

**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 January 1, 2022

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)*

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

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

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

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

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

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 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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 \$2.5 billion based on the last reported sale of the Common Stock on The Nasdaq Global Select Market on July 2, 2021, the last business day of the registrant's most recently completed second fiscal

quarter.

As of January 28, 2022, there were 27,028,927 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 January 1, 2022. 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 January 1, 2022**  
**TABLE OF CONTENTS**

	<u>Page</u>
<b>Part I</b>	
Item 1. <a href="#">Business</a>	3
Item 1A. <a href="#">Risk Factors</a>	12
Item 1B. <a href="#">Unresolved Staff Comments</a>	25
Item 2. <a href="#">Properties</a>	25
Item 3. <a href="#">Legal Proceedings</a>	26
Item 4. <a href="#">Mine Safety Disclosures</a>	26
<b>Part II</b>	
Item 5. <a href="#">Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	27
Item 6. <a href="#">Reserved</a>	28
Item 7. <a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	29
Item 7A. <a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	43
Item 8. <a href="#">Financial Statements and Supplementary Data</a>	45
Item 9. <a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	74
Item 9A. <a href="#">Controls and Procedures</a>	74
Item 9B. <a href="#">Other Information</a>	75
Item 9C. <a href="#">Disclosure Regarding Foreign Jurisdictions That Prevent Inspections</a>	75
<b>Part III</b>	
Item 10. <a href="#">Directors, Executive Officers and Corporate Governance</a>	75
Item 11. <a href="#">Executive Compensation</a>	75
Item 12. <a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	75
Item 13. <a href="#">Certain Relationships and Related Transactions, and Directors Independence</a>	75
Item 14. <a href="#">Principal Accounting Fees and Services</a>	75
<b>Part IV</b>	
Item 15. <a href="#">Exhibits and Financial Statement Schedules</a>	76
Item 16. <a href="#">Form 10-K Summary</a>	79

## PART I

### ITEM 1. BUSINESS

*This Annual Report on Form 10-K (this "Annual Report") contains forward-looking statements. All statements other than statements of historical facts contained in this Annual Report, 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, ability to address consumer needs, expansion of our addressable market and connected consumer base, factors for differentiation of our products, our competition, our market position, market acceptance of our products, seasonal factors, the impact of promotional activity and tariffs, efforts to refine value proposition and related results, efforts to mitigate supply chain challenges, availability of semiconductor chips, strategic alliances and product integration plans 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. Also, these forward-looking statements speak only as of the date of this Annual Report, 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, Clean Base, iRobot Genius Home Intelligence, NorthStar, Create, Clean Map, iAdapt, Home Base, Looj, Braava, Braava jet, AeroForce, AllergenLock, Better Together, PerfectEdge, Corners. Edges. And the Details in Between., Imprint, Mirra, Root, Terra, vSLAM and Virtual Wall are trademarks of iRobot Corporation (together with its subsidiaries, "iRobot", the "Company", "we", "us" or "our").*

#### Overview

iRobot is a leading global consumer robot company that designs and builds robots that empower people to do more. With over 30 years of artificial intelligence ("AI") and advanced robotics experience, we are focused on building thoughtful robots and developing intelligent home innovations that help make life better for millions of people around the world. iRobot's portfolio of home robots and smart home devices features proprietary technologies for the connected home and advanced concepts in cleaning, mapping and navigation, human-robot interaction and physical solutions. Leveraging this portfolio, we plan to add new capabilities and expand our offerings to help consumers make their homes easier to maintain, more efficient, more secure and healthier places to live.

Since our founding in 1990, we have developed the expertise necessary to design, build, sell and support durable, high-performance and cost-effective robots through the close integration of software, electronics and hardware. Our core technologies serve as reusable building blocks that we adapt and expand to create next-generation robotic platforms. We believe that this approach accelerates the time to market while also reducing the costs, time and other risks associated with product development. These capabilities are amplified by our Genius Home Intelligence ("Genius") platform, which leverages our considerable expertise and ongoing investment in AI, home understanding and machine vision technologies to provide consumers with greater control over our products, simple integration with other smart home devices, recommendations that further enhance the cleaning experience and the ability to share and transfer home knowledge across multiple iRobot robots. We believe that the capabilities within Genius will support our ability to build out a larger ecosystem that encompasses a broader range of adjacent robotic and smart home categories. We believe that our significant expertise in robot design, engineering, and smart home technologies and targeted focus on understanding and addressing consumer needs, positions us well to expand our total addressable market and capitalize on the anticipated growth in a wider range of robotic and smart home categories.

