobot.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through the investor relations page of our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Alternatively, these reports may be accessed at the SEC's website at www.sec.gov.

ITEM 1A. RISK FACTORS

We operate in a rapidly changing environment that involves a number of risks, some of which are beyond our control. This discussion highlights some of the risks which may affect future operating results. These are the risks and uncertainties we believe are most important for you to consider. 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. If any of the following risks or uncertainties actually occurs, our business, financial condition and operating results would likely suffer.

We operate in an emerging market, which makes it difficult to evaluate our business and future prospects.

Robots represent a new and emerging market. Accordingly, our business and future prospects are difficult to evaluate. We cannot accurately predict the extent to which demand for consumer robots will increase, if at all. You should consider the challenges, risks and uncertainties frequently encountered by companies using new and unproven business models in rapidly evolving markets. These challenges include our ability to:

- generate sufficient revenue and gross margin to maintain profitability;
- acquire and maintain market share in our consumer market;
- attract and retain customers of our consumer robots;
- attract and retain engineers and other highly-qualified personnel; and
- expand our product offerings beyond our existing robots.

If we fail to successfully address these and other challenges, risks and uncertainties, our business, results of operations and financial condition would be materially harmed.

Our business currently depends solely on our consumer robots, and our sales growth and operating results would be negatively impacted if we are unable to enhance our current consumer robots or develop new consumer robots at competitive prices or in a timely manner, or if the consumer robot market does not achieve broad market acceptance.

We primarily derive our revenue from consumer robot sales. For the foreseeable future, we expect that our revenue will be derived solely from sales of consumer robots in general, and home floor care products in particular. Accordingly, our future success depends upon our ability to further penetrate the consumer home care market, to enhance our current consumer products and to develop and introduce new consumer products offering enhanced performance and functionality at competitive prices. The development and application of new technologies involves time, substantial costs and risks. Our inability to achieve significant sales of our newly introduced robots, or to enhance, develop and introduce other products in a timely manner, or at all, would materially harm our sales growth and operating results.

Even if consumer robots gain wide market acceptance, our robots may not adequately address market requirements and may not continue to gain market acceptance. If robots generally, or our robots specifically, do not gain wide market acceptance, we may not be able to achieve our anticipated level of growth, and our revenue and results of operations would suffer.

We face intense competition from other providers of robots, including diversified technology providers, as well as competition from providers offering alternative products, which could negatively impact our results of operations and cause our market share to decline.

A number of companies have developed or are developing robots that will compete directly with our product offerings. Many current and potential competitors have substantially greater financial, marketing, research and manufacturing resources than we possess, and there can be no assurance that our current and future competitors will not be more successful than us. We also face competition from manufacturers of lower-cost devices, which may further drive down the average selling price in the marketplace for floor cleaning products. Moreover, while we believe many of our customers purchase our floor vacuuming robots as a supplement to, rather than a replacement for, their traditional vacuum cleaners, we also compete in some cases with providers of traditional vacuum cleaners.

The global market for robots is highly competitive, rapidly evolving and subject to changing technologies, shifting customer needs and expectations and the likely increased introduction of new products. Our ability to remain competitive will depend to a great extent upon our ongoing performance in the areas of product development and customer support.

In the event that the robot market expands further, we expect that competition will intensify as additional competitors enter the market and current competitors expand their product lines. Companies competing with us may introduce products that are competitively priced, have increased performance or functionality, or incorporate technological advances that we have not yet developed or implemented. Increased competitive pressure could result in a loss of sales or market share or cause us to lower prices for our products, any of which would harm our business and operating results.

Some of our competitors may aggressively discount their products and services in order to gain market share, which could result in pricing pressures, reduced profit margins, lost market share, or a failure to grow market share for us. In addition, new products may have lower selling prices or higher costs than legacy products, which could negatively impact our gross margins and operating results.

We cannot assure you that our products will continue to compete favorably or that we will be successful in the face of increasing competition from new products and enhancements introduced by existing competitors or new companies entering the markets in which we provide products. Our failure to compete successfully could cause our revenue and market share to decline, which would negatively impact our results of operations and financial condition.

If we fail to enhance our brand, our ability to expand our customer base will be impaired and our operating results may suffer.

We believe that developing and maintaining awareness of the iRobot brand is critical to achieving widespread acceptance of our existing and future products and is an important element in attracting new customers. Furthermore, we expect the importance of global brand recognition to increase as competition develops. If customers do not perceive our products to be of high quality, our brand and reputation could be harmed, which could adversely impact our financial results. In addition, brand promotion efforts may not yield significant revenue or increased revenue sufficient to offset the additional expenses incurred in building our brand. Maintaining, protecting, and enhancing our brand may require us to make substantial investments, and these investments may not be successful. If we fail to successfully maintain, promote, and position our brand and protect our reputation, or if we incur significant expenses in this effort, our business, financial condition and operating results may be adversely affected.

Any efforts to expand our product offerings beyond our current markets may not succeed, which could negatively impact our operating results.

Efforts to expand our product offerings beyond our current markets may not succeed and may divert management resources from existing operations and require us to commit significant financial resources to an unproven business, either of which could significantly impair our operating results. Moreover, efforts to expand beyond our existing markets may never result in new products that achieve market acceptance, create additional revenue or become profitable.

Our financial results often vary significantly from quarter-to-quarter due to a number of factors, which may lead to volatility in our stock price.

Our quarterly revenue and other operating results have varied in the past and are likely to continue to vary significantly from quarter-to-quarter in the future. These fluctuations may be due to numerous factors including:

- the size, timing and mix of orders from retail stores and distributors for our consumer robots;
- the mix of products that we sell in the period;
- disruption of supply of our products from our manufacturers;
- disruptions to our supply chain due to inclement weather, labor disruptions or other factors beyond our control;
- seasonality in the sales of our products;
- the timing of new product introductions;
- unanticipated costs incurred in the introduction of new products;
- costs and availability of labor and raw materials;
- costs of freight;
- changes in our rate of returns for our consumer products;
- our ability to introduce new products and enhancements to our existing products on a timely basis; and
- warranty costs associated with our consumer products.

We cannot be certain that our revenues will grow at rates that will allow us to maintain profitability during every fiscal quarter, or even every fiscal year. We base our current and future expense levels on our internal operating plans and sales forecasts, including forecasts of holiday sales for our consumer products. A significant portion of our operating expenses, such as research and development expenses, certain marketing and promotional expenses and employee wages and salaries, do not vary directly with sales and are difficult to adjust in the short term. As a result, if sales for a quarter are below our expectations, we might not be able to reduce operating expenses for that quarter. Accordingly, a sales shortfall during a fiscal quarter, and in particular the fourth quarter of a fiscal year, could have a disproportionate effect on our operating results for that quarter or that year. Because of quarterly fluctuations, we believe that quarter-to-quarter comparisons of our operating results are not necessarily meaningful. Moreover, our operating results may not meet expectations of equity research analysts or investors. If this occurs, the trading price of our common stock could fall substantially either suddenly or over time.

We depend on single source manufacturers, and our reputation and results of operations would be harmed if these manufacturers fail to meet our requirements.

We currently depend largely on several single source contract manufacturers for the manufacture of certain of our products. All contract manufacturers for our current robots are currently located in China. These manufacturers supply substantially all of the raw materials and provide all facilities and labor required to manufacture our products. If these companies were to terminate their arrangements with us or fail to provide the required capacity and quality on a timely basis, we would be unable to manufacture our products until replacement contract manufacturing services could be obtained or volume transferred to an alternative manufacturing partner, each of which is a costly and time-consuming process. We cannot assure you that we would be able to establish alternative manufacturing arrangements on acceptable terms or in a timely manner.

Our reliance on these contract manufacturers involves certain risks, including the following:

- lack of direct control over production capacity and delivery schedules;
- lack of direct control over quality assurance, manufacturing yields and production costs;
- lack of enforceable contractual provisions over the production and costs of consumer products;
- risk of loss of inventory while in transit;
- risks associated with international commerce, including unexpected changes in legal and regulatory requirements, changes in tariffs and trade policies, risks associated with the protection of intellectual property and political and economic instability; and
- risks that our attempts to add additional manufacturing resources may be significantly delayed and thereby create disruptions in production of our products.

Any interruption in the manufacture of our products would be likely to result in delays in shipment, lost sales and revenue and damage to our reputation in the market, all of which would harm our business and results of operations. In addition, while our contract obligations with our contract manufacturers in China are typically denominated in U.S. dollars, changes in currency exchange rates could impact our suppliers and increase our prices.

If we fail to maintain or increase consumer robot sales through our distribution channels, our operating results would be negatively impacted.

We do not have long-term contracts regarding purchase volumes with any of our retail partners. As a result, purchases generally occur on an order-by-order basis, and the relationships, as well as particular orders, can generally be terminated or otherwise materially changed at any time prior to delivery, by our retail partners. A decision by a major retail partner, whether motivated by competitive considerations, financial difficulties, economic conditions or otherwise, to decrease its purchases from us, to reduce the shelf space for our products or to change its manner of doing business with us could significantly damage our consumer product sales and negatively impact our business, financial condition and results of operations. In addition, during recent years, various retailers, including some of our partners, have experienced significant changes and difficulties, including consolidation of ownership, increased centralization of purchasing decisions, restructuring, bankruptcies and liquidations. These and other financial problems of some of our retailers increase the risk of extending credit to these retailers. A significant adverse change in a retail partner relationship with us or in a retail partner's financial position could cause us to limit or discontinue business with that partner, require us to assume more credit risk relating to that partner's receivables or limit our ability to collect amounts related to previous purchases by that partner, all of which could harm our business and financial condition. Disruption of the iRobot on-line store could also decrease our consumer robot sales.

If critical components of our products that we currently purchase from a small number of suppliers become unavailable, we may incur delays in shipment, which could damage our business.

We and our outsourced manufacturers obtain hardware components, various subsystems, raw materials and batteries from a limited group of suppliers, some of which are sole suppliers. We do not have any long-term agreements with these suppliers obligating them to continue to sell components or products to us. If we or our outsourced manufacturers are unable to obtain components from third-party suppliers in the quantities and of the quality that we require, on a timely basis and at acceptable prices, we may not be able to deliver our products on a timely or cost-effective basis to our customers, which could cause customers to terminate their contracts with us, reduce our gross margin and seriously harm our business, results of operations and financial condition. Moreover, if any of our suppliers become financially unstable, we may have to find new suppliers. It may take several months to locate alternative suppliers, if required, or to re-tool our products to accommodate components from different suppliers. We may experience significant delays in manufacturing and shipping our products to customers and incur additional development, manufacturing and other costs to establish alternative sources of supply if we lose any of these sources. We cannot predict if we will be able to obtain replacement components within the time frames that we require at an affordable cost, or at all.

Cybersecurity risks could adversely affect our business and disrupt our operations.

The threats to network and data security are increasingly diverse and sophisticated. Despite our efforts and processes to prevent breaches, our devices, as well as our servers, computer systems, and those of third parties that we use in our operations are vulnerable to cybersecurity risks, including cyber attacks such as viruses and worms, phishing attacks, denial-of-service attacks, and similar disruptions from unauthorized tampering with our servers and computer systems or those of third parties that we use in our operations, which could lead to interruptions, delays, loss of critical data, and loss of consumer confidence. In addition, we may be the target of email scams that attempt to acquire sensitive information or company assets. Despite our efforts to create security barriers to such threats, we may not be able to entirely mitigate these risks. Any cyber attack that attempts to obtain our data and assets, disrupt our service, or otherwise access our systems, or those of third parties we use, if successful, could adversely affect our business, operating results, and financial condition, be expensive to remedy, and damage our reputation.

If we suffer data breaches involving the designs, schematics or source code for our products, our brand, business and financial results could be adversely affected.

We attempt to securely store our designs, schematics and source code for our products as they are created. A breach, whether physical, electronic or otherwise, of the systems on which this sensitive data is stored could lead to damage or piracy of our products. If we or our partners are subject to data security breaches, we may have a loss in sales or increased costs arising from the restoration or implementation of additional security measures, either of which could materially and adversely affect our brand, business and financial results.

We collect, store, process, and use customer data, including certain personal and robot-specific information, which subjects us to governmental regulation and other legal obligations related to privacy, information security, and data protection, and any security breaches or our actual or perceived failure to comply with such legal obligations could harm our business.

Our latest Roomba products, as well as additional products in development, collect, store, process, and use certain customer data, which subjects us to governmental regulation and other legal obligations related to privacy, information security, and data protection, and any security breaches or our actual or perceived failure to comply with such legal obligations could harm our business. We collect, store, process, and use personal information and other user data, and we rely on third parties that are not directly under our control to do so as well. If our security measures, some of which are managed by third parties, are breached or fail, unauthorized persons may be able to obtain access to or acquire sensitive user data, which may expose us to a risk of loss, litigation, or regulatory proceedings. Depending on the nature of the information compromised, in the event of a data breach or other unauthorized access to or acquisition of our user data, we may also have obligations to notify users about the incident, and we may need to provide some form of remedy, such as a subscription to a credit monitoring service, for the individuals affected by the incident. In addition, the regulatory environment surrounding information security and privacy is increasingly demanding, with frequent imposition of new and changing requirements. For example, the European Union's General Data Protection Regulation ("GDPR"), which became effective in May 2018, imposes significant new requirements on how we collect, process and transfer personal data, as well as significant fines for non-compliance. Compliance with changes in privacy and information security laws and standards may result in significant expense due to increased investment in technology and the development of new operational processes. Moreover, a growing number of legislative and regulatory bodies have adopted consumer notification requirements in the event of unauthorized access to or acquisition of certain types of personal data. Such breach notification laws continue to evolve and may be inconsistent from one jurisdiction to another. Complying with these obligations could cause us to incur substantial costs and could increase negative publicity surrounding any incident that compromises user data.

Further, we may be or become subject to data localization laws mandating that data collected in a foreign country be processed and stored only within that country. Russia adopted such a law in 2014, and it is expected that China will do so as well. If China or another country in which we have customers were to adopt a data localization law, we could be required to expand our data storage facilities there or build new ones in order to comply. The expenditure this would require, as well as costs of compliance generally, could harm our financial condition.

Acquisitions and potential future acquisitions may be difficult to integrate, divert the attention of key personnel, disrupt our business, dilute stockholder value and impair our financial results.

As part of our business strategy, we have recently acquired, and we intend to continue to consider additional acquisitions of companies, technologies and products that we believe could accelerate our ability to compete in our core markets or allow us to enter new markets. For example, in April 2017, we acquired the iRobot-related distribution business of Sales On Demand Corporation ("SODC"), a privately-held corporation based in Tokyo, Japan, and in October 2017, we acquired Robopolis SAS ("Robopolis"), a privately-held corporation distributing iRobot products from offices in seven European countries.

Acquisitions and combinations are accompanied by a number of risks, including the difficulty of integrating the operations and personnel of the acquired companies, the potential disruption of our ongoing business, the potential distraction of management, potential difficulty in managing and maintaining key customer relationships, expenses related to the acquisition and potential unknown liabilities associated with acquired businesses. Any inability to integrate completed acquisitions or combinations in an efficient and timely manner could have an adverse impact on our results of operations. In addition, we may

not be able to recognize any expected synergies or benefits in connection with our recently completed acquisitions of SODC or Robopolis or any future acquisitions or combinations. If we are not successful in completing acquisitions or combinations that we may pursue in the future, we may incur substantial expenses and devote significant management time and resources without a successful result. In addition, future acquisitions could require use of substantial portions of our available cash or result in dilutive issuances of securities.

Our service providers may experience business interruptions, delays, or quality control issues, which may negatively impact our business and operating results.

As we expand our operations, we expect to use additional enterprise resource planning systems and account and technology service providers that may also be essential to managing our business. Our ability to manage our business would suffer if one or more of our providers suffer an interruption in their business, or experience delays, disruptions or quality control problems in their operations, or we have to change or add systems and services. While we conduct reasonable diligence on our service providers, we may not always be able to control the quality of the systems and services we receive from these providers, which could impair our ability to maintain appropriate internal controls over financial reporting and complete timely and accurate financial reporting, and may impact our business, operating results and financial condition.

Our valuation estimates for our recently completed and future acquisitions are based upon assumptions that may differ from actual results.

Charges to earnings as a result of acquisitions may adversely affect our operating results in the foreseeable future, which could have a material and adverse effect on the market value of our common stock. In particular, we have allocated the cost of acquiring businesses to the individual assets acquired and liabilities assumed, including various identifiable intangible assets such as acquired technology, acquired trade names and acquired customer relationships based on their respective fair values. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain. After we complete an acquisition, the following factors could result in material charges and adversely affect our operating results and may adversely affect our cash flows:

- costs incurred to combine the operations of businesses we acquire, such as transitional employee expenses and employee retention, redeployment or relocation expenses;
- impairment of goodwill or intangible assets;
- amortization of intangible assets acquired;
- a reduction in the useful lives of intangible assets acquired;
- identification of or changes to assumed contingent liabilities, both income tax and non-income tax related after our final determination of the amounts for these contingencies or the conclusion of the measurement period (generally up to one year from the acquisition date), whichever comes first;
- charges to our operating results to eliminate certain duplicative pre-merger activities, to restructure our operations or to reduce our cost structure; and
- charges to our operating results resulting from expenses incurred to effect the acquisition.

If we are unable to attract and retain additional skilled personnel, we may be unable to grow our business.

To execute our growth plan, we must attract and retain additional, highly-qualified personnel. Competition for hiring these employees is intense, especially with regard to engineers with high levels of experience in designing, developing and integrating robots and engineers with expertise in artificial intelligence, machine learning and cloud applications. Many of the companies with which we compete for hiring experienced employees have greater resources than we have. If we fail to attract new technical personnel or fail to retain and motivate our current employees, our business and future growth prospects could be severely harmed.

We depend on the experience and expertise of our senior management team and key technical employees, and the loss of any key employee may impair our ability to operate effectively.

Our success depends upon the continued services of our senior management team and key technical employees, such as our project management personnel and senior engineers. Each of our executive officers, key technical personnel and other employees could terminate his or her relationship with us at any time. The loss of any member of our senior management team might significantly delay or prevent the achievement of our business objectives and could materially harm our business and customer relationships. In addition, because of the highly technical nature of our robots, the loss of any significant number of our existing engineering and project management personnel could have a material adverse effect on our business and operating results.

If we fail to protect, or incur significant costs in defending, our intellectual property and other proprietary rights, our business and results of operations could be materially harmed.

Our success depends on our ability to protect our intellectual property and other proprietary rights. We rely primarily on patents, trademarks, copyrights, trade secrets and unfair competition laws, as well as license agreements and other contractual provisions, to protect our intellectual property and other proprietary rights. Significant technology used in our products, however, is not the subject of any patent protection, and we may be unable to obtain patent protection on such technology in the future. Moreover, existing U.S. legal standards relating to the validity, enforceability and scope of protection of intellectual property rights offer only limited protection, may not provide us with any competitive advantages, and may be challenged by third parties. In addition, the laws of countries other than the United States in which we market our products may afford little or no effective protection of our intellectual property. Patents which may be granted to us in certain foreign countries may be subject to opposition proceedings brought by third parties or result in suits by us, which may be costly and result in adverse consequences for us. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property or otherwise gaining access to our technology. Unauthorized third parties may try to copy or reverse engineer our products or portions of our products or otherwise obtain and use our intellectual property. If we fail to protect our intellectual property and other proprietary rights, our business, results of operations or financial condition could be materially harmed.