#### 2021 Highlights

Our total revenue for 2021 was \$1,565.0 million, which represents a 9.4% increase from revenue of \$1,430.4 million for 2020. Domestic revenue grew \$9.5 million, or 1.3%, and international revenue increased by \$125.1 million, or 18.2%.

Since the introduction of the Roomba robotic vacuum cleaner ("RVC") in 2002, we have sold more than 40 million consumer robots worldwide to become a global, market-leading consumer robotics innovator with a strong presence in a number of major geographic regions worldwide. In 2021, iRobot generated annual revenue of \$1.565 billion while navigating very challenging market conditions as the COVID-19 pandemic continued to impact all aspects of our business consistent with its effect across many industries. Most notably, we have faced supply chain challenges that have limited our ability to increase production to fulfill demand for our products and that resulted in higher costs to produce and ship our products. Our commitment to innovation and funding critical research and development projects continued to yield tangible results through new product launches, and new and enhanced product features and functionality:

- We launched two major upgrades of our Genius Home Intelligence platform that delivered a wider range of features and functionality to provide users with greater control for where, when and how our Roomba and Braava robots clean.

These enhancements also enabled tighter integration between our products and other smart home devices, and the ability for consumers to seamlessly transfer maps to new iRobot robots added into the home.

- We launched the Roomba j7 Series, our first Roomba designed specifically to leverage our Genius platform and our first Roomba with the ability to identify objects. Powered by Genius and featuring PrecisionVision Navigation technology, the Roomba j7 can detect, identify and avoid an expanding range of objects. We also launched the Roomba i1 Series, a lower-cost RVC that was initially sold at select retailers.
- We introduced the iRobot H1 handheld vacuum, a premium portable vacuum for cleaning hard-to-reach areas.

In November 2021, we acquired Aeris Cleantec AG ("Aeris"), a fast-growing provider of premium air purifiers. The addition of Aeris helps expand iRobot's total addressable market with a portfolio of air purifiers that we believe are differentiated by their sophisticated design, quality craftsmanship, HEPA filtration, state-of-the-art engineering and software intelligence. Other 2021 highlights included our efforts to mitigate semiconductor chip shortages that constrained production of our floor cleaning robots and address a range of supply chain challenges that resulted in higher-than-expected costs for components, raw materials and transportation. We also continued our process expanding production in Malaysia. To support the growth of our direct-to-consumer sales channel, we continued to invest in improving the online buying experience on our digital properties and enhancing our marketing systems and tools to improve our efficiency and effectiveness in targeting our connected customers. We also continued to test, refine and expand robot-related subscription services for consumers in the United States, Japan and Europe.

## Strategy



Our strategy to drive sustainable, profitable growth over the long term is focused on four concepts: innovate, get, keep and grow – all of which is enabled by our talent, operational excellence and an expansive range of data and insights about our products and the consumers who purchase them.

- **Innovate:** We are focused on maintaining our RVC category leadership and further diversifying our product portfolio into adjacent categories by continuing to fund innovation. Our investments in research and development support ongoing advances in our Genius platform by leveraging our extensive AI, home understanding and machine vision capabilities as well as developments that further enhance the design and performance of our hardware. We believe that software intelligence will be increasingly critical for differentiating our floor cleaning robots and other home innovations.
- **Get:** We ended 2021 with approximately 14.0 million connected customers who have opted into communications with us either through our Home App, email or both. As we move forward, we believe that our extensive network of retailers and distributors around the world will remain critical in enabling us to continue expanding our connected customer base.
- **Keep:** It is important that our customers are happy with the performance of our products and use them consistently. We believe that a highly satisfied iRobot customer is more likely to recommend our products to others and purchase more products and accessories directly from us over the course of their ownership. Accordingly, we plan to invest in features and functionality aimed at elevating the iRobot experience as well as in our customer care organization.
- **Grow:** An important element in our plan to drive profitable growth over the long term is increasing revenue from our existing customers. To motivate more customers to purchase our products and services more frequently directly from us, we continue to invest in enhancing the online buying experience on our website and through our Home App as well as by implementing marketing systems and tools designed to enable us to target the right customers at the right time with the right promotions. Product diversification is also strategically important to expanding existing customer

revenue. Accordingly, we plan to continue to pursue organic product development, partnerships and acquisitions that will enable us to expand our offerings and upsell and cross-sell them to our connected customers.