In addition, defending our intellectual property rights may entail significant expense. We believe that certain products in the marketplace may infringe our existing intellectual property rights. We have, from time to time, resorted to legal proceedings to protect our intellectual property and may continue to do so in the future. For example, in 2017 we initiated a multi-party litigation at the U.S. International Trade Commission as well as in federal district court in Massachusetts based on claims of patent infringement. In November 2018, the ITC issued a Notice of Final Determination confirming that U.S. Patent No. 9,038,233 is valid and infringed, and that the infringing products for bObsweep, Inc., bObsweep USA, Hoover, and Shenzhen Silver Star Intelligent Technology Co., Ltd. should be barred from importation into the United States. Prior to the issuance of the Final Determination, iRobot entered into confidential settlements with Shenzhen Zhiyi Technology Co. Ltd. d/b/a iLife, Micro-Star International, Black & Decker, and Matsutek. There is no guarantee that we will prevail on other patent infringement claims against third parties. We may be required to expend significant resources to monitor and protect our intellectual property rights. In addition, any of our intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. If we resort to legal proceedings to enforce our intellectual property rights or to determine the validity and scope of the intellectual property or other proprietary rights of others, the proceedings could result in significant expense to us and divert the attention and efforts of our management and technical employees, even if we were to prevail.

We may be sued by third parties for alleged infringement of their proprietary rights, which could be costly, time-consuming and limit our ability to use certain technologies in the future.

We are currently defending multiple lawsuits based on claims of patent infringement. If the size of our markets increases, we would be more likely to be subject to claims that our technologies infringe upon the intellectual property or other proprietary rights of third parties. In addition, the vendors from which we license technology used in our products could become subject to similar infringement claims. Our vendors, or we, may not be able to withstand third-party infringement claims. Any claims, with or without merit, could be time-consuming and expensive, and could divert our management's attention away from the execution of our business plan. Moreover, any settlement or adverse judgment resulting from the claim could require us to pay substantial amounts or obtain a license to continue to use the technology that is the subject of the claim, or otherwise restrict or prohibit our use of the technology. There can be no assurance that we would be able to obtain a license from the third party asserting the claim on commercially reasonable terms, if at all, that we would be able to develop alternative technology on a timely basis, if at all, or that we would be able to obtain a license to use a suitable alternative technology to permit us to continue offering, and our customers to continue using, our affected product. In addition, we may be required to indemnify our retail and distribution partners for third-party intellectual property infringement claims, which would increase the cost to us of an adverse ruling in such a claim. An adverse determination could also prevent us from offering our products to others. Infringement claims asserted against us or our vendors may have a material adverse effect on our business, results of operations or financial condition.

In addition, we incorporate open source software into our products, and we may continue to incorporate open source software into our products in the future. Open source software is generally licensed by its authors or other third parties under open source licenses. Some of these licenses contain requirements that we make available source code for modifications or derivative works we create based upon the open source software, and that we license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. If an author or other third party that distributes open source software that we use or license were to allege that we had not complied with the conditions of the applicable license, we could be required to incur significant legal expenses defending against those allegations and could be subject to significant damages, enjoined from offering or selling our products that contained the open source software and required to comply with the foregoing conditions. Any of the foregoing could disrupt and harm our business and financial condition.

Global economic conditions and any associated impact on consumer spending could have a material adverse effect on our business, results of operations and financial condition.

Continued economic uncertainty and reductions in consumer spending, particularly in certain international markets such as the European Union, China and Japan, may result in reductions in sales of our consumer robots. Additionally, disruptions in credit markets may materially limit consumer credit availability and restrict credit availability of our retail customers, which would also impact purchases of our consumer robots. Any reduction in sales of our consumer robots, resulting from reductions in consumer spending or continued disruption in the availability of credit to retailers or consumers, could materially and adversely affect our business, results of operations and financial condition.

Because we are an increasingly global business that in the years ended December 29, 2018, December 30, 2017 and December 31, 2016 generated approximately 48.7%, 48.8% and 51.2%, respectively, of our total revenue from sales to customers outside of the United States, we are subject to a number of additional risks including foreign currency fluctuations. These risks are magnified with our expanding global presence as a result of our recent acquisitions of SODC and Robopolis. These foreign currency fluctuations may make our products more expensive to our distributors, which in turn may impact sales directly or the ability or willingness of our distribution partners to invest in growing product demand.

Our primary exposure to movements in foreign currency exchange rates relates to non-U.S. dollar denominated sales and operating expenses worldwide. Weakening of foreign currencies relative to the U.S. dollar could adversely affect the U.S. dollar value of our foreign currency-denominated sales and earnings, and lead us to raise international pricing, which may reduce demand for our products. In some circumstances, for competitive or other reasons, we may decide not to raise local prices to fully offset the strengthening of the U.S. dollar, or for any other reason, which would adversely affect the U.S. dollar value of our foreign currency denominated sales and earnings. Conversely, a strengthening of foreign currencies relative to the U.S. dollar, while generally beneficial to our foreign currency-denominated sales and earnings, could cause us to reduce international pricing, incur losses on our foreign currency derivative instruments, and incur increased operating expenses, thereby limiting any

benefit. Additionally, strengthening of foreign currencies may also increase our cost of product components denominated in those currencies, thus adversely affecting gross margins.

We use derivative instruments, such as foreign currency forward contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any, or more than a portion, of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. In addition, our counterparties may be unable to meet the terms of the agreements. We seek to mitigate this risk by limiting counterparties to major financial institutions and by spreading the risk across several major financial institutions.

We are subject to a variety of U.S. and foreign laws and regulations that are central to our business; our failure to comply with these laws and regulations could harm our business or our operating results.

We are or may become subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business, including laws and regulations regarding consumer protection, advertising, electronic commerce, intellectual property, manufacturing, anti-bribery and anti-corruption, and economic or other trade prohibitions or sanctions.

The increasingly global nature of our business operations subjects us to domestic and foreign laws and regulations such as the U.S. Foreign Corrupt Practices Act, or FCPA, the U.K. Bribery Act, and similar anti-bribery and anti-corruption laws in other jurisdictions. Our products are also subject to U.S. export controls, including the U.S. Department of Commerce's Export Administration Regulations and various economic and trade sanctions regulations established by the Treasury Department's Office of Foreign Assets Controls. Given the increasing number of foreign laws to which we are subject and the high level of complexity of these laws, there is a risk that some provisions may be inadvertently breached by us or by our subsidiaries, for example through fraudulent or negligent behavior of individual employees, our failure to comply with certain formal documentation requirements, or otherwise. If we incur liability for noncompliance under these laws or regulations, we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain products or services, which would negatively affect our business, financial condition, and operating results. In addition, any negative publicity directed to us as a result of lawsuits, regulatory proceedings, and legislative proposals could harm our brand or otherwise impact the growth of our business. Any costs incurred as a result of compliance efforts or other liabilities under these laws or regulations could harm our business and operating results.

Environmental laws and regulations and unforeseen costs could negatively impact our future earnings.

The manufacture and sale of our products in certain states and countries may subject us to environmental and other regulations. We also face increasing complexity in our product design as we adjust to legal and regulatory requirements relating to our products. There is no assurance that such existing laws or future laws will not impair future earnings or results of operations.

Business disruptions resulting from international uncertainties could negatively impact our profitability.

We derive, and expect to continue to derive, a significant portion of our revenue from international sales in various European and Far East markets, and Canada, particularly following our acquisitions of SODC and Robopolis. For the fiscal years ended December 29, 2018, December 30, 2017 and, December 31, 2016, sales to non-U.S. customers accounted for 48.7%, 48.8% and 51.2% of total revenue, respectively. We expect that international revenues will continue to account for a significant percentage of our revenues for the foreseeable future. Our international revenue and operations are subject to a number of material risks, including, but not limited to:

- difficulties in staffing, managing and supporting operations in multiple countries;
- difficulties in enforcing agreements and collecting receivables through foreign legal systems and other relevant legal issues;
- fewer legal protections for intellectual property;
- foreign and U.S. taxation issues, tariffs, and international trade barriers;
- difficulties in obtaining any necessary governmental authorizations for the export of our products to certain foreign jurisdictions;
- potential fluctuations in foreign economies;

- government currency control and restrictions on repatriation of earnings;
- fluctuations in the value of foreign currencies and interest rates;
- general economic and political conditions in the markets in which we operate;
- domestic and international economic or political changes, hostilities and other disruptions in regions where we currently operate or may operate in the future;
- changes in foreign currency exchange rates;
- different and changing legal and regulatory requirements in the jurisdictions in which we currently operate or may operate in the future; and
- our relationships with international distributors, some of whom may be operating without written contracts.

Negative developments in any of these areas in one or more countries could result in a reduction in demand for our products, the cancellation or delay of orders already placed, threats to our intellectual property, difficulty in collecting receivables, and a higher cost of doing business, any of which could negatively impact our business, financial condition or results of operations. Moreover, our sales, including direct sales to customers outside the United States, are primarily denominated in U.S. dollars, and downward fluctuations in the value of foreign currencies relative to the U.S. dollar may make our products more expensive than other products, which could harm our business.

Moreover, the United Kingdom ("UK") held a referendum on June 23, 2016 in which a majority of voters voted to exit the European Union ("EU"). Due to the unprecedented nature of the proposed withdrawal, significant uncertainty exists surrounding the timing and terms of the proposed exit, and negotiations remain ongoing to determine the future terms of the UK's relationship with the EU. We have operations in the UK and business activities in several EU member states whose currencies, namely British Pound Sterling and Euro, economies, taxation, and trade regulation, among other factors, could be adversely impacted by the negotiations and outcomes of the UK's leaving the EU, which is likely to be a lengthy and complicated process. While we do not anticipate near term adverse effects on business operations, these events could have a material adverse effect on our business operations, results of operations and financial condition over time.

If we experience a disaster or other business continuity problem, we may not be able to recover successfully, which could cause material financial loss, loss of human capital, regulatory actions, reputational harm, or legal liability.

If we experience a local or regional disaster or other business continuity problem, such as an earthquake, terrorist attack, pandemic or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. As we grow our operations in new geographic regions, the potential for particular types of natural or man-made disasters, political, economic or infrastructure instabilities, or other country- or region-specific business continuity risks increases.

The effects of regulations relating to conflict minerals may adversely affect our business.

On August 22, 2012, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC adopted new requirements for companies that use certain minerals and metals, known as conflict minerals, in their products, whether or not these products are manufactured by third parties. These requirements require companies to research, disclose and report whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. The implementation of these requirements could adversely affect the sourcing, availability and pricing of such minerals if they are found to be used in the manufacture of our products. In addition, we continue to incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. Since our supply chain is complex, we may not be able to sufficiently verify the origins for these minerals and metals used in our products through the due diligence procedures that we implement, which may harm our reputation. In such event, we may also face difficulties in satisfying customers who require that all of the components of our products are certified as conflict mineral free.

Our income tax provision and other tax liabilities may be insufficient if taxing authorities are successful in asserting tax positions that are contrary to our position. Additionally, there is no guarantee that we will realize our deferred tax assets.

From time to time, we are audited by various federal, state, local and foreign authorities regarding income tax matters. Significant judgment is required to determine our provision for income taxes and our liabilities for federal, state, local and

foreign taxes. Although we believe our approach to determining the appropriate tax treatment is supportable and in accordance with relevant authoritative guidance it is possible that a tax authority will take a final tax position that is materially different than that which is reflected in our income tax provision. Such differences could have a material adverse effect on our income tax provision or benefit, in the reporting period in which such determination is made and, consequently, on our results of operations, financial position and/or cash flows for such period.

The realization of our deferred tax assets ultimately depends on the existence of sufficient income in either the carryback or carryforward periods under the tax law. Due to significant estimates utilized in establishing a valuation allowance and the potential for changes in facts and circumstances, it is possible that we will be required to record a valuation allowance in future reporting periods. Our results of operations would be impacted negatively if we determine that a deferred tax asset valuation allowance is required in a future reporting period.

Provisions in our certificate of incorporation and by-laws or Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Provisions of our certificate of incorporation and by-laws and Delaware law may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares of our common stock. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. These provisions include:

- limitations on the removal of directors;
- a classified board of directors so that not all members of our board are elected at one time;
- advance notice requirements for stockholder proposals and nominations;
- the inability of stockholders to act by written consent or to call special meetings;
- the ability of our board of directors to make, alter or repeal our by-laws; and
- the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval.

The affirmative vote of the holders of at least 75% of our shares of capital stock entitled to vote is necessary to amend or repeal the above provisions of our certificate of incorporation. In addition, absent approval of our board of directors, our by-laws may only be amended or repealed by the affirmative vote of the holders of at least 75% of our shares of capital stock entitled to vote.

In addition, Section 203 of the Delaware General Corporation Law prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns, or within the last three years has owned, 15% of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner.

The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition.

Significant developments from the recent and potential changes in U.S. trade policies could have a material adverse effect on us.

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. Effective March 2, 2019, these tariffs will increase to 25%. These new tariffs, and other governmental action relating to international trade agreements or policies, may adversely impact demand for our products, our costs, customers, suppliers and/or the U.S. economy or certain sectors thereof and, as a result, adversely impact our business. The implemented and announced tariffs may cause us to increase prices to our customers which may reduce demand, or, if we are unable to increase prices, result in lowering our margin on products sold. 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 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 adversely impact demand for our products, our costs, our customers, our suppliers, and the U.S. economy, which in turn could adversely impact our business, financial condition and results of operations.

Our products are complex and could have unknown defects or errors, which may give rise to claims against us, diminish our brand or divert our resources from other purposes.

Our robots rely on the interplay among behavior-based artificially intelligent systems, real-world dynamic sensors, user-friendly interfaces and tightly-integrated, electromechanical designs to accomplish their missions. Despite testing, our new or existing products have contained defects and errors and may in the future contain defects, errors or performance problems when first introduced, when new versions or enhancements are released, or even after these products have been used by our customers for a period of time. These problems could result in expensive and time-consuming design modifications or warranty charges, delays in the introduction of new products or enhancements, significant increases in our service and maintenance costs, exposure to liability for damages, mandatory or voluntary recall or product upgrades, damaged customer relationships and harm to our reputation, any of which could materially harm our results of operations and ability to achieve market acceptance. Our quality control procedures relating to the raw materials and components that it receives from third-party suppliers as well as our quality control procedures relating to its products after those products are designed, manufactured and packaged may not be sufficient. In addition, increased development and warranty costs, including the costs of any mandatory or voluntary recall, could be substantial and could reduce our operating margins. The existence of any defects, errors, or failures in our products could also lead to product liability claims or lawsuits against us. A successful product liability claim could result in substantial cost, diminish our brand and divert management's attention and resources, which could have a negative impact on our business, financial condition and results of operations.

We spend significant amounts on advertising and other marketing campaigns, which may not be successful or cost effective.

We spend significant amounts on advertising and other marketing campaigns, such as television, print advertising, and social media, as well as increased promotional activities, to acquire new customers, and we expect our marketing expenses to increase in the future as we continue to spend significant amounts to increase awareness of our consumer robot products. For the years ended December 29, 2018, December 30, 2017 and December 31, 2016, sales and marketing expenses were \$210.4 million, \$162.1 million and \$115.1 million, respectively, representing approximately 19.3%, 18.3%, and 17.4% of our revenue, respectively. While we seek to structure our advertising campaigns in the manner that we believe is most likely to encourage people to purchase our products, we may fail to identify advertising opportunities that satisfy our anticipated return on advertising spend as we scale our investments in marketing or to fully understand or estimate the conditions and behaviors that drive customer behavior. If any of our advertising campaigns prove less successful than anticipated in attracting customers, we may not be able to recover our advertising spend, and our revenue may fail to meet market expectations, either of which could have an adverse effect on our business. There can be no assurance that our advertising and other marketing efforts will result in increased sales of our products.

We may not be able to obtain capital when desired on favorable terms, if at all, or without dilution to our stockholders.

We anticipate that our current cash, cash equivalents, cash provided by operating activities and funds available through our credit facility, will be sufficient to meet our current and anticipated needs for general corporate purposes. We operate in an emerging technology market, however, which makes our prospects difficult to evaluate. It is possible that we may not generate sufficient cash flow from operations or otherwise have the capital resources to meet our future capital needs. In such cases we may need additional financing to execute on our current or future business strategies. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders could be significantly diluted, and these newly-issued securities may have rights, preferences or privileges senior to those of existing stockholders. We cannot assure you that additional financing will be available on terms favorable to us, or at all. If adequate funds are not available or are not available on acceptable terms, if and when needed, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our products, or otherwise respond to competitive pressures would be significantly limited. In

addition, our access to credit through our credit facility may be limited by the restrictive financial covenants contained in that agreement, which require us to maintain profitability.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

Our corporate headquarters are located in Bedford, Massachusetts, where we lease approximately 240,000 square feet. This lease expires on April 30, 2030. We also lease smaller facilities around the world. We believe that our leased facilities and additional or alternative space available to us will be adequate to meet our needs for the foreseeable future.

ITEM 3. *LEGAL PROCEEDINGS*

From time to time and in the ordinary course of business, we are 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.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on The Nasdaq Global Select Market under the symbol "IRBT." As of January 31, 2019, there were approximately 27,796,614 shares of our common stock outstanding held by approximately 152 stockholders of record.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently expect to retain future earnings, if any, to finance the growth and development of our business and we do not anticipate paying any cash dividends in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data are derived from the audited financial statements of the Company, and should be read in conjunction with our consolidated financial statements, the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K. The historical results are not necessarily indicative of the results of future operations.

	Year Ended				
	December 29, 2018	December 30, 2017	December 31, 2016	January 2, 2016	December 27, 2014
(In thousands, except earnings per share amounts)					
Consolidated Statements of Income:					
Total revenue	\$ 1,092,584	\$ 883,911	\$ 660,604	\$ 616,778	\$ 556,846
Gross profit	555,428	433,159	319,315	288,926	258,055
Operating income	105,822	72,690	57,557	60,618	53,117
Income tax expense	20,630	25,402	19,422	18,841	14,606
Net income	87,992	50,964	41,939	44,130	37,803
Net Income Per Share:					
Basic	\$ 3.18	\$ 1.85	\$ 1.51	\$ 1.49	\$ 1.28
Diluted	\$ 3.07	\$ 1.77	\$ 1.48	\$ 1.47	\$ 1.25
Shares Used In Per Share Calculations:					
Basic	27,692	27,611	27,698	29,550	29,485
Diluted	28,640	28,753	28,292	30,107	30,210
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 130,373	\$ 128,635	\$ 214,523	\$ 179,915	\$ 185,957
Short term investments	31,605	37,225	39,930	33,124	36,166
Total assets	766,961	691,522	507,912	521,743	493,213
Total liabilities	231,639	221,195	118,956	104,332	102,777
Total stockholders' equity	535,322	470,327	388,956	417,411	390,436

ITEM 7. 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 Annual Report on Form 10-K. This Annual Report on Form 10-K 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, or the Exchange Act, and are subject to the "safe harbor" created by those sections. In particular, statements contained in this Annual Report on Form 10-K that are not historical facts, including, but not limited to statements concerning new product sales, product development and offerings, our consumer robots, our competition, our strategy, our market position, market acceptance of our products, seasonal factors, the impact of our recent acquisitions of SODC and Robopolis, revenue recognition, our profits, growth of our revenues, composition of our revenues, our cost of revenues, units shipped, average selling prices, operating expenses, 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 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 both inside and outside of the home. The Company's consumer robots help people find smarter ways to clean and accomplish more in their daily lives. iRobot's portfolio of solutions features proprietary technologies for the connected home and advanced concepts in cleaning, mapping and navigation, human-robot interaction, and physical solutions. Leveraging this portfolio, iRobot's engineers are building an ecosystem of robots to empower the smart home. For more than 25 years, we have been a pioneer in the robotics and consumer products industries. We sell our robots through a variety of distribution channels, including chain stores and other national retailers, through our on-line store, and through value-added distributors and resellers worldwide.