## Technology

Since the Roomba's introduction in 2002, we have continuously pursued innovation and introduced a wide range of powerful features and functionality that have been favorably received by customers, helped extend our consumer robot technology and category leadership, and have further expanded our product portfolio. Over the past several years, we have focused on research and development initiatives that elevate the iRobot experience by advancing overall cleaning efficacy and performance, increasing the autonomy of our products and enabling personalized control over how, when and where our robots clean. We believe that our products will continue to be increasingly differentiated by their software intelligence and are investing in our Genius platform accordingly. By leveraging our robust connectivity and cloud infrastructure through Amazon Web Services and the ever-increasing processing power in our robots, we have built a Home Knowledge Cloud that can quickly and cost-effectively support over-the-air delivery of new digital features and enhanced functionality for customers globally. This infrastructure also allows us to collect valuable performance data that helps us identify and remedy product performance issues, improve the effectiveness of our support teams, and inform our short-term and long-term product roadmaps.

Our development roadmaps are shaped by our product management teams, interactions between customers and our support teams, a wide range of consumer studies and surveys, as well as analysis of extensive performance data of our robots in the field as discussed above. We believe that our Genius platform will continue to play a key role in our ability to consistently deliver new features and functionality in our floor cleaning robots and other home innovations. We also plan to continue leveraging recent and ongoing investments in a range of technologies and interfaces, including artificial intelligence, home understanding and machine vision, that further improve cleaning efficacy, make our products easier to use and perform better, increase the trust that the user places in our products to successfully complete their missions, and tightly integrate our products into the lifestyles of our users.

## Products & Services

We sell various products designed to empower people to do more in and around their homes. We believe our home floor cleaning robots deliver compelling and unique value to customers by providing a better way to clean that frees people from repetitive, time consuming home cleaning tasks. To ensure the continued adoption of our robots, we plan to continue to invest in the digital, data and physical products necessary to further improve the robots' cleaning efficacy, deliver the requisite autonomy to complete missions without requiring user intervention, and offer personalized control over cleaning so that the robots fit seamlessly into the lifestyle of their owners. We also have taken and will continue to take steps aimed at diversifying our product portfolio, which we believe will help us increase our total addressable market, leverage our Genius platform to support a larger ecosystem of robotic and smart home offerings, and drive profitable growth over the long term. We also continue to market subscription services for our robotic floor cleaning robots, which provide subscribers with several important benefits: a lower initial out-of-pocket expense; an affordable monthly recurring membership fee for continued use of the product; dedicated customer care; accessories on demand; and extended warranty coverage.

Our products and services consist of the following offerings:

### Home Maintenance Products: Floor Care Robots

- *Roomba* – We currently offer multiple Roomba floor vacuuming robots at suggested retail price points ranging from approximately \$275 to \$1,099 based upon features and performance characteristics. Our WiFi-connected Roomba robots are powered by our Genius platform, which leverages our considerable expertise and ongoing investment in AI, home understanding and machine vision technologies to provide consumers with greater control over our products, simple integration with other smart home devices, provide recommendations to further enhance the cleaning experience and the ability to share and transfer home knowledge across multiple robots. To help ensure that our Roomba robots perform optimally, we also sell Roomba accessories and consumables, including the Clean Base® Automatic Dirt Disposal, replacement dirt disposal bags for the Clean Base, filters, brushes and batteries.
- *Braava* – We currently offer the Braava family of automatic floor mopping robots designed exclusively for hard-surface floors at suggested retail price points ranging from \$199 to \$450. Our WiFi-connected Braava robots are also powered by our Genius platform. To help ensure that our Braava robots perform optimally, we also sell Braava accessories and consumables, including cleaning solution, washable and disposable mopping pads, replacement tanks and batteries.
- *Subscription services*: We currently market several different subscription services to customers around the world. In the U.S., our iRobot Select membership program includes a premium Roomba, accessories on demand, a dedicated customer support team and an extended warranty for a monthly fee. We are also in the early stages of piloting our

Smart Care service in the U.S., which provides subscribers with Roomba or Braava accessories as needed for a monthly fee. In Japan, we market our Robot Smart Plans in which the customer pays a monthly fee as part of a three-year commitment to lease either a Roomba or Braava robot. We are also piloting a monthly rental service for certain Roomba or Braava robots through a third-party distribution partner. We also now directly offer extended warranties for our floor care robots including an option to cover accidental damage in the U.S. We expect that over the course of the coming quarters, we will gain additional knowledge and insight that will help us refine our value proposition in each geographic region, improve the overall efficiency and effectiveness of customer acquisition and optimize the customer experience.