Over the past seventeen years, we have sold more than 25 million consumer robots worldwide. During 2016, we took several steps to become more focused on our well-established consumer robot business in order to capitalize on the substantial opportunities available to us within consumer markets. 2016 was a pivotal year for iRobot as we exited our non-consumer businesses to focus solely on products for the home. In the second quarter of 2016, we completed the sale of our defense and security business and exited the remote presence business. These actions were taken to solidify our position as the leader in diversified consumer robots and to focus on key technologies, with an emphasis on software, that allow our robots to more effectively understand the homes in which they operate.

During 2017, we expanded our global operations with the acquisition of two of our major distributors in Japan and Europe. On April 3, 2017, we closed the acquisition of the iRobot-related distribution business of Sales On Demand Corporation ("SODC") based in Tokyo, Japan for approximately \$16.6 million in cash. On October 2, 2017, we closed the acquisition of our largest European distributor, Robopolis SAS ("Robopolis"), a French company, for a final purchase price, following adjustments for working capital pursuant to the agreement with Robopolis, of \$169.4 million in cash, net of acquired cash of \$38.0 million. This provided us more direct control of 75% of our global revenue through a direct presence in countries including Austria, Belgium, France, Germany, Japan, the Netherlands, Portugal and Spain.

In 2017, we launched Roomba 690 and 890, extending Wi-Fi connectivity to the entire Roomba line. In addition, we launched several connected product features, including push notifications, Clean Map Reports and integrations with Amazon Alexa, Google Assistant and IFTTT platform technology.

In 2018, iRobot sold more than \$1 billion in consumer robots. The Company capitalized on incremental investments in research and development made and introduced new products in 2018. In the third quarter of 2018, iRobot introduced the Roomba i7 and i7+ in the U.S., robot vacuums that remember a home's floor plan and clean specific rooms by name. The Roomba i7+ allows customers to clean specific rooms in the home. Using Imprint™ Smart Mapping, the Roomba i7+ learns the home's floor plan, giving customers total control to choose which rooms to clean and when. When the Roomba i7+ robot vacuum is finished cleaning, it empties its own dust bin into the Clean Base™, which holds 30 bins of dirt.

The Roomba i7 and i7+ further extend our product ecosystem, bringing a new level of intelligence and automation to robotic vacuum cleaners with the ability to learn, map and adapt to a home's floor plan. In the third quarter of 2018, the Company also introduced the Roomba e5 in the U.S., a highly-featured product at a more accessible price, to our lineup. In the fourth quarter of 2018, we also introduced the Roomba e5 in markets outside of the U.S. in advance of the holiday season.

As of December 29, 2018, we had 1,032 full-time employees. We have developed expertise in the disciplines necessary to design and build 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 develop next generation and new products, reducing the time, cost and risk associated with product development. Our significant expertise in consumer needs, robot design, engineering and smart home technologies and trends positions us to capitalize on the growth we expect in the market for robot-based consumer products.

Our continued success depends upon our ability to respond to a number of future challenges. We believe the most significant of these include increasing competition and our ability to successfully develop and introduce products and product enhancements into both new and existing markets.

Our total revenue for 2018 was \$1,092.6 million, which represents a 23.6% increase from 2017 revenue of \$883.9 million. Domestic revenue grew \$108.4 million, primarily as a result of strong sales of the Roomba 900 and 600 series robots, as well as the significant investments in advertising media and national promotions. International revenue grew by \$100.2 million in 2018 with increases in most markets.

Fiscal Periods

We operate and report using a 52-53 week fiscal year ending on the Saturday closest to December 31. Accordingly, our fiscal quarters will end on the Saturday that falls closest to the last day of the third month of each quarter.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in the consolidated financial statements. 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; warranty costs; valuation of goodwill and acquired intangible assets; valuation of financial instruments; accounting for business combinations; 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.

We believe that of our significant accounting policies, which are described in the notes to our consolidated financial statements, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, we believe that the following accounting policies are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations.

Revenue Recognition

We primarily derive our revenue from product sales. We sell products directly to consumers through on-line 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 we expect to receive in exchange for those products or services. 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.

Our product portfolio includes various consumer robots, many of which are Wi-Fi connected. The consumer robots are generally 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 consumer robots with Wi-Fi capability ("connected robots"), each sale represents an arrangement with multiple promises consisting of the robot, an app, cloud services and potential future unspecified software upgrades. We have 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"). Under the previous revenue accounting standard, revenue allocated to the app and future unspecified software upgrades was deferred and recognized on a straight-line basis over the expected life of the connected robot.

Upon the adoption of ASU No. 2014-09, "Revenue from Contracts with Customers," ("ASC 606") as of the beginning of fiscal year 2018, we concluded that, on a quantitative and qualitative basis, the Cloud Services did not constitute a material performance obligation for the then existing products and, as such, these services were not considered a separate performance obligation that required allocation of transaction price.

During the third quarter of 2018, we launched Roomba i7 and i7+ which have the ability to learn, map and adapt to a home's floor plan. We have concluded that the Cloud Services related to these new products are a material performance obligation. 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 SSP reflects our best estimate of what the selling prices of elements would be if they were sold regularly on a standalone basis. Revenue allocated to the robots is recognized at a point in time when control is transferred. Revenue allocated to the Cloud Services is deferred and recognized on a straight-line basis over the estimated period the software upgrades and services are expected to be provided.

Our products generally carry a one-year limited warranty that promises customers that delivered products are as specified. We do not consider these assurance-type warranties as a separate performance obligation and therefore, we account for such warranties under ASC 460, "Guarantees."

We provide limited rights of returns for direct-to-consumer sales generated through our on-line stores as well as certain resellers and distributors. In addition, we may provide other credits or incentives, including price protection, 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 our historical experience, current contractual requirements, specific known market events and trends and forecasted customer buying and payment patterns. Overall, these reserves reflect our best estimates, and the actual amounts of consideration ultimately received may differ from our estimates. Returns and credits are estimated at contract inception and updated at the end of each reporting period as additional information becomes available and only to the extent that it is probable that a significant reversal of any incremental revenue will not occur. As of December 29, 2018, we had reserves for product returns of \$53.9 million and other credits and incentives of \$97.7 million. As of December 30, 2017, we had reserves for product returns of \$42.7 million and other credits and incentives of \$61.4 million.

Business Combinations

We account for transactions that represent business combinations under the acquisition method of accounting. We allocate the total consideration paid for each acquisition to the assets we acquire and liabilities we assume based on their fair values as of the date of acquisition, including identifiable intangible assets. We base the fair value of identifiable intangible assets acquired in a business combination on valuations that use information and assumptions determined by management and which consider management's best estimates of inputs and assumptions that a market participant would use. While we use best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business combination date, the estimates and assumptions are inherently uncertain and subject to refinement. As

a result, during the measurement period, which is generally one year from the acquisition date, any adjustment to the assets acquired and liabilities assumed is recorded against goodwill in the period in which the amount is determined. Any adjustment identified subsequent to the measurement period is included in operating results in the period in which the amount is determined.

Inventory

Inventory is stated at the lower of cost or net realizable value with cost being determined using the first-in, first-out ("FIFO") method. We maintain a reserve for inventory items to provide for an estimated amount of excess or obsolete inventory.

Warranty

We typically provide a one-year warranty (with the exception of European consumer products, which typically have a two-year warranty period) against defects in materials and workmanship and will either repair the goods, provide replacement products at no charge to the customer or refund amounts to the customer for defective products. We record estimated warranty costs, based on historical experience by product, at the time revenue is recognized. Actual results could differ from these estimates, which could cause increases or decreases to the warranty reserves in future periods.

Goodwill and Other Long-Lived Assets

Goodwill represents the excess of the purchase price in a business combination over the fair value of the net tangible and intangible assets acquired. Goodwill is not amortized but rather is assessed for impairment at the reporting unit level (operating segment or one level below an operating segment) annually during our fourth quarter of each fiscal year or more frequently if we believe indicators of impairment exist. Goodwill impairment, if any, is determined by comparing the reporting unit's fair value to its carrying value. An impairment loss is recognized in an amount equal to the excess of the reporting unit's carrying value over its fair value, up to the amount of goodwill allocated to the reporting unit.

Other long-lived assets consist principally of completed technology, tradename, customer relationships, reacquired distribution rights and non-competition agreements. Reacquired distribution rights are amortized on an accelerated basis while all other intangible assets are amortized over their respective estimated useful lives on a straight-line basis, consistent with the pattern in which the economic benefits are being utilized.

We periodically evaluate the recoverability of other long-lived assets whenever events and changes in circumstances, such as reductions in demand or significant economic slowdowns in the industry, indicate that the carrying amount of an asset may not be fully recoverable. When indicators of impairment are present, the carrying values of the asset group are evaluated in relation to the future undiscounted cash flows of the underlying business. The net book value of the underlying asset is adjusted to fair value if the sum of the expected discounted cash flows is less than book value. Fair values are based on estimates of market prices and assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

The impairment assessment of goodwill and other long-lived assets involves significant estimates and assumptions, which may be unpredictable and inherently uncertain. These estimates and assumptions include identification of reporting units and asset groups, long-term growth rates, profitability, estimated useful lives, comparable market multiples, and discount rates. Any changes in these assumptions could impact the result of the impairment assessment. There was no impairment of goodwill or other long-lived assets during fiscal 2018, 2017 and 2016.

Stock-Based Compensation

We account for stock-based compensation through recognition of the fair value of the stock-based compensation as a charge against earnings. The fair value of employee stock options is estimated at the grant date using the Black-Scholes option-pricing model. The fair value for time-based restricted stock units and performance-based restricted stock units is based on the closing share price of our common stock on the date of grant. For performance-based restricted stock units, the compensation cost is recognized based on the number of units expected to vest upon the achievement of the performance conditions. We recognize stock-based compensation as an expense on a straight-line basis, over the requisite service period. We account for forfeitures as they occur, rather than applying an estimated forfeiture rate, following our adoption of ASU No. 2016-09 in the first quarter of 2017.

Accounting for Income Taxes

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis using enacted tax rates in effect in the years in which those temporary differences are expected to be recovered or settled in each jurisdiction. A valuation allowance is provided if, based upon the weight of available evidence, it is more likely than not that the related benefits will not be realized. We regularly review the deferred tax assets for recoverability considering historical profitability, projected future taxable income, future reversals of existing taxable temporary differences, as well as feasible tax planning strategies in each jurisdiction. As of December 29, 2018, December 30, 2017 and December 31, 2016, we recorded a valuation allowance of \$1.1 million, \$0.8 million and \$0.0 million, respectively, for certain foreign deferred tax assets for which we believe do not meet the "more likely than not" criteria for recognition.

We report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. We recognize interest and penalties, if any, related to unrecognized tax benefits in the income tax provision.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal Revenue Code. Effective for our 2018 tax year, the Act reduces the statutory federal corporate tax rate from 35% to 21% and implements certain additional provisions including the Global Intangible Low-Taxed Income ("GILTI") inclusion and the Foreign Derived Intangible Income ("FDII") deduction. Upon the enactment of the Act in December 2017, we recorded a one-time provisional income tax provision of \$11.9 million in the fourth quarter of 2017 which included a provisional amount of \$8.9 million related to the remeasurement of certain deferred tax assets and liabilities based on the tax rates at which they are expected to reverse in the future and \$3.0 million related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings. On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. In accordance with SAB 118, during the fourth quarter of 2018, we finalized our analysis of the income tax effects of the Act and determined no material adjustments to the provisional amounts recorded were required.

Overview of Results of Operations

The following table sets forth our results of operations for the periods shown (in thousands):

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Revenue	\$ 1,092,584	\$ 883,911	\$ 660,604
Cost of revenue:			
Cost of product revenue	518,612	438,114	337,832
Amortization of acquired intangible assets	18,544	12,638	3,457
Total cost of revenue	537,156	450,752	341,289
Gross profit	555,428	433,159	319,315
Operating expenses:			
Research and development	140,629	113,149	79,805
Selling and marketing	210,411	162,110	115,125
General and administrative	97,501	84,771	66,828
Amortization of acquired intangible assets	1,065	439	—
Total operating expenses	449,606	360,469	261,758
Operating income	105,822	72,690	57,557
Other income, net	2,800	3,676	3,804
Income before income taxes	108,622	76,366	61,361
Income tax expense	20,630	25,402	19,422
Net income	\$ 87,992	\$ 50,964	\$ 41,939

The following table sets forth our results of operations as a percentage of revenue for the periods shown:

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Revenue	100.0%	100.0%	100.0%
Cost of revenue:			
Cost of product revenue	47.5	49.6	51.1
Amortization of acquired intangible assets	1.7	1.4	0.6
Total cost of revenue	49.2	51.0	51.7
Gross margin	50.8	49.0	48.3
Operating expenses:			
Research and development	12.9	12.8	12.1
Selling and marketing	19.3	18.3	17.4
General and administrative	8.9	9.6	10.1
Amortization of acquired intangible assets	0.1	0.1	—
Total operating expenses	41.2	40.8	39.6
Operating income	9.6	8.2	8.7
Other income, net	0.3	0.5	0.5
Income before income taxes	9.9	8.7	9.2
Income tax expense	1.9	2.9	2.9
Net income	8.0%	5.8%	6.3%

Comparison of Years Ended December 29, 2018, December 30, 2017 and December 31, 2016

Revenue

We primarily derive our revenue from product sales. We sell products directly to consumers through on-line stores and indirectly through resellers and distributors. We recognize revenue upon transfer of control of promised products or services to customers, generally as title and risk of loss pass, in an amount that reflects total consideration, net of estimated returns and allowances.

The following table shows revenue for fiscal years 2018, 2017 and 2016 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2018 vs. 2017	\$ Change 2017 vs. 2016
	December 29, 2018	December 30, 2017	December 31, 2016		
Revenue	\$ 1,092,584	\$ 883,911	\$ 660,604	\$ 208,673	\$ 223,307

Year ended December 29, 2018 as compared to the year ended December 30, 2017

Revenue increased 23.6% to \$1,092.6 million in fiscal 2018 from \$883.9 million in fiscal 2017. The \$208.7 million increase in revenue was driven by a 21.6% increase in units shipped, primarily related to growth of sales of our Roomba 900 and 600 series robots, and a 6.5% increase in average selling price, partially due to the acquisition of Robopolis. Total robots shipped in fiscal 2018 were approximately 4.5 million units compared to approximately 3.7 million units in fiscal 2017. In fiscal 2018, domestic revenue increased \$108.4 million, or 24.0%, and international revenue increased \$100.2 million, or 23.2%, compared to fiscal 2017. Although the impact of the recent increases to tariffs on certain goods imported from China was not material for the year ended December 29, 2018, demand for our robots in 2019 could be adversely affected by these tariffs, including as a result of any tariff-related price increases we may implement.

Year ended December 30, 2017 as compared to the year ended December 31, 2016

Revenue increased 33.8% to \$883.9 million in fiscal 2017 from \$660.6 million in fiscal 2016. Revenue increased approximately \$227.8 million, or 34.7%, in our consumer business while revenue decreased \$3.1 million in our defense and security business as a result of the sale of our defense and security business unit in April 2016. The \$227.8 million increase in revenue from our consumer business was driven by a 25.7% increase in units shipped and a 10.8% increase in average selling price. In fiscal 2017, domestic consumer revenue increased \$133.2 million, or 41.8%, and international consumer revenue increased \$94.6 million, or 28.1%, compared to fiscal 2016. Total consumer robots shipped in fiscal 2017 were approximately 3.7 million units compared to approximately 2.9 million units in fiscal 2016.

Cost of Product Revenue

Cost of product revenue includes the cost of materials, labor and overhead costs that go into the manufacture of our products. Overhead primarily includes costs such as freight, import duties, depreciation, warranty, tools and quality assurance costs. Material costs, which are our most significant cost items, can fluctuate materially on a periodic basis, although many components have been historically stable. There can be no assurance that our costs of materials will not increase. Contract manufacturer labor costs also comprise a significant portion of our cost of materials. We outsource the manufacture of our robots to contract manufacturers in Southern China. While labor costs in China traditionally have been favorable compared to labor costs elsewhere in the world, including the United States, they have been increasing for the last few years. In addition, fluctuations in currency exchange rates could increase the cost of labor. Consequently, the labor costs for our robots could increase in the future.

The following table shows cost of product revenue for fiscal years 2018, 2017 and 2016 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2018 vs. 2017	\$ Change 2017 vs. 2016
	December 29, 2018	December 30, 2017	December 31, 2016		
Cost of product revenue	\$ 518,612	\$ 438,114	\$ 337,832	\$ 80,498	\$ 100,282
As a percentage of total revenue	47.5%	49.6%	51.1%		

Year ended December 29, 2018 as compared to the year ended December 30, 2017

Cost of product revenue increased \$80.5 million, or 18.4% to \$518.6 million in fiscal 2018, compared to \$438.1 million in fiscal 2017. The increase is primarily due to the 23.6% increase in revenue, partially offset by improvements in product cost. Although the impact of the recent increases to tariffs on certain goods imported from China was not material for the year ended December 29, 2018, our cost of product revenue could materially increase in 2019 as a result of these tariffs and adversely impact our results of operations.

Year ended December 30, 2017 as compared to the year ended December 31, 2016

Cost of product revenue increased \$100.3 million, or 29.7% to \$438.1 million in fiscal 2017, compared to \$337.8 million in fiscal 2016. The increase is primarily due to the 33.8% increase in revenue as well as the impact from our acquisitions of the iRobot-related distribution business of SODC in April 2017 and Robopolis in October 2017.

Gross Profit

Our gross profit as a percentage of revenue, referred to as our gross margin, varies according to the mix of products sold, total sales volume, the level of defective product returns, and levels of other product costs such as warranty, scrap, re-work and overhead.

The following table shows gross profit for fiscal years 2018, 2017 and 2016 (dollars in thousands):

	Fiscal Year Ended				
	December 29, 2018	December 30, 2017	December 31, 2016	\$ Change 2018 vs. 2017	\$ Change 2017 vs. 2016
Gross profit	\$ 555,428	\$ 433,159	\$ 319,315	\$ 122,269	\$ 113,844
Gross margin	50.8%	49.0%	48.3%		

Year ended December 29, 2018 as compared to the year ended December 30, 2017

Gross profit increased \$122.3 million, or 28.2%, to \$555.4 million (50.8% of revenue) in fiscal 2018 from \$433.2 million (49.0% of revenue) in fiscal 2017. The increase in gross margin was primarily driven by favorable product and region mix as well as the increase in average selling price resulting from our acquisition of Robopolis. Although the impact of the recent increases to tariffs on certain goods imported from China was not material for the year ended December 29, 2018, our cost of product revenue could materially increase, and accordingly, our gross margin could materially decrease, in 2019 as a result of these tariffs, and adversely impact our results of operations.

Year ended December 30, 2017 as compared to the year ended December 31, 2016

Gross profit increased \$113.8 million, or 35.7%, to \$433.2 million (49.0% of revenue) in fiscal 2017 from \$319.3 million (48.3% of revenue) in fiscal 2016. The increase in gross margin was primarily driven by favorable product and region mix, partially offset by an increase in promotional support to our customers as well as the impact from our acquisitions of the iRobot-related distribution business of SODC in April 2017 and Robopolis in October 2017.

Research and Development

Research and development expenses consist primarily of:

- salaries and related costs for our engineers;
- costs for high technology components used in product and prototype development;
- costs of test equipment used during product development; and
- occupancy and other overhead costs.

We have significantly expanded our research and development capabilities and expect to continue to expand these capabilities in the future. We are committed to consistently maintaining the level of innovative design and development of new products as we strive to enhance our ability to serve our existing consumer markets as well as new markets for robots. We anticipate that research and development expenses will increase in absolute dollars but remain relatively consistent as a percentage of revenue in the foreseeable future.

The following table shows research and development costs for fiscal years 2018, 2017 and 2016 (dollars in thousands):

	Fiscal Year Ended				
	December 29, 2018	December 30, 2017	December 31, 2016	\$ Change 2018 vs. 2017	\$ Change 2017 vs. 2016
Research and development	\$ 140,629	\$ 113,149	\$ 79,805	\$ 27,480	\$ 33,344
As a percentage of total revenue	12.9%	12.8%	12.1%		

Year ended December 29, 2018 as compared to the year ended December 30, 2017

Research and development expenses increased \$27.5 million, or 24.3%, to \$140.6 million (12.9% of revenue) in fiscal 2018 from \$113.1 million (12.8% of revenue) in fiscal 2017. This increase is attributable to increased efforts in product development and continued product enhancements. These investments enabled us to launch new products including Roomba i7, i7+ and e5 during 2018, and we anticipate these investments will enable us to launch Terra and other new products in 2019. During 2018, people and program related costs increased \$15.0 million and \$11.5 million, respectively, compared to fiscal 2017.

Year ended December 30, 2017 as compared to the year ended December 31, 2016

Research and development expenses increased \$33.3 million, or 41.8%, to \$113.1 million (12.8% of revenue) in fiscal 2017 from \$79.8 million (12.1% of revenue) in fiscal 2016. This increase is attributable to increased efforts in product development and continued product enhancements. During 2017, people and program related costs increased \$19.7 million and \$13.2 million, respectively, compared to fiscal 2016.

Selling and Marketing

Our selling and marketing expenses consist primarily of:

- salaries and related costs for sales and marketing personnel;
- advertising, marketing and other brand-building costs;
- customer service costs; and
- travel and related costs.

We anticipate that in 2019, selling and marketing expenses will increase in absolute dollars but remain relatively consistent as a percentage of revenue in the foreseeable future as we launch new products and continue to build awareness of our products.

The following table shows selling and marketing costs for fiscal years 2018, 2017 and 2016 (dollars in thousands):

	Fiscal Year Ended				
	December 29, 2018	December 30, 2017	December 31, 2016	\$ Change 2018 vs. 2017	\$ Change 2017 vs. 2016
Selling and marketing	\$ 210,411	\$ 162,110	\$ 115,125	\$ 48,301	\$ 46,985
As a percentage of total revenue	19.3%	18.3%	17.4%		

Year ended December 29, 2018 as compared to the year ended December 30, 2017

Selling and marketing expenses increased by \$48.3 million, or 29.8%, to \$210.4 million (19.3% of revenue) in fiscal 2018 from \$162.1 million (18.3% of revenue) in fiscal 2017. This increase is primarily attributable to marketing investments of \$35.1 million to support our continued global marketing and branding efforts and higher people-related costs of \$13.3 million including additional headcount related to our acquisitions of SODC and Robopolis in 2017.

Year ended December 30, 2017 as compared to the year ended December 31, 2016

Selling and marketing expenses increased by \$47.0 million, or 40.8%, to \$162.1 million (18.3% of revenue) in fiscal 2017 from \$115.1 million (17.4% of revenue) in fiscal 2016. This increase is primarily attributable to increases of \$35.3 million in investments in advertising media, national promotions and other selling and marketing costs incurred to support our continued global marketing and branding efforts and approximately \$8.7 million in people-related costs including additional headcount related to our acquisitions of SODC and Robopolis.

General and Administrative

Our general and administrative expenses consist primarily of:

- salaries and related costs for executives and administrative personnel;
- professional services costs;
- information systems and infrastructure costs;
- travel and related costs; and
- occupancy and other overhead costs.

The following table shows general and administrative costs for fiscal years 2018, 2017 and 2016 (dollars in thousands):

	Fiscal Year Ended				
	December 29, 2018	December 30, 2017	December 31, 2016	\$ Change 2018 vs. 2017	\$ Change 2017 vs. 2016
General and administrative	\$ 97,501	\$ 84,771	\$ 66,828	\$ 12,730	17,943
As a percentage of total revenue	8.9%	9.6%	10.1%		

Year ended December 29, 2018 as compared to the year ended December 30, 2017

General and administrative expenses increased by \$12.7 million, or 15.0%, to \$97.5 million (8.9% of revenue) in fiscal 2018 from \$84.8 million (9.6% of revenue) in fiscal 2017. This increase is primarily attributable to an increase of \$8.6 million in people-related costs including additional headcount related to our acquisitions of SODC and Robopolis in 2017 and \$2.4 million related to investments in enterprise hardware and software maintenance, support and services.

Year ended December 30, 2017 as compared to the year ended December 31, 2016

General and administrative expenses increased by \$17.9 million, or 26.8%, to \$84.8 million (9.6% of revenue) in fiscal 2017 from \$66.8 million (10.1% of revenue) in fiscal 2016. This increase is primarily attributable to an increase of \$7.6 million in legal and consulting costs mainly driven by acquisition expense and litigation expense where we continued to defend and protect our intellectual property, as well as increases of \$7.0 million in people-related costs including additional headcount related to our acquisitions of SODC and Robopolis and \$1.2 million related to investments in enterprise hardware and software maintenance, support and services.

Amortization of Acquired Intangible Assets

Amortization of acquired technology and reacquired distribution rights are recorded within cost of revenue whereas the amortization of acquired customer relationships, non-compete agreements and tradenames are recorded within operating expenses. All acquired intangible assets, with the exception of the reacquired distribution rights, which are being amortized on an accelerated basis, are being amortized on a straight-line basis, which is consistent when the pattern in which the economic benefits are being utilized.

The following table shows total amortization expense for fiscal years 2018, 2017 and 2016 (dollars in thousands):

	Fiscal Year Ended				
	December 29, 2018	December 30, 2017	December 31, 2016	\$ Change 2018 vs. 2017	\$ Change 2017 vs. 2016
Cost of revenue	\$ 18,544	\$ 12,638	\$ 3,457	\$ 5,906	9,181
Operating expense	1,065	439	—	626	439
Total amortization expense	19,609	13,077	3,457	6,532	9,620
As a percentage of total revenue	1.8%	1.5%	0.5%		

The increase in amortization of acquired intangible assets during fiscal 2018, as compared to fiscal 2017, and fiscal 2017, as compared to fiscal 2016 was related to acquired intangible assets from our acquisitions of SODC and Robopolis in 2017.

Other Income, Net

Other income, net includes interest income, interest expense, foreign currency gains (losses) as well as gains (losses) from strategic investments. The following table shows other income, net for fiscal years 2018, 2017 and 2016 (dollars in thousands):

	Fiscal Year Ended				
	December 29, 2018	December 30, 2017	December 31, 2016	\$ Change 2018 vs. 2017	\$ Change 2017 vs. 2016
Other income, net	\$ 2,800	\$ 3,676	\$ 3,804	\$ (876)	\$ (128)
As a percentage of total revenue	0.3%	0.5%	0.5%		

Other income, net, amounted to \$2.8 million, \$3.7 million and \$3.8 million for fiscal 2018, 2017 and 2016, respectively. During the year ended December 30, 2017, other income, net, also included a \$2.2 million gain on business acquisition related to our acquisition of SODC, which represents the excess of the fair value of the net assets acquired over the purchase price. During the year ended December 31, 2016, other income, net, also included defense and security business transition services income of \$1.2 million.

Income Tax Provision

The following table shows income tax provision for fiscal years 2018, 2017 and 2016 (dollars in thousands):

	Fiscal Year Ended				
	December 29, 2018	December 30, 2017	December 31, 2016	\$ Change 2018 vs. 2017	\$ Change 2017 vs. 2016
Income tax provision	\$ 20,630	\$ 25,402	\$ 19,422	\$ (4,772)	\$ 5,980
As a percentage of pre-tax income	19.0%	33.3%	31.7%		

Year ended December 29, 2018 as compared to the year ended December 30, 2017

We recorded an income tax provision of \$20.6 million and \$25.4 million for fiscal 2018 and fiscal 2017, respectively. The \$20.6 million provision for fiscal 2018 resulted in an effective income tax rate of 19.0%. The \$25.4 million provision for fiscal 2017 resulted in an effective income tax rate of 33.3%.

Our effective income tax rate of 19.0% for fiscal 2018 differed from the federal statutory tax rate of 21% primarily due to the recognition of tax benefits related to stock-based compensation, partially offset by estimated taxes associated with a restructuring of the EMEA business and the remeasurement of certain deferred tax charges based on the tax rate at which it reversed. The decrease in the effective income tax rate of 19.0% for fiscal 2018 as compared to 33.3% for fiscal 2017 is primarily due to the recognition of benefits related to the reduction of the federal statutory tax rate from 35% in fiscal 2017 to 21% in fiscal 2018.

Year ended December 30, 2017 as compared to the year ended December 31, 2016

We recorded an income tax provision of \$25.4 million and \$19.4 million for fiscal 2017 and fiscal 2016, respectively. The increase in our effective tax rate is primarily due to jurisdictional mix of earnings and the one-time income tax provision of \$11.9 million related to the enactment of the Act during the fourth quarter of 2017, partially offset by the excess tax benefits of \$11.7 million related to ASU 2016-09.

Liquidity and Capital Resources

At December 29, 2018, our principal sources of liquidity were cash and cash equivalents totaling \$130.4 million, short-term investments of \$31.6 million and accounts receivable of \$162.2 million. Our working capital, which represents our total current assets less total current liabilities, was \$300.7 million as of December 29, 2018, compared to \$237.0 million as of December 30, 2017.

We manufacture and distribute our products through contract manufacturers and third-party logistics providers. We believe that 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. Accordingly, our capital spending is generally limited to leasehold improvements, computers, office furniture, product-specific

production tooling, internal use software and test equipment. In the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016, we spent \$32.4 million, \$23.4 million and \$10.8 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 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 provided by operating activities

Year ended December 29, 2018 as compared to the year ended December 30, 2017

As of December 29, 2018, we held cash, cash equivalents and short-term investments of \$162.0 million. Net cash provided by our operations for the fiscal year ended December 29, 2018 was \$71.7 million, of which the principal components were our net income of \$88.0 million and non-cash charges of \$53.4 million, partially offset by changes in working capital. The changes in working capital include an increase in inventory of \$58.5 million and accounts receivable of \$23.9 million, partially offset by an \$18.9 million increase in accounts payable and accrued liabilities primarily due to growth in our inventory. As of December 29, 2018, we did not have any borrowings outstanding under our credit facility.

Year ended December 30, 2017 as compared to the year ended December 31, 2016

Net cash provided by our operations for the fiscal year ended December 30, 2017 was \$76.3 million, of which the principal components were our net income of \$51.0 million and non-cash charges of \$42.9 million, partially offset by changes in working capital. The changes in working capital include an increase in accounts receivable of \$53.3 million primarily due to increased sales, partially offset by a \$40.9 million increase in accounts payable and accrued liabilities primarily due to growth in the business and timing of payments to our suppliers. As of December 30, 2017, we did not have any borrowings outstanding under our credit facility.

Cash used in investing activities

Year ended December 29, 2018 as compared to the year ended December 30, 2017

During the year ended December 29, 2018, we invested \$32.4 million in the purchase of property and equipment, including machinery and tooling for new products. We also purchased \$6.4 million of marketable securities, while sales and maturities of marketable securities amounted to \$14.0 million. In addition, we made strategic investments of \$4.2 million and received proceeds from equity investments of \$0.9 million.

Year ended December 30, 2017 as compared to the year ended December 31, 2016

During the year ended December 30, 2017, we acquired SODC and Robopolis for a total of \$148.8 million, net of cash acquired, and invested \$23.4 million in the purchase of property and equipment, including machinery and tooling for new products. We also purchased \$10.6 million of marketable securities, while sales and maturities of marketable securities amounted to \$13.1 million. In addition, we received an earn-out payment of \$1.3 million from a sold cost method investment.

Cash (used in) provided by financing activities

Year ended December 29, 2018 as compared to the year ended December 30, 2017

During the year ended December 29, 2018, we completed our previously announced stock repurchase program and repurchased 798,794 shares of common stock for an aggregate purchase price of \$50.0 million and received \$10.4 million from employee stock plans. Shares issued upon vesting of restricted stock were net of 50,884 shares retained by us to cover employee tax withholdings of \$3.5 million.

Year ended December 30, 2017 as compared to the year ended December 31, 2016

During the year ended December 30, 2017, we received \$10.6 million from the exercise of stock options. Shares issued upon vesting of restricted stock were net of 51,229 shares retained by us to cover employee tax withholdings of \$3.0 million.

Working Capital Facility***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. As of December 29, 2018, the full amount was available for borrowing. The new revolving line of credit is available to fund working capital and other corporate purposes. The new agreement extends the term of the credit facilities to June 2023. The interest on loans under the 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 or (3) the Eurodollar Rate plus 1.0%.

As of December 29, 2018, we had no outstanding borrowings under our revolving credit facility. This 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.

This 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 December 29, 2018, we were in compliance with all covenants under the revolving credit facility.

Working Capital and Capital Expenditure Needs

We currently have no material cash commitments, except for normal recurring trade payables, expense accruals and operating leases, all of which we anticipate funding through working capital, funds provided by operating activities and our existing credit facility. We do not currently anticipate significant investment in property, plant and equipment, and we believe that 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, cash provided by operating activities, 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 that 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, the expansion 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, and the continuing market acceptance of our products and services. Moreover, to the extent that existing cash and cash equivalents, short-term investments, 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.

Contractual Obligations

We generally do not enter into binding purchase commitments. Our principal commitments consist of obligations under our credit facility, leases for office space and minimum contractual obligations. Other obligations consist primarily of subscription services. The following table describes our commitments to settle contractual obligations in cash as of December 29, 2018 (in thousands):

	Payments Due by Period					Total
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years		
Operating leases	\$ 7,848	\$ 14,742	\$ 14,313	\$ 34,806	\$	71,709
Minimum contractual payments	2,804	3,594	—	—		6,398
Other obligations	1,692	2,412	—	—		4,104
Total	\$ 12,344	\$ 20,748	\$ 14,313	\$ 34,806	\$	82,211

At December 29, 2018, we had outstanding purchase orders aggregating approximately \$113.6 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 cancelable without penalty. In circumstances where we determine 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 December 29, 2018, 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 accompanying consolidated financial statements for a description of recently adopted accounting standards.

Recently Issued Accounting Pronouncements

See Note 2 to the accompanying consolidated financial statements for a description of certain recently issued accounting standards which may impact our financial statements in future reporting periods.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Exchange Rate Sensitivity

Our international revenue and expenses are denominated in multiple currencies, including Japanese Yen, Canadian Dollars, Chinese Renminbi and Euros. 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 purchase and sales, primarily in Japanese Yen and Euros. At December 29, 2018 and December 30, 2017, we had outstanding cash flow hedges with a total notional value of \$366.7 million and \$73.7 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 two months or less. At December 29, 2018 and December 30, 2017, we had outstanding economic hedges with a total notional value of \$56.0 million and \$36.6 million, respectively.

At December 29, 2018, 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 \$40.0 million.