#### Home Maintenance Products: Cleaning Products

- *H1 Handheld Vacuum* – We currently offer a powerful portable vacuum that was designed to help people clean areas that Roomba cannot easily reach. This product is currently sold directly to consumers via our digital properties at a suggested retail price of \$250. We also market accessories for this product including filters, chargers, batteries and an extension kit that converts the H1 into a stick vacuum.

#### Home Health Products: Air Purifiers

- *Aeris Air Purifiers* – With the acquisition of Aeris in November 2021, we now market a line of air purifiers under the Aeris brand at suggested retail price points ranging from \$499 to \$1,299. We also sell filters and fabric covers. During 2022, we plan to rebrand these products under the iRobot brand, start selling these directly on our digital properties and begin integrating elements of our Genius platform technology into the Aeris product portfolio to further differentiate these products.

#### Home Education Products: Coding Robots

- *Root* – We offer Root robots designed to help children learn how to code that range in price from \$129 to \$199. These products help broaden the impact of our STEM efforts and reinforce our commitment to making robotic technology more accessible to educators, students and parents.
- *Create 2* – iRobot Create 2, priced at \$199, is an affordable, preassembled mobile robot platform that provides an out-of-the-box opportunity for educators, developers and high-school and college-age students to program behaviors, sounds, movements and add additional electronics.

### **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. Consistent with our position on customer data privacy, our customer data is not accessible to third parties unless the customer affirmatively opts into the program and acknowledges that this home understanding data will be used in support of these related integrations. We are also advancing technology alliances with other smart home device companies that will help expand the capabilities of our products or enable our respective products to be integrated more tightly and thereby work together more seamlessly. Additionally, we plan to explore opportunities to forge strategic alliances that will enable us to resell complementary third-party products directly to our customers.

### **Sales and Distribution Channels**

We sell our robotic floor care products through distributor and retail sales channels, as well as the online store on our website and through our Home App. We plan to integrate the Aeris air purifier products into our channels as applicable while continuing to support existing business-to-business sales to schools, medical and dental offices and other commercial enterprises. For the fiscal years ended January 1, 2022, January 2, 2021 and December 28, 2019, sales to non-U.S. customers accounted for 51.8%, 47.9%, and 50.3% of total revenue, respectively. For the fiscal years ended January 1, 2022, January 2, 2021 and December 28, 2019, we generated 21.8%, 22.7% and 21.3% of total revenue, respectively, from one of our retailers.

In the United States, Canada, Japan and across much of Europe, we sell our consumer products primarily through a network of retailers. To support these retailers, we maintain in-house sales, marketing and product management teams. Certain smaller retail operations in these regions are supported by distributors to whom we sell our products directly. 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. Complementing our retail and distributor networks is a growing direct-to-consumer sales channel. For the fiscal years ended January 1, 2022, January 2, 2021 and December 28, 2019, direct sales to consumers accounted for 12.0%, 10.5% and 5.8% of total revenue, respectively. We ended 2021 with approximately 14 million connected customers who have opted in to our digital communications, an increase of 44% over the end of 2020.

## **Customer Service and Support**

We also provide ongoing customer service and support, which is critical to the “Keep” element of our strategy. 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. With Wi-Fi connectivity implemented across the vast majority of our floor cleaning robots, we can provide customer support directly via the iRobot HOME App, and our customer service representatives can access robot performance information remotely to identify relevant issues and behaviors to more efficiently and effectively troubleshoot and address customer questions and concerns. In addition, this connectivity enables us to provide direct marketing material, and deliver new features and enhanced functionality to robots in the field. Customer care is also an important differentiator in our robots-as-a-service offering. We believe that working closely with members of our subscription services will help elevate the utility of our floor care robots, increase overall customer satisfaction and maximize ongoing member retention.

## **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 our e-commerce channels around the world and continually improve the buying experience on our website and Home App. For consumers seeking information about our products, the iRobot website showcases our brand, allows consumers to learn more about our 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 for trouble-shooting possible issues and contacting customer support.

Our marketing strategy is to drive consumer awareness of and interest in iRobot's product portfolio and convert this interest into sales via our retail and direct-to-consumer channels. Our sales and marketing expenses represented 18.5%, 18.6% and 19.1% of our total revenue in fiscal years 2021, 2020 and 2019, respectively. We expect to continue to invest in national advertising across a range of media, direct marketing and public relations to drive consumer demand and further build brand awareness.

Marketing highlights in 2021 included continued progress to upgrade our marketing technology infrastructure and enhance the e-commerce functionality on iRobot.com and our HOME App. We also supported the launches of the iRobot Genius Home Intelligence platform, the j7 Series Roomba in the United States and Europe, and the iRobot H1 handheld vacuum as well as efforts to begin scaling our subscription services in the U.S. and Japan. Additionally, we invested to further elevate the iRobot brand and align it with our “So You Can Human” marketing campaign. Related to these specific initiatives, we have continued to fund critical marketing, advertising and public relations efforts to build demand generation in ways that amplify the iRobot and applicable product brands, generate consumer interest in our products and perpetuate customer word-of-mouth, to encourage repeat purchases by existing customers and inspire new customers to buy our products. During 2022, key marketing initiatives include moving into production with our marketing technology systems and tools in key regions around the globe, rebranding and marketing the Aeris air purification products and continuing our efforts to elevate the iRobot brand globally to support continued demand for our offerings.

## **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, our operations teams and the contract manufacturer, as well as a range of component and raw materials suppliers as appropriate. 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. Once a new product has been introduced, we focus on executing a multi-year plan to improve its profitability through a combination of higher production volume and cost-optimization initiatives.



Under our agreements with our contract manufacturers, the 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. We believe that we have taken steps to diversify our manufacturing so that overall volumes are relatively well balanced across our multiple contract manufacturers and a substantial majority of volume is dual sourced. We expect our production processes will give us the capacity to produce up to 37,000 robots a day in 2022, helping us to meet demand for peak seasons and provide us with additional greater geographical diversity and flexibility to respond to ever-changing market conditions.

We outsource the manufacturing of our consumer products to multiple contract manufacturers with plants in Southern China and Malaysia. During 2021, we continued to scale production in Malaysia by qualifying additional contract manufacturers. The COVID-19 pandemic has affected and delayed our effort to fully diversify our supply chain into Malaysia during fiscal 2021. In fiscal 2022, we plan to continue to scale and expand production in Malaysia with the goal of having the majority of our U.S. volume produced in Malaysia so that we can substantially reduce our exposure to current U.S. tariffs in 2023, and mitigate the geopolitical risks associated with concentrating production solely in China. We also continue to explore potential expansion of our manufacturing footprint into regions that will help us lower overall supply chain costs.

During 2021, we encountered many supply chain challenges driven primarily by the COVID-19 pandemic consistent with its effect across many industries, including limited availability and rising costs for semiconductor components, higher raw materials costs and increased oceanic and air transportation expenses. We anticipate that higher supply chain costs, particularly those involving oceanic transportation, will continue to impact our business during 2022 and that our access to semiconductor componentry will remain limited through at least the first half of 2022. In addition, port congestion and warehouse labor shortages have caused and are expected to continue causing shipping delays and longer-than-expected shipping times. We are implementing a range of initiatives aimed at improving our supply chain continuity and resiliency, increasing our operational efficiency and effectiveness to help us capitalize on our most promising growth prospects, and enhancing product flexibility, quality and time-to-market.

## **Research and Development**

Our research and development team develops new software and hardware products, as well as improves and enhances our existing software to address customer demands and emerging trends. We believe that our future success depends upon our ability to continue to develop new products and product accessories, and enhance and develop new applications for our existing products. For the years ended January 1, 2022, January 2, 2021 and December 28, 2019, our research and development expenses were \$161.3 million, \$156.7 million and \$141.6 million, or 10.3%, 11.0% and 11.7% 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 that will continue to address our existing and adjacent market sectors.

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

## **Competition**

The market for robots, including floor cleaning robots, is highly competitive, rapidly evolving and subject to changing technologies, shifting customer needs and expectations, with an increasing number of competitor companies and products. As the performance, functionality and features of our floor cleaning robots have advanced, we believe that consumers are increasingly willing to consider our products as replacements for their traditional vacuum cleaners and wet floor cleaning products. A number of established companies have developed robots that compete directly with our product offerings, and many of our competitors have significantly more financial and other resources than we possess. Our robot cleaning competitors include consumer electronics and consumer appliance companies such as Samsung, LG, Panasonic, Xiaomi, Cecotec, Hitachi, Electrolux, Midea 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, Roborock, Neato and iLife. In addition, several competitors market floor cleaning robots that consolidate both vacuuming and mopping in a single product. We believe that the principal competitive factors in the market for robots include product features, performance for the intended mission, total cost of system operation and overall perceived value, including maintenance and support, ease of use, integration with existing equipment, quality, reliability, brand and reputation.