Interest Rate Sensitivity

At December 29, 2018, we had unrestricted cash and cash equivalents of \$130.4 million and short term investments of \$31.6 million. The unrestricted cash and cash equivalents are held for working capital purposes. We do not enter into investments for trading or speculative purposes. Some of the securities in which we invest, however, may be subject to market risk. This means that a change in prevailing interest rates may cause the fair market value of the investment to fluctuate. To minimize this risk in the future, we intend to maintain our portfolio of cash equivalents in a variety of securities, commercial paper, money market funds, debt securities and certificates of deposit. Due to the short-term nature of these investments, we believe we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. As of December 29, 2018, all of our cash and cash equivalents were held in demand deposits and money market funds.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
iRobot Corporation:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of iRobot Corporation and its subsidiaries (the "Company") as of December 29, 2018 and December 30, 2017, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 29, 2018, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 29, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 29, 2018 and December 30, 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 29, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 29, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts

February 14, 2019

We have served as the Company's auditor since 1999.

iROBOT CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	December 29, 2018	December 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 130,373	\$ 128,635
Short term investments	31,605	37,225
Accounts receivable, net	162,166	142,829
Inventory	164,633	106,932
Other current assets	25,660	19,105
Total current assets	514,437	434,726
Property and equipment, net	57,026	44,579
Deferred tax assets	36,979	31,531
Goodwill	118,896	121,440
Intangible assets, net	24,273	44,712
Other assets	15,350	14,534
Total assets	\$ 766,961	\$ 691,522
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 136,742	\$ 116,316
Accrued expenses	71,259	73,647
Deferred revenue and customer advances	5,756	7,761
Total current liabilities	213,757	197,724
Deferred tax liabilities	4,005	9,539
Other long-term liabilities	13,877	13,932
Total long-term liabilities	17,882	23,471
Total liabilities	231,639	221,195
Commitments and contingencies (Note 14)		
Preferred stock, 5,000 shares authorized and none outstanding	—	—
Common stock, \$0.01 par value, 100,000 shares authorized; 27,788 and 27,945 shares issued and outstanding, respectively	278	279
Additional paid-in capital	172,771	190,067
Retained earnings	367,021	277,989
Accumulated other comprehensive (loss) income	(4,748)	1,992
Total stockholders' equity	535,322	470,327
Total liabilities and stockholders' equity	\$ 766,961	\$ 691,522

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

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Revenue	\$ 1,092,584	\$ 883,911	\$ 660,604
Cost of revenue:			
Cost of product revenue	518,612	438,114	337,832
Amortization of acquired intangible assets	18,544	12,638	3,457
Total cost of revenue	537,156	450,752	341,289
Gross profit	555,428	433,159	319,315
Operating expenses:			
Research and development	140,629	113,149	79,805
Selling and marketing	210,411	162,110	115,125
General and administrative	97,501	84,771	66,828
Amortization of acquired intangible assets	1,065	439	—
Total operating expenses	449,606	360,469	261,758
Operating income	105,822	72,690	57,557
Other income, net	2,800	3,676	3,804
Income before income taxes	108,622	76,366	61,361
Income tax expense	20,630	25,402	19,422
Net income	\$ 87,992	\$ 50,964	\$ 41,939
Net income per share:			
Basic	\$ 3.18	\$ 1.85	\$ 1.51
Diluted	\$ 3.07	\$ 1.77	\$ 1.48
Number of shares used in per share calculations:			
Basic	27,692	27,611	27,698
Diluted	28,640	28,753	28,292

See accompanying Notes to Consolidated Financial Statements

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Net income	\$ 87,992	\$ 50,964	\$ 41,939
Other comprehensive income (loss):			
Net foreign currency translation adjustments	(5,896)	1,994	—
Net unrealized (losses) gains on cash flow hedges, net of tax	(327)	490	—
Net gains on cash flow hedge reclassified into earnings, net of tax	(499)	(295)	—
Net unrealized (losses) gains on marketable securities, net of tax	(18)	(46)	85
Total comprehensive income	\$ 81,252	\$ 53,107	\$ 42,024

See accompanying Notes to Consolidated Financial Statements

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity
	Shares	Value				
Balance at January 2, 2016	29,092	\$ 291	\$ 232,345	\$ 185,011	\$ (236)	\$ 417,411
Issuance of common stock under employee stock plans	456	4	9,340			9,344
Conversion of deferred compensation	7	—	—			—
Vesting of restricted stock units	364	4	(4)			—
Tax benefit of excess stock-based compensation deduction			2,421			2,421
Stock-based compensation			15,995			15,995
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(40)	—	(1,300)			(1,300)
Other comprehensive income					85	85
Directors' deferred compensation			82			82
Stock repurchases	(2,641)	(27)	(96,994)			(97,021)
Net income				41,939		41,939
Balance at December 31, 2016	27,238	\$ 272	\$ 161,885	\$ 226,950	\$ (151)	\$ 388,956
Issuance of common stock under employee stock plans	367	4	10,569			10,573
Conversion of deferred compensation	15	—	—			—
Vesting of restricted stock units	376	4	(4)			—
Stock-based compensation			19,751			19,751
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(51)	(1)	(2,982)			(2,983)
Other comprehensive income					2,143	2,143
Directors' deferred compensation			65			65
Cumulative effect of a change in accounting principle related to stock-based compensation			783	75		858
Net income				50,964		50,964
Balance at December 30, 2017	27,945	\$ 279	\$ 190,067	\$ 277,989	\$ 1,992	\$ 470,327
Issuance of common stock under employee stock plans	285	3	10,363			10,366
Vesting of restricted stock units	408	4	(4)			—
Stock-based compensation			25,804			25,804
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(51)	—	(3,532)			(3,532)
Other comprehensive loss					(6,740)	(6,740)
Directors' deferred compensation			65			65
Stock repurchases	(799)	(8)	(49,992)			(50,000)
Cumulative effect of a change in accounting principle related to adoption of ASC 606				1,040		1,040
Net income				87,992		87,992
Balance at December 29, 2018	27,788	\$ 278	\$ 172,771	\$ 367,021	\$ (4,748)	\$ 535,322

See accompanying Notes to Consolidated Financial Statements

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Cash flows from operating activities:			
Net income	\$ 87,992	\$ 50,964	\$ 41,939
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	36,574	25,499	13,606
Gain on business acquisition	—	(2,243)	—
Stock-based compensation	25,804	19,751	15,995
Deferred income taxes, net	(10,848)	(999)	3,557
Tax benefit of excess stock-based compensation deductions	—	—	(2,971)
Deferred rent	1,374	—	—
Other	463	864	(2,361)
Changes in operating assets and liabilities — (use) source			
Accounts receivable	(23,920)	(53,251)	25,682
Inventory	(58,546)	(1,470)	(981)
Other assets	(8,533)	(10,562)	3,187
Accounts payable	22,470	17,457	6,502
Accrued expenses	(3,618)	23,447	10,181
Deferred revenue and customer advances	2,392	2,149	2,996
Long-term liabilities	81	4,709	(908)
Net cash provided by operating activities	71,685	76,315	116,424
Cash flows from investing activities:			
Additions of property and equipment	(32,422)	(23,371)	(10,817)
Change in other assets	(2,363)	(1,542)	(2,093)
Proceeds from sale of equity investments	856	1,267	634
Proceeds from sale of business unit	—	—	23,520
Cash paid for business acquisitions, net of cash acquired	—	(148,765)	—
Purchases of investments	(6,438)	(10,578)	(16,554)
Sales and maturities of investments	14,000	13,066	9,500
Net cash (used in) provided by investing activities	(26,367)	(169,923)	4,190
Cash flows from financing activities:			
Proceeds from employee stock plans	10,366	10,573	9,344
Income tax withholding payment associated with restricted stock vesting	(3,532)	(2,983)	(1,300)
Stock repurchases	(50,000)	—	(97,021)
Tax benefit of excess stock-based compensation deductions	—	—	2,971
Net cash (used in) provided by financing activities	(43,166)	7,590	(86,006)
Effect of exchange rate changes on cash and cash equivalents	(414)	130	—
Net increase (decrease) in cash and cash equivalents	1,738	(85,888)	34,608
Cash and cash equivalents, at beginning of period	128,635	214,523	179,915
Cash and cash equivalents, at end of period	\$ 130,373	\$ 128,635	\$ 214,523
Supplemental disclosure of cash flow information			
Cash paid for income taxes	\$ 39,517	\$ 25,879	\$ 14,061
Non-cash investing and financing activities:			
Additions of property and equipment included in accounts payable	\$ 2,795	\$ 5,001	\$ 1,550

See accompanying Notes to Consolidated Financial Statements

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of the Business

iRobot Corporation ("iRobot" or the "Company") designs and builds robots that empower people to do more. The Company develops robotic technology and applies it to produce and market consumer robots. The Company's revenue is primarily generated from product sales through distributor and retail sales channels, as well as its on-line stores.

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 consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In addition, certain prior year amounts have been reclassified to conform to the current year presentation.

For the Company's subsidiaries that transact in a functional currency other than the U.S. dollar, assets and liabilities are translated into U.S. dollars at period-end foreign exchange rates. Revenues and expenses are translated into U.S. dollars at the average foreign exchange rates for the period. Translation adjustments are excluded from the determination of net income and are recorded in accumulated other comprehensive income (loss), a separate component of stockholders' equity.

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; warranty costs; valuation of goodwill and acquired intangible assets; valuation of financial instruments; accounting for business combinations; evaluating loss contingencies; accounting for stock-based compensation including performance-based assessments; and accounting for income taxes and related valuation allowances. The Company bases these estimates and judgments on historical experience, market participant fair value considerations, projected future cash flows and various other factors that the Company believes are reasonable under the circumstances. Actual results may differ from the Company's estimates.

Fiscal Year-End

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.

Business Combinations

The Company accounts for transactions that represent business combinations under the acquisition method of accounting. The Company allocates the total consideration paid for each acquisition to the assets it acquires and liabilities it assumes based on their fair values as of the date of acquisition, including identifiable intangible assets. The Company bases the fair value of identifiable intangible assets acquired in a business combination on valuations that use information and assumptions determined by management and which consider management's best estimates of inputs and assumptions that a market participant would use. While the Company uses its best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business combination date, its estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the measurement period, which is generally one year from the acquisition date, any adjustment to the assets acquired and liabilities assumed is recorded against goodwill in the period in which the amount is determined. Any adjustment identified subsequent to the measurement period is included in operating results in the period in which the amount is determined.

Cash and Cash Equivalents

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company considers all highly liquid investments with maturity of three months or less at the time of purchase to be cash and cash equivalents. The Company invests its excess cash primarily in money market funds or demand deposit accounts of major financial institutions. Accordingly, its cash and cash equivalents are subject to minimal credit and market risk. At December 29, 2018 and December 30, 2017, cash and cash equivalents totaled \$130.4 million and \$128.6 million, respectively. These cash and cash equivalents are carried at cost, which approximates fair value.

Short Term Investments

The Company's investments are classified as available-for-sale and are recorded at fair value with any unrealized gain or loss recorded as an element of stockholders' equity. The fair value of investments is determined based on quoted market prices at the reporting date for those instruments. As of December 29, 2018 and December 30, 2017, investments consisted of (in thousands):

	December 29, 2018		December 30, 2017	
	Cost	Fair Market Value	Cost	Fair Market Value
Corporate and government bonds	\$ 30,035	\$ 29,605	\$ 37,767	\$ 37,225
Convertible note	2,000	2,000	—	—
Total short term investments	\$ 32,035	\$ 31,605	\$ 37,767	\$ 37,225

As of December 29, 2018, the Company's investments had maturity dates ranging from March 2019 to March 2021. The Company invests primarily in investment grade securities and limits the amount of investment in any single issuer.

Accounts receivable allowances

Allowance for product returns: The Company records an allowance for product returns for the estimated amount of product that may be returned. The allowance is based on specific terms and conditions included in the customer agreements, historical returns experience and various other assumptions that the Company believes are reasonable.

Allowance for other credits and incentives: The Company records an allowance related to customer incentives such as discounts, promotions, price protection and other support programs. The allowance is based on specific programs, expected usage and historical experience.

Allowance for doubtful accounts: The Company records an allowance for doubtful accounts for the estimated amount of accounts receivable that may not be collected based on an assessment of the potential risk of loss associated with delinquent accounts. The allowance including the activity within the allowance was immaterial for fiscal years 2018, 2017 and 2016.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Activity related to accounts receivable allowances was as follows (in thousands):

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
<i>Allowance for product returns</i>			
Balance at beginning of period	\$ 42,693	\$ 27,673	\$ 25,992
Acquired balance	—	6,088	—
Provision	68,476	54,981	33,992
Deduction	(56,164)	(43,831)	(28,826)
Other adjustments	(1,085)	(2,218)	(3,485)
Balance at end of period	<u>\$ 53,920</u>	<u>\$ 42,693</u>	<u>\$ 27,673</u>
<i>Allowance for other credits and incentives</i>			
Balance at beginning of period	\$ 61,359	\$ 23,658	\$ 23,005
Acquired balance	—	11,932	—
Adjustment related to adoption of ASC 606	1,192	—	—
Provision	198,371	110,605	47,419
Deduction	(161,672)	(81,269)	(46,610)
Other adjustments	(1,513)	(3,567)	(156)
Balance at end of period	<u>\$ 97,737</u>	<u>\$ 61,359</u>	<u>\$ 23,658</u>

Inventory

Inventory is stated at the lower of cost or net realizable value with cost being determined using the first-in, first-out ("FIFO") method. The Company maintains a reserve for inventory items to provide for an estimated amount of excess or obsolete inventory.

Warranty

The Company typically provides a one-year warranty (with the exception of European consumer products, which typically have a two-year warranty period) against defects in materials and workmanship and will either repair the goods, provide replacement products at no charge to the customer or refund amounts to the customer for defective products. The Company records estimated warranty costs, based on historical experience by product, at the time revenue is recognized. Actual results could differ from these estimates, which could cause increases or decreases to the warranty reserves in future periods.

Property and Equipment

Property and equipment are recorded at cost and consist primarily of computer equipment, leasehold improvements, business applications software, tooling and machinery. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

	Estimated Useful Life
Computer and research equipment	2-5 years
Furniture	5
Machinery	2-5
Tooling	2-5
Business applications software	3-7
Leasehold improvements	Lesser of economic benefit period or term of lease

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Expenditures for additions, renewals and betterments of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. As assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized.

Goodwill and Other Long-Lived Assets

Goodwill represents the excess of the purchase price in a business combination over the fair value of the net tangible and intangible assets acquired. Goodwill is not amortized but rather is assessed for impairment at the reporting unit level (operating segment or one level below an operating segment) annually during its fourth quarter of each fiscal year or more frequently if the Company believes indicators of impairment exist. Goodwill impairment, if any, is determined by comparing the reporting unit's fair value to its carrying value. An impairment loss is recognized in an amount equal to the excess of the reporting unit's carrying value over its fair value, up to the amount of goodwill allocated to the reporting unit.

Other long-lived assets consist principally of completed technology, tradename, customer relationships, reacquired distribution rights and non-competition agreements. Reacquired distribution rights are amortized on an accelerated basis while all other intangible assets are amortized over their respective estimated useful lives on a straight-line basis, consistent with the pattern in which the economic benefits are being utilized.

The Company periodically evaluates the recoverability of other long-lived assets whenever events and changes in circumstances, such as reductions in demand or significant economic slowdowns in the industry, indicate that the carrying amount of an asset may not be fully recoverable. When indicators of impairment are present, the carrying values of the asset group are evaluated in relation to the future undiscounted cash flows of the underlying business. The net book value of the underlying asset is adjusted to fair value if the sum of the expected discounted cash flows is less than book value. Fair values are based on estimates of market prices and assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

The impairment assessment of goodwill and other long-lived assets involves significant estimates and assumptions, which may be unpredictable and inherently uncertain. These estimates and assumptions include identification of reporting units and asset groups, long-term growth rates, profitability, estimated useful lives, comparable market multiples, and discount rates. Any changes in these assumptions could impact the result of the impairment assessment. There was no impairment of goodwill or other long-lived assets during fiscal 2018, 2017 and 2016.

Other Assets

The Company holds non-marketable equity securities as part of its strategic investments portfolio. During the first quarter of 2018, the Company adopted Accounting Standards Update No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities," which revises the classification and measurement of financial instruments. Upon adoption of this standard, the Company now classifies its cost method investments 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 December 29, 2018, other assets consisted primarily of equity securities without readily determinable fair values and an equity method investment totaling \$15.1 million. There was no adjustment recorded to the carrying value of the Company's equity securities without readily determinable fair values as a result of the adoption of ASU 2016-01. At December 30, 2017, other assets consisted primarily of cost method investments and an equity method investment totaling \$14.2 million.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Financial Instruments and Hedging Activities

The Company utilizes derivative instruments to hedge specific financial risks including foreign exchange risk. The Company does not engage in speculative hedging activity. In order to account for a derivative instrument as a hedge, specific criteria must be met, including: (i) ensuring at the inception of the hedge that formal documentation exists for both the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge and (ii) at the inception of the hedge and on an ongoing basis, the hedging relationship is expected to be highly effective in achieving offsetting changes in fair value attributed to the hedged risk during the period that the hedge is designated. Further, an assessment of effectiveness is required whenever financial statements or earnings are reported. Absent meeting these criteria, changes in fair value are recognized in other income, net, in the consolidated statements of income. Once the underlying forecasted transaction is realized, the gain or loss from the derivative designated as a hedge of the transaction is reclassified from accumulated other comprehensive income (loss) to the statement of income, in revenue or cost of revenue.

Fair Value Measurements

The Company accounts for certain assets and liabilities at fair value. The fair value is established based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1 - observable inputs such as quoted prices for identical instruments in active markets;
- Level 2 - inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3 - unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Stock-Based Compensation

The Company accounts for stock-based compensation through recognition of the fair value of the stock-based compensation as a charge against earnings. The fair value of employee stock options is estimated at the grant date using the Black-Scholes option-pricing model. The fair value for time-based restricted stock units and performance-based restricted stock units is based on the closing share price of the Company's common stock on the date of grant. For performance-based restricted stock units, the compensation cost is recognized based on the number of units expected to vest upon the achievement of the performance conditions. The Company recognizes stock-based compensation as an expense on a straight-line basis, over the requisite service period. The Company accounts for forfeitures as they occur, rather than applying an estimated forfeiture rate, following its adoption of ASU No. 2016-09 in the first quarter of 2017.

Research and Development

Costs incurred in the research and development of the Company's products are expensed as incurred.

Advertising Expense

The Company expenses advertising costs as they are incurred. During the years ended December 29, 2018, December 30, 2017 and December 31, 2016 advertising expense totaled \$114.0 million, \$91.8 million and \$64.4 million, respectively, and are recorded within the selling and marketing expenses line item.

Income Taxes

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis using enacted tax rates in effect in the years in which those temporary differences are expected to be recovered or settled in each jurisdiction. A valuation allowance is provided if, based upon the weight of available evidence, it is more likely than not that the related benefits will not be realized. The Company regularly reviews the deferred tax assets for recoverability considering historical profitability, projected future taxable income, future reversals of existing taxable temporary differences, as well as feasible tax planning strategies in each jurisdiction. As of December 29, 2018, December 30, 2017 and December 30, 2016, the Company recorded a valuation allowance of \$1.1 million, \$0.8 million and \$0.0 million, respectively, for certain foreign deferred tax assets for which the Company believes do not meet the "more likely than not" criteria for recognition.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in the income tax provision.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal Revenue Code. Effective for the Company's 2018 tax year, the Act reduces the statutory federal corporate tax rate from 35% to 21% and implements certain additional provisions including the Global Intangible Low-Taxed Income ("GILTI") inclusion and the Foreign Derived Intangible Income ("FDII") deduction. Upon the enactment of the Act in December 2017, the Company recorded a one-time provisional income tax provision of \$11.9 million in the fourth quarter of 2017 which included a provisional amount of \$8.9 million related to the remeasurement of certain deferred tax assets and liabilities based on the tax rates at which they are expected to reverse in the future and \$3.0 million related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings. On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. In accordance with SAB 118, during the fourth quarter of 2018, the Company finalized its analysis of the income tax effects of the Act and there were no material adjustments to the provisional amounts recorded.

Concentration of Credit Risk and Significant Customers

Financial instruments which potentially expose the Company to concentrations of credit risk consist of accounts receivable. Management believes its credit policies are prudent and reflect normal industry terms and business risk. At December 29, 2018, two customers accounted for a total of 23.1% of the Company's accounts receivable balance. At December 30, 2017, one customer accounted for a total of 11.5% of the Company's accounts receivable balance. For the fiscal year ended December 29, 2018 and December 30, 2017, the Company generated 17.3% and 13.5%, respectively, of total revenue from one of its retailers (Amazon). For the fiscal year ended December 31, 2016 the Company generated 12.9%, 12.3% and 10.4% of total revenue from its distributor in Japan, Sales On Demand Corporation ("SODC"), Robopolis SAS, a network of affiliated European distributors ("Robopolis") and Amazon, respectively.

The Company maintains its cash in bank deposit accounts and money market funds at high quality financial institutions. The individual balances, at times, may exceed federally insured limits.