The market for air purifiers is also highly competitive with an increasing number of competitors and products along with the potential for emerging technologies to disrupt the marketplace. A number of companies offer air purifiers that compete directly with ours, and many of these competitors possess greater financial strength and better access to other resources than we do. Our air purifier competitors include consumer and industrial appliance and electronics companies such as Honeywell, Dyson, Holmes and Levoit, as well as specialized home health companies that focus extensively on air purification with premium products such as Blue Air, Molekule, Alen Air, Austin Air and IQAir. We believe that the principal competitive factors in the market for air purifiers include the ability to improve air quality by removing a wide range of pollutants, measure

air quality and other features that provide greater insight into and control over the product's performance, total cost and overall perceived value, including maintenance and support, ease of use, integration with other connected devices in the home, product quality, reliability, brand and reputation.

Our ability to remain competitive will depend to a great extent upon our ongoing performance in the areas of product development, customer support, and ability to leverage our Genius platform across our products. We remain committed to funding the enhancement of our products and the development of new products, as well as investing in the various sales, marketing and support activities we believe are necessary to stimulate customer demand and maintain and improve customer satisfaction.

## **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 United States and a number of foreign countries. We currently hold a significant number of patents and have filed numerous additional patent applications. As of January 1, 2022, we held 567 U.S. patents, more than 1,000 foreign patents, additional design registrations, and have more than 450 patent applications pending worldwide. While our U.S. patents began to expire in 2021, 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, Clean Base, NorthStar, Create, Clean Map, iAdapt, Home Base, Looj, Braava, Braava jet, AeroForce, AllergenLock, Better Together, PerfectEdge, Corners. Edges. And the Details in Between., Imprint, Mirra, Root, Terra, vSLAM and Virtual Wall. Our marks iRobot, Roomba, Braava, Braava jet, Better Together, Root, Clean Base, Clean Map, Imprint, PerfectEdge, Terra, 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.

On October 15, 2019, we initiated a patent infringement lawsuit in federal district court in Massachusetts against SharkNinja Operating LLC and its related entities ("SharkNinja") for infringement of five patents for technology related to robotic vacuum cleaners. In addition, we sought a preliminary injunction against SharkNinja for infringement of three U.S. patents. SharkNinja has in parallel sought declarations of non-infringement of thirteen U.S. patents owned by iRobot. On November 26, 2019, the federal district court in Massachusetts denied iRobot's motion for a preliminary injunction, and the case is currently stayed pending the outcome of one or more appeals from decisions of the U.S. Patent Trial and Appeal Board. On January 28, 2021, we initiated litigation against SharkNinja at the U.S. International Trade Commission ("ITC") as well as in federal district court in Massachusetts based on claims of patent infringement of five additional U.S. patents related to robotic vacuum cleaners. The trial began in January 2022.

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. For the years ended January 1, 2022, January 2, 2021 and December 28, 2019, our second-half consumer product revenue represented 57.3%, 67.0% and 59.0% 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 increased marketing campaigns to support seasonal holiday demand. In fiscal years 2021, 2020 and 2019, our selling and marketing expense in the second half of the year represented 56.0%, 67.7% and 58.9% of our selling and marketing expense for full fiscal year, respectively. We expect that the majority of our revenue and selling and marketing expenses will continue to be generated in the second half of any given fiscal year unless or until we successfully introduce new products that have potential to generate stronger sales during the first half of the year.

### **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, including the General Data Protection Regulation ("GDPR") and California Consumer Privacy Act. In addition, the global nature of our business operations also creates various domestic and foreign regulatory challenges and subjects us to laws and regulations such as the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and similar anti-bribery and anti-corruption laws in other jurisdictions. Our products may be subject to U.S. export controls, including the United States Department of Commerce's Export Administration Regulations, various economic and trade sanctions regulations established by the Treasury Department's Office of Foreign Assets Controls and trade policies and tariffs established by the governments of the United States, China and other jurisdictions where we do business.

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.

### **Human Capital**

As of January 1, 2022, we had 1,372 full-time employees. Approximately 30% 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. To date, we have experienced no work stoppages and believe that we have a good relationship with our employees.

#### *Culture and Work Environment*

Over the past three decades, iRobot has created and amplified a unique culture built on fostering invention, discovery and technological exploration in the pursuit of practical and value-add robot products for the next-generation home. iRobot is committed to attracting and retaining the best and brightest talent, leveraging new perspectives, ideas, skills, languages and cultural backgrounds and providing the resources for individuals to reach their full potential. We've assembled a global team of talented, motivated and unique individuals by providing our people with opportunities to make a tangible impact in helping our company thrive while also advancing their careers. In addition, iRobot's culture is further shaped by an ongoing commitment to the future of Science, Technology, Engineering and Math ("STEM") education. This effort spans our educational robots, a range of complementary educational resources and our STEM outreach program, which is focused on engaging and inspiring

students of all ages to learn more about robotics. We communicate regularly with our employees around the world and hold periodic virtual town hall meetings and in-person forums when appropriate to help keep employees informed.

Underpinning our culture is an ongoing commitment to ensuring that our employees, customers and suppliers are treated with dignity and respect. We strive to maintain a workplace that is free from violence, harassment, intimidation and other unsafe or disruptive conditions. Our policy is to provide a safe and healthy workplace and comply with applicable safety and health laws and regulations, as well as internal requirements. Additionally, the safety and health of our employees is of paramount importance to us, particularly as we continue to navigate the direct and indirect challenges associated with the COVID-19 pandemic. Among the many actions taken to support our employees during the pandemic and protect their health and well-being, we have continued to adjust our global travel policies, maintain flexible work from home policies, and implement a wide range of sanitization and cleaning protocols to keep our offices safer. We have also offered special sick leave for employees who have, or whose family have, possible COVID-19 symptoms. During 2022, we plan to require vaccination for those employees with roles that can only be performed in our U.S. offices or for those employees, interns, contractors, partners, service providers, suppliers, and visitors who wish to conduct business in our U.S. offices. In addition, our employees proactively donated time, resources and technology to support healthcare workers on the front lines. We have also supported several COVID-19 relief initiatives, such as donating thousands of masks from our manufacturing facilities to healthcare workers, participating in a project to repurpose Roomba filters for use in personal protective equipment, and releasing numerous free online and offline learning materials for both teachers and students.

#### *Compensation, Rewards and Benefits*

In addition to competitive base salaries, we provide incentive-based compensation programs to reward performance relative to key metrics. We also provide compensation in the form of restricted stock unit grants as well as a competitive time-off policy. We offer comprehensive benefit options, including retirement savings plans, medical insurance, prescription drug benefits, dental insurance, vision insurance, life and disability insurance, health savings accounts, flexible spending accounts, and an employee stock purchase plan, among others.

We are committed to the continued development of our people. We offer opportunities for personal and technical development with programs such as our leadership training, management training, mentoring program and educational assistance. We continue to evolve our approach to attracting and retaining our talent – from having a well-defined process for hiring to continuing to enhance our compensation and benefits packages.

#### *Diversity and Inclusion*

iRobot is an inclusive organization, seeking out the best and brightest minds to help us meet the global requirements of our business. We are excited to welcome new perspectives, ideas, skills, languages and cultural backgrounds to our global iRobot family.

The iRobot community is built upon the diverse perspectives, beliefs and backgrounds of incredibly talented people from around the world who have all had a hand in shaping who we are as an organization. Strengthening diversity within our global workforce enables iRobot to bring our collective ideas together to invent a future that seamlessly fits the unique, personal and diverse needs of our global consumer base. We have and will continue to take action and hold ourselves accountable to continue to foster equality and diversity on a global scale. Each day we learn from each other, grow and evolve, seeking out new opportunities to strengthen our support for all employees and the communities in which we work. We have taken a number of actions and implemented a range of initiatives to establish an ongoing dialogue with our employees about diversity in the workplace and to help advance inclusivity in our offices.

#### *More Information*

Additional information about our efforts to make our company a great place to work, build a career and build an appealing corporate culture that prides itself on diversity and inclusion is available within the Corporate Social Responsibility section of our website as well as within the Careers section of our website.

#### **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, Switzerland and the United Kingdom. Our website address is [www.irobot.com](http://www.irobot.com). We have included our website address as an inactive textual reference only. The information on, or that can be accessed through, our website is not part of, or incorporated by reference into, this Annual Report. 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, as amended (the

"Exchange Act"), 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 (the "SEC"). Alternatively, these reports may be accessed at the SEC's website at [www.sec.gov](http://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.