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. The following table presents the calculation of both basic and diluted net income per share:

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Net income	\$ 87,992	\$ 50,964	\$ 41,939
Weighted-average shares outstanding	27,692	27,611	27,698
Dilutive effect of employee stock options and restricted stock units	948	1,142	594
Diluted weighted-average shares outstanding	28,640	28,753	28,292
Basic income per share	\$ 3.18	\$ 1.85	\$ 1.51
Diluted income per share	\$ 3.07	\$ 1.77	\$ 1.48

Restricted stock units and stock options representing approximately 0.0 million, 0.0 million and 0.4 million shares of common stock for the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016, respectively, were excluded from the computation of diluted earnings per share as their effect would have been antidilutive.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Recently Adopted Accounting Standards

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," which provides an option to reclassify stranded tax effects within accumulated other comprehensive income to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate under the Tax Cuts and Jobs Act is recorded. This guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. During the first quarter of 2018, the Company early adopted this standard, which did not have a material impact on the Company's consolidated financial statements and related disclosures.

In August 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging," that was created to better align accounting rules with a company's risk management activities, better reflect the economic results of hedging in the financial statements, and simplify hedge accounting treatment. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. For cash flow hedges existing at the adoption date, the standard requires adoption on a modified retrospective basis with a cumulative-effect adjustment to the consolidated balance sheet as of the beginning of the year of adoption. During the fourth quarter of 2018, the Company early adopted this standard, which did not have a material impact on the Company's consolidated financial statements. The amended guidance requires modification to existing disclosure requirements on a prospective basis which have been updated in Note 10, "Derivative Instruments and Hedging."

In March 2017, the FASB issued ASU No. 2017-08, "Receivables – Nonrefundable Fees and Other Costs," which shortens the amortization period of certain callable debt securities held at a premium. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. During the fourth quarter of 2018, the Company early adopted this standard, which did not have a material impact on the Company's consolidated financial statements and related disclosures.

In October 2016, FASB issued ASU No. 2016-16, "Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory." ASU 2016-16 clarifies the accounting for the current and deferred income taxes for an intra-entity transfer of an asset other than inventory. ASU 2016-16 is effective for fiscal years beginning after December 15, 2017. During the first quarter of 2018, the Company adopted this standard, which did not have a material impact on the Company's consolidated financial statements and related disclosures.

In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities," as amended by ASU No. 2018-03 in February 2018, which revises various aspects of the recognition, measurement, presentation and disclosure of financial instruments. The standard requires that marketable equity investments be measured at fair value with changes to fair value recognized in net income. ASU No. 2016-01 also provides a new measurement alternative for non-marketable equity investments that do not have a readily determinable fair value. Under the measurement alternative, investments are measured at cost, less any impairment, adjusted for changes from observable transactions for identical or similar investments of the same issuer. The Company adopted this guidance on December 31, 2017 and elected to record its non-marketable equity investments using the alternative measurement method, which did not have a material impact on the Company's consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," ("ASC 606") which provides guidance for revenue recognition. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. On December 31, 2017, the Company adopted the guidance using the modified retrospective method applied to those contracts that were not completed as of the adoption date. Under the modified retrospective method, the Company recognized the cumulative effect of the adoption and recorded a net increase of \$1.0 million to the beginning retained earnings as of December 31, 2017. See Note 3, "Revenue Recognition," for the required disclosures related to the impact of adopting this standard and a discussion of the Company's updated policies related to revenue recognition.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Recently Issued Accounting Standards

In August 2018, the FASB issued ASU No. 2018-15, "Intangibles - Goodwill and Other Internal-Use Software." The new standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The amendments to this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. Implementation should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement: Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement." The amendment modifies disclosure requirements related to fair value measurement. The amendments to this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Implementation on a prospective or retrospective basis varies by specific disclosure requirement. Early adoption is permitted. The standard also allows for early adoption of any removed or modified disclosures upon issuance of this ASU while delaying adoption of the additional disclosures until their effective date. The Company does not believe this amendment will have a material impact on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, "Compensation - Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting (Topic 718)." The amendments in ASU No. 2018-07 expand the scope of Topic 718 to include share-based payments issued to nonemployees for goods or services. The amendments in this ASU are effective for annual periods beginning after December 15, 2018 and interim periods within those annual periods. Early adoption is permitted. The Company does not believe this amendment will have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments," which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments. This may result in the earlier recognition of allowances for losses. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases." ASU No. 2016-02 requires lessees to recognize the assets and liabilities on their balance sheet for the rights and obligations created by most leases and continue to recognize expenses on their income statements over the lease term. The guidance is effective for annual reporting periods beginning after December 15, 2018 and interim periods within those fiscal years, with early adoption permitted. In July 2018, the FASB issued ASU No. 2018-11, "Leases: Targeted Improvements," which provided either a modified retrospective transition approach with application in all comparative periods presented, or an alternative transition method, which permits a company to use its effective date as the date of initial application without restating comparative period financial statements. The Company expects to elect this alternative transition method and adopt the guidance prospectively. The Company also expects to elect the practical expedients allowed under the standard. The Company is in the process of aggregating and evaluating lease arrangements and implementing new processes and a lease accounting system. The Company expects the adoption will result in a material increase in the assets and liabilities upon adoption. The impact on the Company's results of operations and cash flows is not expected to be material.

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.

3. Revenue Recognition

The Company primarily derives its revenue from product sales. The Company sells products directly to consumers through on-line 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

iROBOT CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

the Company expects to receive in exchange for those products or services. 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 product portfolio includes various consumer robots, many of which are Wi-Fi connected. The consumer robots are generally 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 consumer robots with Wi-Fi capability ("connected robots"), each sale represents an arrangement with multiple promises consisting of the robot, an 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"). Under the previous revenue accounting standard, revenue allocated to the app and future unspecified software upgrades was deferred and recognized on a straight-line basis over the expected life of the connected robot.

Upon the adoption of ASU No. 2014-09, "Revenue from Contracts with Customers," ("ASC 606") as of the beginning of fiscal year 2018, the Company concluded that, on a quantitative and qualitative basis, the Cloud Services did not constitute a material performance obligation for the then existing products and, as such, these services were not considered a separate performance obligation that required allocation of transaction price.

During the third quarter of 2018, the Company launched Roomba i7 and i7+ which have the ability to learn, map and adapt to a home's floor plan. The Company has concluded that the Cloud Services related to these new products are a material performance obligation. 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 SSP reflects the Company's best estimate of what the selling prices of elements would be if they were sold regularly on a standalone basis. Revenue allocated to the robots is recognized at a point in time when control is transferred. Revenue allocated to the Cloud Services is deferred and recognized on a straight-line basis over the estimated period the software upgrades and services are expected to be provided. The transaction price allocated to performance obligations that are unsatisfied as of December 29, 2018 is not material.

The Company's products generally carry a one-year limited warranty (with the exception of European consumer products, which typically have a two-year warranty period) 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."

Significant Judgments

The Company provides limited rights of returns for direct-to-consumer sales generated through its on-line stores as well as certain resellers and distributors. In addition, the Company may provide other credits or incentives, including price protection, 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 trends and forecasted customer buying and payment patterns. Overall, these reserves reflect the Company's best estimates, and the actual amounts of consideration ultimately received may differ from the Company's estimates. Returns and credits are estimated at contract inception and updated at the end of each reporting period as additional information becomes available and only to the extent that it is probable that a significant reversal of any incremental revenue will not occur. As of December 29, 2018, the Company has reserves for product returns of \$53.9 million and other credits and incentives of \$97.7 million. As of December 30, 2017, the Company had reserves for product returns of \$42.7 million and other credits and incentives of \$61.4 million.

Disaggregation of Revenue

The following table provides information about disaggregated revenue by geographical region for the year ended December 29, 2018 (in thousands):

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	December 29, 2018	
Americas	\$	610,294
EMEA		311,659
APAC		170,631
Total revenue	\$	1,092,584

Contract Balances

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

	December 29, 2018		December 31, 2017	
	(closing balance)		(opening balance)	
Accounts receivable, net	\$	162,166	\$	141,637
Contract liabilities		5,756		6,685

The Company invoices customers based upon contractual billing schedules, and accounts receivable are recorded when the right to consideration becomes unconditional. Contract liabilities primarily relate to 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 year ended December 29, 2018, the Company recognized \$6.7 million of the opening contract liability balance as revenue upon transfer of the products to customers. Revenue recognized during the year ended December 29, 2018 related to performance obligations satisfied in a prior period is not material.

Practical Expedients and Exemptions

The Company generally expenses sales commissions when incurred because the amortization period is generally one year or less. These costs are recorded within sales and marketing expenses.

The Company does not assess whether a prepayment received represents a significant financing component as the period between when the payment is received and the transfer of the products to the customer is generally one year or less.

The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less.

Financial Statement Impact of Adopting ASC 606

The Company adopted ASC 606 using the modified retrospective method. The cumulative effect of applying the new guidance to all contracts with customers that were not completed as of December 30, 2017 was recorded as an increase of \$1.0 million to retained earnings as of the adoption date. The adoption of the new guidance had an immaterial impact to the Company's consolidated balance sheet and statement of income as of and for the year ended December 29, 2018.

4. Business Combinations

Acquisition of Robopolis

On October 2, 2017, the Company closed the acquisition of its largest European distributor, Robopolis SAS, a French company ("Robopolis"), subsequently renamed iRobot France SAS. The acquisition will better enable the Company to maintain its leadership position and grow its business in several Western European countries through direct control of pre- and post-sales market activities including sales, marketing, branding, channel relationships and customer service. The initial purchase price was approximately \$170.1 million in cash, net of acquired cash of \$38.0 million, subject to the finalization of the working capital adjustment in accordance with the stock purchase agreement. During the first quarter of 2018, the working capital adjustment was finalized and resulted in a reduction in the purchase price of \$0.7 million. During the fourth quarter of 2018, the Company finalized the allocation of the purchase price and recorded a \$1.5 million adjustment for uncertain pre-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

acquisition income tax positions in various taxing jurisdictions against goodwill. The acquisition was a stock purchase. The results of operations for this acquisition have been included in the Company's operating results since the acquisition date.

The following table summarizes the final allocation of the purchase price (in thousands):

Cash	\$ 37,981
Accounts receivable, net (1)	21,426
Inventory	36,304
Goodwill	80,419
Intangible assets	36,597
Other assets	2,456
Total assets	215,183
Accounts payable	(29,391)
Accrued expenses	(3,376)
Deferred tax liabilities	(10,864)
Other liabilities	(2,138)
Total liabilities assumed	(45,769)
Net assets acquired	\$ 169,414

(1) The accounts receivable balance includes reserves for product returns, discounts and promotions assumed as part of the acquisition.

The following table reflects the fair value of the acquired identifiable intangible assets and related estimates of useful lives (in thousands):

	Useful Life	Fair Value
Reacquired distribution rights	2.25 years	\$ 29,296
Customer relationships	14 years	7,029
Non-competition agreements	3 years	272
Total		\$ 36,597

Acquisition of Sales On Demand Corporation

On April 3, 2017, the Company closed its acquisition of the iRobot-related distribution business of Sales On Demand Corporation ("SODC"), iRobot Japan G.K., for approximately \$16.6 million in cash, equal to the book value of the acquired assets. The acquisition will better enable the Company to maintain its leadership position and accelerate the growth of its business in Japan through direct control of pre- and post-sales market activities including sales, marketing, branding, channel relationships and customer service. It also expands the Company's presence and customer outreach opportunities in Japan. The acquisition was a stock purchase. The results of operations for this acquisition have been included in the Company's operating results since the acquisition date.

During the three months ended September 30, 2017, the Company finalized the purchase price allocation and made measurement period adjustments to the provisional amounts reported as the estimated fair values of assets acquired. These measurement period adjustments resulted in a \$2.2 million non-taxable gain on business acquisition which represents the excess of the fair value of the net assets acquired over the purchase price. The gain on business acquisition was recorded within other income, net in the consolidated statements of income. The Company believes that the gain on business acquisition was

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

due to the transaction not being subjected to a competitive bidding process and the purchase price being determined based on the net book value of the net assets acquired.

The following table summarizes the final allocation of the purchase price (in thousands):

Cash	\$ 125
Accounts receivable, net (1)	(5,496)
Inventory	18,290
Other assets	2,065
Deferred tax assets, net	409
Goodwill	—
Intangible assets	8,640
Total assets acquired	24,033
Accrued expenses and other current liabilities	(4,450)
Other liabilities	(691)
Total liabilities assumed	(5,141)
Net assets acquired	\$ 18,892
Gain on business acquisition	(2,243)
Total purchase price	\$ 16,649

(1) The accounts receivable balance reflects reserves for product returns, discounts and promotions assumed as part of the acquisition.

The following table reflects the fair value of the acquired identifiable intangible assets and related estimates of useful lives (in thousands):

	Useful Life	Fair Value
Customer relationships	13 years	\$ 4,490
Reacquired distribution rights	9 months	4,150
Total		\$ 8,640

Pro Forma Results (Unaudited)

The following table shows unaudited pro forma results of operations as if the Company had acquired Robopolis on January 3, 2016 (in thousands, except per share amounts):

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Revenue	\$ 1,092,584	\$ 901,612	\$ 718,917
Net income	87,992	51,887	53,320
Net income per share:			
Basic income per share	\$ 3.18	\$ 1.88	\$ 1.93
Diluted income per share	\$ 3.07	\$ 1.80	\$ 1.88

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company has not furnished pro forma financial information relating to its acquisition of SODC, because such information is not material, individually or in the aggregate, to its financial results. The unaudited pro forma results of operations are not necessarily indicative of the actual results that would have occurred had the transactions taken place at the beginning of the periods indicated.

5. Inventory

Inventory consists of the following (in thousands):

	December 29, 2018	December 30, 2017
Raw materials	\$ 2,992	\$ 4,036
Finished goods	161,641	102,896
	<u>\$ 164,633</u>	<u>\$ 106,932</u>

6. Property and Equipment

Property and equipment consists of the following (in thousands):

	December 29, 2018	December 30, 2017
Computer and equipment	\$ 12,339	\$ 10,669
Furniture	5,231	4,120
Machinery	20,606	14,202
Tooling	39,675	31,783
Leasehold improvements	28,701	26,136
Business applications software	15,638	12,757
Subtotal	<u>122,190</u>	<u>99,667</u>
Less: accumulated depreciation	65,164	55,088
Property and equipment, net	<u>\$ 57,026</u>	<u>\$ 44,579</u>

As of December 29, 2018 and December 30, 2017, the net book value of capitalized internal-use software costs was \$4.7 million and \$2.8 million, respectively, which are included within business applications software.

Depreciation expense for the years ended December 29, 2018, December 30, 2017 and December 31, 2016 was \$17.0 million, \$12.3 million, and \$10.0 million, respectively, which included amortization expense of \$1.2 million, \$1.5 million and \$0.4 million, respectively, for capitalized internal-use software.

7. Goodwill and other intangible assets

The following table summarizes the activity in the carrying amount of goodwill for fiscal years 2018 and 2017 (in thousands):

Balance as of December 31, 2016	\$	41,041
Acquisitions (Note 4)		79,558
Effect of foreign currency translation		841
Balance as of December 30, 2017		121,440
Purchase accounting adjustments (Note 4)		830
Effect of foreign currency translation		(3,374)
Balance as of December 29, 2018	<u>\$</u>	<u>118,896</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Intangible assets at December 29, 2018 and December 30, 2017 consisted of the following (in thousands):

	December 29, 2018			December 30, 2017		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Completed technology	\$ 26,900	\$ 21,607	\$ 5,293	\$ 26,900	\$ 18,150	\$ 8,750
Tradename	100	100	—	100	100	—
Customer relationships	11,291	1,365	9,926	11,594	418	11,176
Reacquired distribution rights	32,499	23,598	8,901	33,760	9,226	24,534
Non-competition agreements	263	110	153	275	23	252
Total	<u>\$ 71,053</u>	<u>\$ 46,780</u>	<u>\$ 24,273</u>	<u>\$ 72,629</u>	<u>\$ 27,917</u>	<u>\$ 44,712</u>

Amortization expense related to acquired intangible assets was \$19.6 million, \$13.1 million, and \$3.5 million for the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016, respectively.

The estimated future amortization expense related to current intangible assets in each of the five succeeding fiscal years is expected to be as follows (in thousands):

	Cost of Revenue	Operating Expenses	Total
2019	\$ 11,719	\$ 1,042	\$ 12,761
2020	900	1,020	1,920
2021	900	794	1,694
2022	675	794	1,469
2023	—	794	794
Thereafter	—	5,635	5,635
Total	<u>\$ 14,194</u>	<u>\$ 10,079</u>	<u>\$ 24,273</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

8. Accrued Expenses

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

	December 29, 2018	December 30, 2017
Accrued bonus	\$ 21,226	\$ 20,443
Accrued warranty	11,964	11,264
Accrued sales and other taxes	11,397	7,256
Accrued other compensation	10,518	9,071
Accrued direct fulfillment costs	5,372	1,885
Accrued accounting fees	2,052	1,221
Accrued federal and state income taxes	1,936	7,110
Accrued other	6,794	15,397
	<u>\$ 71,259</u>	<u>\$ 73,647</u>

9. Working Capital Facility

Credit Facility

In June 2018, the Company entered into a new agreement with Bank of America, N.A., increasing the amount of its unsecured revolving line of credit from \$75.0 million to \$150.0 million. As of December 29, 2018, the full amount was available for borrowing. The new revolving line of credit is available to fund working capital and other corporate purposes. The new agreement extends the term of the credit facilities to June 2023. The interest on loans under the credit facility accrues, at the Company's election, at either (1) LIBOR plus a margin, currently equal to 1.0%, based on the Company's 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 or (3) the Eurodollar Rate plus 1.0%.

As of December 29, 2018, the Company had no outstanding borrowings under its revolving credit facility. This credit facility contains customary terms and conditions for credit facilities of this type, including restrictions on the Company's 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, the Company's stock, and consolidate or merge with other entities. In addition, the Company is 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.

This 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, the Company's obligations under the credit facility may be accelerated.

As of December 29, 2018, the Company was in compliance with all covenants under the revolving credit facility.

10. 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 Japanese Yen, Canadian dollar and the Euro. The Company uses derivative instruments that are designated in cash flow hedge relationships to reduce or eliminate the effects of foreign exchange rate changes on purchases and sales. These contracts have maturities of thirty-seven months or less. At December 29, 2018 and December 30, 2017, the Company had outstanding cash flow hedges with a total notional value of \$366.7 million and \$73.7 million, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 two months or less. At December 29, 2018 and December 30, 2017, the Company had outstanding economic hedges with a total notional value of \$56.0 million and \$36.6 million, respectively.

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

	Classification	Fair Value	
		December 29, 2018	December 30, 2017
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts	Other current assets	\$ 551	\$ 413
Foreign currency forward contracts	Accrued expenses	—	221
Derivatives designated as cash flow hedges:			
Foreign currency forward contracts	Other current assets	\$ 53	\$ 488
Foreign currency forward contracts	Other assets	172	116
Foreign currency forward contracts	Accrued expenses	335	279
Foreign currency forward contracts	Long-term liabilities	795	—

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

	Classification	Fiscal year ended	
		December 29, 2018	December 30, 2017
Gain (loss) recognized in income	Other income, net	\$ 1,568	\$ (444)

The following tables reflect the effect of derivatives designated as cash flow hedging for the years ended December 29, 2018 and December 30, 2017 (in thousands):

	Gain (loss) recognized in OCI on Derivative (1)	
	Fiscal year ended	
	December 29, 2018	December 30, 2017
Foreign currency forward contracts	\$ (686)	\$ 584

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

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	Gain (loss) recognized in earnings on cash flow hedging instruments			
	December 29, 2018		December 30, 2017	
	Revenue	Cost of revenue	Revenue	Cost of revenue
Consolidated statements of income in which the effects of cash flow hedging instruments are recorded	\$ 1,092,584	\$ 537,156	\$ 883,911	\$ 450,752
Gain or (loss) on cash flow hedging relationships:				
Foreign currency forward contracts:				
Amount of gain (loss) reclassified from AOCI into earnings	\$ 948	\$ (386)	\$ 320	\$ (63)

11. Fair Value Measurements

The Company's financial assets and liabilities measured at fair value on a recurring basis at December 29, 2018, were as follows (in thousands):

	Fair Value Measurements as of		
	December 29, 2018		
	Level 1	Level 2 (1)	Level 3 (2)
Assets:			
Money market funds	\$ 3,730	\$ —	\$ —
Corporate and government bonds, \$30,035 at cost (3)	—	29,605	—
Convertible note	—	—	2,000
Derivative instruments (Note 10)	—	776	—
Total assets measured at fair value	\$ 3,730	\$ 30,381	\$ 2,000
Liabilities:			
Derivative instruments (Note 10)	\$ —	\$ 1,130	\$ —
Total liabilities measured at fair value	\$ —	\$ 1,130	\$ —

The Company's financial assets and liabilities measured at fair value on a recurring basis at December 30, 2017, were as follows (in thousands):

	Fair Value Measurements as of		
	December 30, 2017		
	Level 1	Level 2 (1)	Level 3 (2)
Assets:			
Money market funds	\$ 3,165	\$ —	\$ —
Corporate and government bonds, \$37,767 at cost	—	37,225	—
Derivative instruments (Note 10)	—	1,017	—
Total assets measured at fair value	\$ 3,165	\$ 38,242	\$ —
Liabilities:			
Derivative instruments (Note 10)	\$ —	\$ 500	\$ —
Total liabilities measured at fair value	\$ —	\$ 500	\$ —

(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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

(2) Level 3 fair value estimates are based on inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques, including option pricing and discounted cash flow models. Unobservable inputs used in the models are significant to the fair values of the assets and liabilities.

(3) As of December 29, 2018, the Company's investments had maturity dates ranging from March 2019 to March 2021.

During the year ended December 29, 2018, the Company invested in a non-marketable convertible note. The debt security is classified as available-for-sale and is included in short term investments on the consolidated balance sheet. The following table provides a summary of changes in fair value of our Level 3 investment for the year ended December 29, 2018 (in thousands):

Balance as of December 30, 2017	\$	—
Investment		2,000
Balance as of December 29, 2018	\$	<u>2,000</u>

12. Stockholders' Equity

Preferred Stock

The Company has authorized 5,000,000 shares of undesignated preferred stock with a par value of \$0.01 per share. None of the preferred shares were issued and outstanding at December 29, 2018 and December 30, 2017.

Common Stock

Common stockholders are entitled to one vote for each share held and to receive dividends if and when declared by the Board of Directors and subject to and qualified by the rights of holders of the preferred stock. Upon dissolution or liquidation of the Company, holders of common stock will be entitled to receive all available assets subject to any preferential rights of any then outstanding preferred stock.

Share Repurchase Activity

On February 27, 2018, the Company's board of directors approved a stock repurchase program authorizing up to \$50.0 million in share repurchases. This share repurchase program commenced on March 28, 2018 with an expiration date of December 28, 2018. As of June 30, 2018, the Company completed the repurchase program and repurchased 798,794 shares of common stock totaling \$50.0 million.

On December 28, 2015, the Company announced a stock repurchase program, effective January 4, 2016 and ending on December 31, 2016, authorizing up to one million shares or \$40 million in share repurchases. On March 1, 2016, the Company replaced the then-current stock repurchase program and entered into an accelerated share repurchase ("ASR") agreement to repurchase an aggregate of \$85.0 million of common stock. During fiscal year 2016, the Company completed the repurchase program and repurchased 2,641,122 shares of common stock totaling \$97.0 million.

13. Stock-Based Compensation

The Company has awards and options outstanding under four stock incentive plans: the 2005 Stock Option and Incentive Plan (the "2005 Plan"), the Evolution Robotics, Inc. 2007 Stock Plan (the "2007 Plan"), the 2015 Stock Option and Incentive Plan (the "2015 Plan") and the 2018 Stock Option and Incentive Plan (the "2018 Plan" and together with 2005 Plan, the 2007 Plan, and the 2015 Plan, the "Plans"). The 2018 Plan is the only one of the four plans under which new awards may currently be granted. Under the 2018 Plan, which became effective on May 23, 2018, 1,750,000 shares were initially reserved for issuance in the form of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock awards, restricted stock units, unrestricted stock awards, cash-based awards, and dividend equivalent rights. Stock awards returned to

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the Plans, with the exception of those issued under the 2005 Plan and the 2007 Plan, as a result of their expiration, cancellation or termination are automatically made available for issuance under the 2018 Plan. Eligibility for incentive stock options is limited to those individuals whose employment status would qualify them for the tax treatment associated with incentive stock options in accordance with the Internal Revenue Code of 1986, as amended. As of December 29, 2018, there were 1,623,670 shares available for future grant under the 2018 Plan. The Company recognized \$25.8 million, \$19.8 million and \$16.0 million of stock-based compensation expense during the fiscal years ended December 29, 2018, December 30, 2017, and December 31, 2016, respectively. Stock-based compensation breaks down by expense classification as follows (in thousands):

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Cost of revenue	\$ 1,407	\$ 1,082	\$ 760
Research and development	7,494	5,009	3,646
Selling and marketing	2,842	2,571	2,008
General and administrative	14,061	11,089	9,581
Total	\$ 25,804	\$ 19,751	\$ 15,995

Stock Options

Options granted under the Plans are exercisable in full at any time subsequent to vesting, generally vest over four years, and expire five or ten years from the date of grant or, if earlier, 90 days from employee termination. The exercise price of stock options is typically equal to the Company's closing stock price on the date of grant.

As of December 29, 2018, the unamortized compensation costs associated with stock options was \$1.8 million with a weighted-average remaining recognition period of 1.29 years.

The following table summarizes stock option activity for fiscal years 2018, 2017 and 2016:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value(1)
Outstanding at January 2, 2016	1,287,550	\$ 26.73		
Granted	314,770	38.03		
Exercised	(456,498)	20.47		
Canceled	(57,648)	33.28		
Outstanding at December 31, 2016	1,088,174	\$ 32.27		
Granted	10,975	57.33		
Exercised	(367,267)	28.79		
Canceled	(18,928)	36.72		
Outstanding at December 30, 2017	712,954	\$ 34.34		
Granted	—	—		
Exercised	(239,830)	33.40		
Canceled	(10,863)	46.20		
Outstanding at December 29, 2018	462,261	\$ 34.55	3.58 years	\$21.6 million
Vested and expected to vest at December 29, 2018	462,261	\$ 34.55	3.58 years	\$21.6 million
Exercisable as of December 29, 2018	317,997	\$ 33.10	3.26 years	\$15.3 million

(1) The aggregate intrinsic value on the table above represents the difference between the Company's closing stock price on December 29, 2018 of \$81.32 and the exercise price of the underlying in-the-money option.

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There were no options granted for the fiscal year ended December 29, 2018. The fair value of each option grant for the fiscal years ended December 30, 2017, and December 31, 2016 was computed on the grant date using the Black-Scholes option-pricing model with the following assumptions:

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Risk-free interest rate	—	2.11%	1.17% — 1.89%
Expected dividend yield	—	—	—
Expected life	—	4.01 years	4.01 — 4.03 years
Expected volatility	—	38.0%	38.9% — 42.1%

The risk-free interest rate is derived from the average U.S. Treasury constant maturity rate, which approximates the rate in effect at the time of grant, commensurate with the expected life of the instrument. The dividend yield is zero based upon the fact the Company has never paid and has no present intention to pay cash dividends. The Company utilizes company specific historical data for purposes of establishing expected volatility and expected term.

During fiscal years 2018, 2017, and 2016, the total intrinsic value of stock options exercised was \$14.9 million, \$21.8 million, and \$10.3 million, respectively.

The following table summarizes information about stock options outstanding at December 29, 2018:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 3.54 - \$ 22.86	46,918	1.55 years	\$ 19.84	46,918	\$ 19.84
26.59 - 32.38	83,084	3.51	30.98	62,968	31.05
33.14 - 33.14	85,984	4.19	33.14	48,436	33.14
33.29 - 34.30	71,864	3.26	34.07	57,664	34.07
35.43 - 37.08	28,276	2.52	35.69	28,276	35.69
37.62 - 37.62	78,419	4.44	37.62	38,874	37.62
39.09 - 39.09	23,367	4.70	39.09	7,566	39.09
43.35 - 43.35	19,194	2.19	43.35	19,194	43.35
57.33 - 57.33	8,046	5.19	57.33	2,985	57.33
58.55 - 58.55	17,109	4.95	58.55	5,116	58.55
\$ 3.54 - \$58.55	462,261	3.58 years	\$ 34.55	317,997	\$ 33.10

Time-based Restricted Stock Units

Time-based restricted stock units entitle the holder to a specific number of shares of common stock upon vesting, typically over a four-year period. As of December 29, 2018, the unamortized compensation costs associated with restricted stock units was \$44.0 million with a weighted-average remaining recognition period of 2.33 years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the time-based restricted stock unit activity for fiscal years 2018, 2017 and 2016:

	Number of Shares Underlying Restricted Stock	Weighted Average Grant Date Fair Value
Outstanding at January 2, 2016	933,877	\$ 31.42
Granted	458,237	37.93
Vested	(358,018)	30.81
Forfeited	(98,917)	32.13
Outstanding at December 31, 2016	935,179	\$ 35.07
Granted	396,164	72.63
Vested	(351,543)	33.73
Forfeited	(41,347)	39.52
Outstanding at December 30, 2017	938,453	\$ 51.24
Granted	307,614	81.55
Vested	(351,816)	47.30
Forfeited	(38,362)	60.62
Outstanding at December 29, 2018	855,889	\$ 63.32

The aggregate intrinsic value of outstanding time-based restricted stock units at December 29, 2018 was \$69.6 million based on the Company's closing stock price on December 29, 2018 of \$81.32, with a weighted average remaining contractual term of 1.40 years.

Performance-Based Restricted Stock Units

The Company grants performance-based restricted stock units ("PSUs") to certain of its employees. The PSUs have performance metrics based on financial performance of the Company measured at the end of a three-year performance period. For the 2017 and 2016 grant years, the performance metric for these awards is based on revenue, operating income and/or operating income percent, with a threshold requirement for a minimum amount of revenue growth. Starting in 2018, the Company has removed revenue as a performance metric in the PSU plan design and changed the payout metric from three-year cumulative operating income as a percentage of annual revenue to three-year cumulative operating income in dollars. The number of shares actually earned at the end of the three-year period will range from 0% to 200% of the target number of PSUs granted based on the Company's performance against the performance conditions.

The unamortized fair value as of December 29, 2018 associated with performance based restricted stock units was \$7.1 million with a weighted-average remaining recognition period of 1.24 years.

The following table summarizes the performance-based restricted stock unit activity for fiscal years 2018, 2017 and 2016:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Number of Shares Underlying PSU (1)	Weighted Average Grant Date Fair Value
Outstanding at January 2, 2016	90,492	\$ 36.78
Granted	82,085	33.36
Vested	(5,625)	34.30
Forfeited	(3,041)	34.30
Outstanding at December 31, 2016	163,911	\$ 35.03
Granted	105,650	57.33
Vested	(24,792)	43.35
Forfeited	(2,708)	39.71
Outstanding at December 30, 2017	242,061	\$ 43.97
Granted	91,538	68.41
Vested	(56,259)	34.30
Forfeited	(3,221)	45.71
Outstanding at December 29, 2018	274,119	\$ 54.10

(1) Includes the target number of PSUs.

The aggregate intrinsic value of outstanding PSUs was \$22.3 million based on the Company's closing stock price on December 29, 2018 of \$81.32 with a weighted average remaining contractual term of 1.24 years.

Employee Stock Purchase Plan

In May 2017, the Company's stockholders approved the 2017 Employee Stock Purchase Plan ("ESPP"). Eligible employees may purchase the Company's common stock through payroll deductions at a price equal to 85% of the lower of the fair market values of the stock as of the beginning or the end of six-month offering periods beginning November 15 and May 15 of each year. An employee's payroll deductions under the ESPP are limited to 15% of the employee's compensation, up to \$4,000 each period, for the purchase of common stock not to exceed 1,000 shares per offering period. As of December 29, 2018, there were 631,542 shares reserved for future issuance under the ESPP. The Company recognized \$1.0 million and \$0.1 million of stock-based compensation expense during the fiscal years ended December 29, 2018 and December 30, 2017, respectively.

14. 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.

Lease Obligations

The Company leases its facilities. Rental expense under operating leases for fiscal years 2018, 2017 and 2016 amounted to \$12.9 million, \$8.9 million, and \$6.0 million, respectively. Future minimum rental payments under operating leases were as follows as of December 29, 2018 (in thousands):

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	Operating Leases
2019	\$ 7,848
2020	7,397
2021	7,345
2022	7,292
2023	7,021
Thereafter	34,806
Total minimum lease payments	<u>\$ 71,709</u>

Outstanding Purchase Orders

At December 29, 2018, we had outstanding purchase orders aggregating approximately \$113.6 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 cancelable without penalty. In circumstances where we determine that we have financial exposure associated with any of these commitments, we record a liability in the period in which that exposure is identified.

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. Accordingly, the Company has no liabilities recorded for these agreements as of December 29, 2018 and December 30, 2017, 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 8) in the accompanying consolidated balance sheets.

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

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Balance at beginning of period	\$ 11,264	\$ 8,464	\$ 6,907
Liability assumed (1)	—	2,186	—
Provision	10,798	8,591	7,494
Warranty usage (2)	(10,098)	(7,977)	(5,937)
Balance at end of period	<u>\$ 11,964</u>	<u>\$ 11,264</u>	<u>\$ 8,464</u>

- (1) Warranty assumed as part of the acquisition of the iRobot-related distribution business of Sales On Demand Corporation.
- (2) Warranty usage includes costs incurred for warranty obligations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

15. Employee Benefits

The Company sponsors a retirement plan under Section 401(k) of the Internal Revenue Code (the "Retirement Plan"). All Company employees, with the exception of temporary, contract and international employees are eligible to participate in the Retirement Plan after satisfying age requirements prescribed by the plan. Under the Retirement Plan, employees may make tax-deferred contributions, and the Company, at its sole discretion, and subject to the limits prescribed by the IRS, may make either a nonelective contribution on behalf of all eligible employees or a matching contribution on behalf of all plan participants.

The Company elected to make a matching contribution of approximately \$2.8 million, \$2.4 million and \$1.7 million for the plan years ended December 29, 2018, December 30, 2017 and December 31, 2016, respectively. The employer contribution represents a matching contribution at a rate of 50% of each employee's first six percent contribution. Accordingly, each employee participating is entitled up to a maximum of three percent of his or her eligible annual payroll.

16. Income Taxes

Income (loss) before provision for income taxes was as follows (in thousands):

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Domestic	113,078	71,382	61,706
Foreign	(4,456)	4,984	(345)
Income before income taxes	\$ 108,622	\$ 76,366	\$ 61,361

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

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Current			
Federal	\$ 17,627	\$ 17,555	\$ 17,639
State	3,676	1,691	1,054
Foreign	10,732	7,355	310
Total current income tax provision	32,035	26,601	19,003
Deferred			
Federal	\$ (2,475)	\$ 6,664	\$ 781
State	(1,149)	(2,470)	(95)
Foreign	(7,781)	(5,393)	(267)
Total deferred income tax provision	(11,405)	(1,199)	419
Total income tax provision	\$ 20,630	\$ 25,402	\$ 19,422

Due to the adoption of ASU 2016-09 in 2017, all excess tax benefits and deficiencies are recognized as income tax expense in the Company's consolidated statement of income. This will result in increased volatility in the Company's effective tax rate.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal Revenue Code. Effective for the Company's 2018 tax year, the Act reduces the statutory federal corporate tax rate from 35% to 21% and implements certain additional provisions including the Global Intangible Low-Taxed Income ("GILTI") inclusion and the Foreign Derived Intangible Income ("FDII") deduction. Upon the enactment of the Act in December 2017, the Company recorded a one-time provisional income tax provision of \$11.9 million in the fourth quarter of 2017 which included a

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provisional amount of \$8.9 million related to the remeasurement of certain deferred tax assets and liabilities based on the tax rates at which they are expected to reverse in the future and \$3.0 million related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings. On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. In accordance with SAB 118, during the fourth quarter of 2018, the Company finalized its analysis of the income tax effects of the Act and determined no material adjustments to the provisional amounts recorded were required.

The reconciliation of statutory federal income tax to actual tax expense is as follows (in thousands):

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Statutory federal income tax	\$ 22,812	\$ 26,728	\$ 21,476
Miscellaneous permanent items	1,837	2,979	516
State taxes (net of federal benefit)	4,312	2,089	1,360
Federal and state credits	(5,638)	(4,486)	(2,233)
Domestic production activities deduction	—	(1,528)	(1,731)
Excess tax benefits relating to stock-based compensation	(6,529)	(11,709)	—
Tax Cuts and Jobs Act of 2017	2,127	11,861	—
Foreign-derived intangible income deduction	(2,678)	—	—
EMEA business restructuring	2,292	—	—
Other	2,095	(532)	34
	<u>\$ 20,630</u>	<u>\$ 25,402</u>	<u>\$ 19,422</u>

The components of net deferred tax assets were as follows (in thousands):

	December 29, 2018	December 30, 2017
Deferred tax assets		
Reserves and accruals	\$ 27,991	\$ 24,315
Tax credits and net operating loss carryforwards	7,781	6,810
Property and equipment	1,360	1,382
Stock-based compensation	4,975	4,277
Gross deferred tax assets	42,107	36,784
Valuation allowance	(1,148)	(800)
Total deferred tax assets	40,959	35,984
Deferred tax liabilities		
Intangible assets	7,317	13,419
Other	668	573
Total deferred tax liabilities	7,985	13,992
Net deferred tax assets	<u>\$ 32,974</u>	<u>\$ 21,992</u>

The Company intends to continue to invest all of its unremitted foreign earnings, as well as the capital in its foreign subsidiaries, indefinitely outside of the U.S. At December 29, 2018, the Company has immaterial unremitted foreign earnings and any unrecognized deferred tax liability on these unremitted earnings would be immaterial.

The Company has foreign net operating loss carryforwards of \$3.4 million and \$0.1 million as of December 29, 2018 and December 30, 2017, respectively. The Company has state research and development credit carryforwards of \$10.7 million and \$10.1 million as of December 29, 2018 and December 30, 2017, respectively, which expire from 2027 to 2033. Under the

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Internal Revenue Code and state law, certain substantial changes in the Company's ownership could result in an annual limitation on the amount of these tax carryforwards which can be utilized in future years.

As of December 29, 2018, December 30, 2017 and December 31, 2016, the Company recorded a valuation allowance of \$1.1 million, \$0.8 million and \$0.0 million, respectively, for certain foreign deferred tax assets for which the Company believes do not meet the "more likely than not" criteria for recognition.

A summary of the Company's adjustments to its gross unrecognized tax benefits in the current year is as follows (in thousands):

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Balance at beginning of period	\$ 4,590	\$ 5,146	\$ 6,616
Increase for tax positions related to the current year	2,891	580	2,851
Increase for tax positions related to acquisition	1,493	—	—
Increase (decrease) for tax positions related to prior years	407	(523)	(4,224)
Decreases for settlements with applicable taxing authorities	(2,262)	—	—
Decreases for lapses of statute of limitations	—	(613)	(97)
Balance at end of period	\$ 7,119	\$ 4,590	\$ 5,146

During the fourth quarter of 2018, the Company finalized the purchase accounting related to its acquisition of Robopolis and recorded a \$1.5 million adjustment for uncertain pre-acquisition income tax positions in various taxing jurisdictions against goodwill. In addition, the Company recorded a charge of \$2.3 million for estimated taxes associated with a restructuring of the EMEA business during fiscal 2018. The Company accrues interest and, if applicable, penalties for any uncertain tax positions as a component of income tax expense. As of December 29, 2018, December 30, 2017 and December 31, 2016 there were no material accrued interest or penalties.

The Company is subject to taxation in the United States (federal and state) and foreign jurisdictions. The statute of limitations for examinations by the Internal Revenue Service (the "IRS") is closed for fiscal years prior to 2014. The statute of limitations for examinations by state tax authorities is closed for fiscal years prior to 2013. Federal and state carryforward attributes that were generated prior to fiscal 2014 and 2013, respectively, may still be adjusted upon examination by the federal or state tax authorities if they either have been or will be used in a period for which the statute of limitations is still open. The Company is currently under examination by the IRS for the years 2014 and 2015. There are other ongoing audits in various other jurisdictions that are not material to the Company's financial statements. The Company regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for income taxes. The Company continues to monitor the progress of ongoing discussions with tax authorities and the effect, if any, of the expected expiration of the statute of limitations in various taxing jurisdictions. The Company believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income taxes in the period such resolution occurs. Although the timing of resolution, settlement, and closure of audits is not certain, it is reasonably possible that certain U.S. federal and non-U.S. tax audits may be concluded within the next 12 months, which could increase or decrease the balance of the Company's gross unrecognized tax benefits. The Company does not expect a significant change in the amount of unrecognized tax benefits within the next 12 months. If all of the Company's unrecognized tax benefits as of December 29, 2018 were to become recognizable in the future, it would record a \$7.4 million benefit, inclusive of interest, to the income tax provision.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

17. 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 distributor and retail sales channels, as well as its on-line stores.

Geographic Information

For the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016, sales to non-U.S. customers accounted for 48.7%, 48.8% and 51.2% of total revenue, respectively.

Significant Customers

For the fiscal years ended December 29, 2018 and December 30, 2017, the Company generated 17.3% and 13.5% of total revenue from one of its retailers (Amazon), respectively. For the fiscal year ended December 31, 2016, the Company generated 12.9%, 12.3% and 10.4% of total revenue from its distributor in Japan ("SODC"), a network of affiliated European distributors ("Robopolis") and Amazon, respectively. On April 3, 2017, the Company acquired the iRobot-related distribution business of SODC, and on October 2, 2017, the Company acquired Robopolis (see Note 4).

18. Quarterly Information (Unaudited)

The following information has been derived from unaudited consolidated financial statements that, in the opinion of management, include all recurring adjustments necessary for a fair statement of such information (in thousands, except per share amounts):

	Fiscal Quarter Ended							
	December 29, 2018	September 29, 2018	June 30, 2018	March 31, 2018	December 30, 2017	September 30, 2017	July 1, 2017	April 1, 2017
Revenue	\$ 384,665	\$ 264,534	\$ 226,317	\$ 217,068	\$ 326,897	\$ 205,399	\$ 183,148	\$ 168,467
Gross profit	186,511	135,206	117,926	115,785	153,542	102,383	89,891	87,343
Net income	25,191	31,929	10,471	20,401	4,620	22,082	7,903	16,359
Diluted earnings per share	\$ 0.88	\$ 1.12	\$ 0.37	\$ 0.71	\$ 0.16	\$ 0.76	\$ 0.27	\$ 0.58

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

As required by Rule 13a-15(b) under the Exchange Act, we have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO), of the effectiveness, as of the end of the period covered by this report, of the design and operation of our "disclosure controls and procedures" as defined in Rule 13a-15(e) promulgated by the SEC under the Exchange Act. Based upon that evaluation, our CEO and our CFO concluded that our disclosure controls and procedures, as of the end of such period, were adequate and effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information was accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our principal executive and financial officers, we assessed the Company's internal control over financial reporting as of December 29, 2018, based on criteria for effective internal control over financial reporting established in *Internal Control — Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management concluded that the Company maintained effective internal control over financial reporting as of December 29, 2018 based on the specified criteria.

The effectiveness of the Company's internal control over financial reporting as of December 29, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting

During the quarter ended December 29, 2018, we have fully extended our oversight and monitoring processes that support our internal control over financial reporting to include entities acquired in the Robopolis SAS acquisition that were

exempt in the prior year. There has been no other change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION*10b51-1 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 Securities Exchange Act of 1934, as amended. We have been advised that certain of our officers and directors (including Colin Angle, Chief Executive Officer, Russell Campanello, EVP, Human Resources and Corporate Communications, Christian Cerda, Chief Operating Officer, as well as Mohamad Ali, Deborah Ellinger, Andrew Miller and Michelle Stacy, 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 Annual Report on Form 10-K 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 our 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, however, undertake no obligation to update or revise the information provided herein, including for revision or termination of an established trading plan, other than in such quarterly and annual reports.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 29, 2018.

ITEM 11. EXECUTIVE COMPENSATION

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 29, 2018.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 29, 2018.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 29, 2018.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 29, 2018.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following are filed as part of this Annual Report on Form 10-K:

1. Financial Statements

The following consolidated financial statements are included in Item 8:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at December 29, 2018 and December 30, 2017

Consolidated Statements of Income for the Years ended December 29, 2018, December 30, 2017 and December 31, 2016

Consolidated Statements of Comprehensive Income for the Years ended December 29, 2018, December 30, 2017 and December 31, 2016

Consolidated Statements of Stockholders' Equity for the Years ended December 29, 2018, December 30, 2017 and December 31, 2016

Consolidated Statements of Cash Flows for the Years ended December 29, 2018, December 30, 2017 and December 31, 2016

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

All other schedules have been omitted since the required information is not present, or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the Notes thereto.

3. Exhibits — See item 15(b) of this report below

(b) Exhibits

The following exhibits are filed as part of and incorporated by reference into this Annual Report:

<u>Exhibit Number</u>	<u>Description</u>
<u>2.1</u>	Asset Purchase Agreement, dated as of February 2, 2016, by and between the Registrant and iRobot Defense Holdings, Inc. (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on February 4, 2016 and incorporated by reference herein)
<u>2.2</u>	Share Purchase Agreement, dated as of July 25, 2017, by and among the Registrant, iRobot UK Ltd., Robopolis SAS, the shareholders of Robopolis SAS named therein, and the Shareholders' Representative named therein (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on July 26, 2017 and incorporated by reference herein)
<u>3.1(1)</u>	Form of Second Amended and Restated Certificate of Incorporation of the Registrant dated November 15, 2005
<u>3.2</u>	Amended and Restated By-laws of the Registrant (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on March 9, 2016 and incorporated by reference herein)
<u>4.1(1)</u>	Specimen Stock Certificate for shares of the Registrant's Common Stock
<u>10.1†(1)</u>	Form of Indemnification Agreement between the Registrant and its Directors and Executive Officers
<u>10.2†</u>	Form of Executive Agreement between the Registrant and certain executive officers of the Registrant, as amended (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 2, 2010 and incorporated by reference herein)
<u>10.3†(1)</u>	Employment Agreement between the Registrant and Colin Angle, dated as of January 1, 1997

- 10.4† 2005 Stock Option and Incentive Plan, as amended, and forms of agreements thereunder (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 2, 2009 and incorporated by reference herein)
- 10.5† Non-Employee Directors' Deferred Compensation Program, as amended (filed as Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2007 and incorporated by reference herein)
- 10.6 Lease Agreement between the Registrant and Boston Properties Limited Partnership for premises located at 4-18 Crosby Drive, Bedford, Massachusetts, dated as of February 22, 2007 (as amended to date) (filed as Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2017 and incorporated by reference herein)
- 10.7† Senior Executive Incentive Compensation Plan (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 2, 2011 and incorporated by reference herein)
- 10.8† Form of Deferred Stock Award Agreement under the 2005 Stock Option and Incentive Plan (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2008 and incorporated by reference herein)
- 10.9† Form of Restricted Stock Award Agreement under the 2005 Stock Option and Incentive Plan (filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2008 and incorporated by reference herein)
- 10.10# Manufacturing Services Agreement between the Registrant and Jabil Circuit, Inc., dated as of March 18, 2010 (as amended to date) (filed as Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2017 and incorporated by reference herein)
- 10.11 Amended and Restated Credit Agreement between the Registrant and Bank of America N.A., dated December 20, 2013 (filed as Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the year ended December 28, 2013 and incorporated by reference herein)
- 10.12 First Amendment to Amended and Restated Credit Agreement between the Registrant and Bank of America N.A., dated June 29, 2018 (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on July 5, 2018 and incorporated by reference herein)
- 10.13 Amended and Restated Reimbursement Agreement between the Registrant and Bank of America N.A., dated December 20, 2013 (filed as Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the year ended December 28, 2013 and incorporated by reference herein)
- 10.14 First Amendment to Amended and Restated Reimbursement Agreement between the Registrant and Bank of America N.A., dated June 29, 2018 (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on July 5, 2018 and incorporated by reference herein)
- 10.15#* Manufacturing Services Agreement between the Registrant and Kin Yat Industrial Company Limited, dated as of January 22, 2014 (as amended to date)
- 10.16† Evolution Robotics, Inc. 2007 Stock Plan and forms of agreements thereunder (filed as Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the year ended December 27, 2014 and incorporated by reference herein)
- 10.17† 2015 Stock Option and Incentive Plan and forms of agreements thereunder (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 27, 2015 and incorporated by reference herein)
- 10.18† Form of Performance-Based Restricted Stock Unit Award Agreement under the 2015 Stock Option Incentive Plan (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 2, 2016 and incorporated by reference herein)
- 10.19† iRobot Corporation 2017 Employee Stock Purchase Plan (filed as Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2017 and incorporated by reference herein)
- 10.20† iRobot Corporation 2018 Stock Option and Incentive Plan (filed as exhibit 99.1 to the Registrant's Registration Statement on Form S-8 filed on June 7, 2018 (File No. 333-225482) and incorporated by reference herein)
- 21.1* Subsidiaries of the Registrant
- 23.1* Consent of PricewaterhouseCoopers LLP
- 24.1 Power of Attorney (incorporated by reference to the signature page of this report on Form 10-K)
- 31.1* Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
- 31.2* Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
- 32.1** Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101* The following materials from the Registrant's Annual Report on Form 10-K for the year ended December 29, 2018 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) related notes to these financial statements

† Indicates a management contract or any compensatory plan, contract or arrangement.

Confidential treatment requested for portions of this document.

(1) Incorporated by reference herein to the exhibits to the Company's Registration Statement on Form S-1 (File No. 333-126907)

* Filed herewith

** Furnished herewith

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

iROBOT CORPORATION

By: /s/ Colin M. Angle
 Colin M. Angle
 Chairman of the Board,
 Chief Executive Officer and Director

Date: February 14, 2019

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Colin M. Angle and Alison Dean, jointly and severally, his or her attorney-in-fact, with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed by the following persons in the capacities indicated on February 14, 2019.

<u>Signature</u>	<u>Title(s)</u>
<u>/s/ COLIN M. ANGLE</u> Colin M. Angle	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ ALISON DEAN</u> Alison Dean	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
<u>/s/ MOHAMAD ALI</u> Mohamad Ali	Director
<u>/s/ MICHAEL BELL</u> Michael Bell	Director
<u>/s/ DEBORAH G. ELLINGER</u> Deborah G. Ellinger	Director
<u>/s/ ELISHA FINNEY</u> Elisha Finney	Director
<u>/s/ RUEYBIN KAO</u> Rueybin Kao	Director

/s/ ANDREW MILLER

Andrew Miller

Director

/s/ MICHELLE V. STACY

Michelle V. Stacy

Director

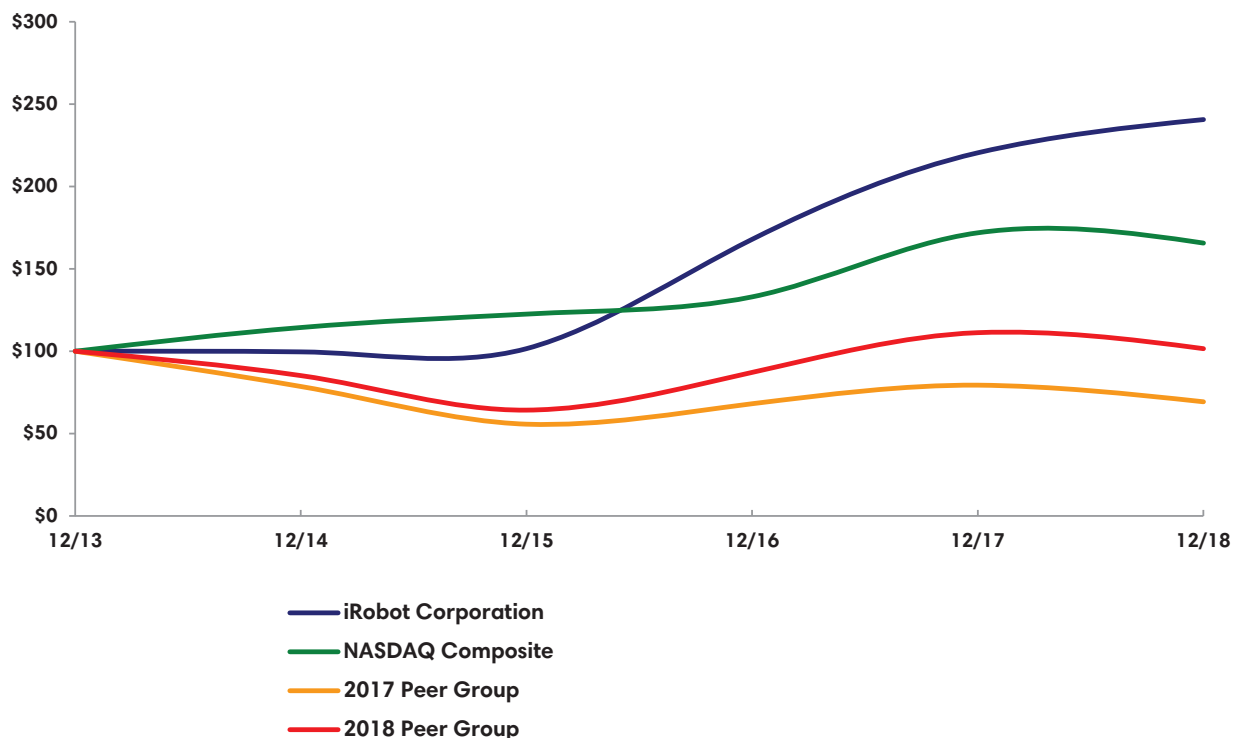
The graph below compares the cumulative 5-Year total return provided shareholders on iRobot Corporation's common stock relative to the cumulative total returns of the NASDAQ Composite index and two customized peer groups of fourteen companies in 2017 and sixteen companies in 2018. The individual companies are listed in footnotes 1 and 2 below. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our common stock, in each index and in each of the peer groups on 12/31/2013 and its relative performance is tracked through 12/31/2018.

(1.) The fourteen companies included in the company's 2017 peer group are: 3D Systems Corp, Dolby Laboratories Inc., Faro Technologies Inc., Fitbit Inc., GoPro Inc., Harmonic Inc., Logitech International Sa, Nautilus Inc., NETGEAR Inc., Novanta Inc., Plantronics Inc., TiVo Corp, Trimble Inc. and Universal Electronics Inc.

(2.) The sixteen companies included in the company's 2018 peer group are: 3D Systems Corp, Brooks Automation Inc., Coherent Inc., Dolby Laboratories Inc., Faro Technologies Inc., Fitbit Inc., Garmin Ltd, GoPro Inc., Logitech International Sa, NETGEAR Inc., Novanta Inc., Plantronics Inc., TiVo Corp, Trimble Inc., Ubiquiti Networks Inc. and Universal Electronics Inc.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among iRobot Corporation, the NASDAQ Composite Index,
2017 Peer Group and 2018 Peer Group



*\$100 invested on 12/31/13 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	12/13	12/14	12/15	12/16	12/17	12/18
iRobot Corporation	100.00	99.86	101.81	168.10	220.59	240.84
NASDAQ Composite	100.00	114.62	122.81	133.19	172.11	165.84
2017 Peer Group	100.00	78.85	55.97	68.19	79.44	69.44
2018 Peer Group	100.00	85.42	64.37	87.28	111.39	101.87

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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Legal Counsel

Goodwin Procter LLP
100 Northern Avenue
Boston, Massachusetts 02110
Phone: 617.570.1000

**Independent Registered
Public Accounting Firm**

PricewaterhouseCoopers LLP
101 Seaport Boulevard
Boston, Massachusetts 02110
Phone: 617.530.5000

Common Stock Information

Our common stock is traded on the Nasdaq
Global Select Market under the symbol "IRBT."

Investor Information

Elise P. Caffrey
SVP, Investor Relations
A copy of our financial reports, stock
quotes, news releases, SEC filings, as
well as information on our products is
available in the Investor Relations section of
www.irobot.com

Board Members

Colin M. Angle
Co-founder, Chairman of the Board and Chief
Executive Officer

Mohamad Ali
Director

Michael Bell
Director, Compensation and Talent Committee
Chair

Deborah G. Ellinger
Lead Independent Director, Nominating and
Corporate Governance Committee Chair

Elisha Finney
Director

Ruey-Bin Kao
Director

Andrew Miller
Director, Audit Committee Chair

Michelle V. Stacy
Director

Executive Team

Colin M. Angle
Chief Executive Officer

Alison Dean
Executive Vice President, Chief Financial Officer
and Treasurer

Christian Cerda
Chief Operating Officer
Russell Campanello
Executive Vice President, Human Resources and
Corporate Communications
Glen D. Weinstein
Executive Vice President, Chief Legal Officer

Tim Saeger
Executive Vice President, Engineering

iRobot Mission

Empowering People To Do More



Corporate Headquarters

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