##### **Risks Related to our Business and Industry**

***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. Our competition includes established, well-known sellers of floor cleaning robots such as Ecovacs, SharkNinja, Samsung, Roborock, as well as new market entrants. Many current and potential competitors are larger in size and more broadly diversified with 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 has, and may continue to, 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 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, operating efficiency and customer support.

We expect that competition will continue to intensify as additional competitors enter the market and current competitors expand their product lines. Companies competing with us have, and may continue to, 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 has resulted and will continue to 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.

Many of our competitors have demonstrated an ability to rapidly replicate new features and innovations that we have introduced into the market, and therefore are able to offer a comparable suite of product offerings at lower prices. In addition, some of our competitors aggressively discount their products and services in order to gain market share, which has resulted in pricing pressures, reduced profit margins and lost market share. 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.

***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 floor cleaning 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;
- maintain market share in our consumer market;
- attract and retain customers of our 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.

***Designing new robotic products is complex and requires significant resources, and our ability to remain competitive requires significant continued investment in tools, processes and talent.***

To remain competitive, we must increase investment in developing tools and processes to improve the speed at which we are able to develop competitive products, including significant investment in developing a reusable software architecture across multiple product platforms. The development of a reusable software architecture requires the expenditure of significant resources that may not result in the designed efficiencies. Our inability to reduce the cost to develop new products or product variants may substantially impact our ability to offer products that compete favorably.

***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. 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. In addition, increased turnover, particularly on the senior management team, with insufficient development of leadership talent and succession plans, could diminish employee confidence and increase risks for retaining key employees.

***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, data science 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.

In addition, we have experienced increased employee turnover as a result of general market conditions and the on-going "great resignation" occurring throughout the U.S. economy, and we expect to continue to experience increased employee turnover in the future. New hires require significant training and, in most cases, take significant time before they achieve full productivity. New employees may not become as productive as we expect, and we may be unable to hire or retain significant numbers of qualified individuals. Moreover, we may be forced to adjust salaries or other compensation in order to retain key talent. If our retention efforts are not successful or our team member turnover rate continues to increase in the future, our business, results of operations and financial condition could be materially and adversely affected.

***Our business has been, and will continue to be, adversely affected by the ongoing coronavirus pandemic.***

The outbreak of the novel coronavirus has evolved into a global pandemic. The coronavirus has already directly and indirectly impacted our business and operating results but the full extent of its impact will depend on future developments that are uncertain and cannot be accurately predicted, including new information that may emerge concerning the coronavirus, including any variants such as the Omicron variant, and the actions to contain the coronavirus or treat its impact, among others. The ultimate impact of the current pandemic, or any other health epidemic, is highly uncertain and subject to change not only with the spread of the disease, but also with the scope and timing of governmental, regulatory, fiscal, monetary and public health responses.

As the coronavirus continues to spread, our business operations could be further disrupted or delayed. The pandemic has already resulted in, and may continue to result in, work stoppages, slowdowns and delays, travel restrictions, event cancellation, and other factors that cause an increase in costs or order cancellations, reductions or delays. For example, our manufacturing supply chain has been and may continue to be adversely affected with production delays or limited manufacturing volumes associated with factory shutdowns or reduced numbers of workers or working hours in the factories, limits on component supplies and diminished capability to implement engineering and design changes in a timely manner. Specifically, travel restrictions have prevented, and may continue to prevent, significant progress in supply chain diversification efforts in Malaysia, which may have a material impact on our ability to mitigate the impact of certain tariffs. In addition, quarantines, stay at home orders and other travel limitations (whether voluntary or required) impede our employees' ability to efficiently conduct research and development activities or oversee manufacturing activities, which has, and may continue to, slow innovation, lead to higher costs or both. For example, we have already experienced an increase in freight costs and a delay in our supply chain

diversification efforts. Further, if the spread of the coronavirus pandemic continues and our operations continue to be adversely impacted, we risk a delay, default, violation and/or non-compliance under existing agreements.

The spread of the coronavirus, which has caused a broad impact globally, including restrictions on travel and quarantine policies put into place by businesses and governments, has had and may continue to have a material economic effect on our business. For example, the pandemic and related measures taken to limit the spread of disease has resulted in higher unemployment and greater economic uncertainty, which may adversely affect consumer purchasing behavior. Further, retail store closures, whether temporary or permanent, as well as limited operating hours and restrictions on foot traffic and maximum capacities in stores may continue to adversely affect sales of our products. Certain retailers, who we rely on for a significant portion of our revenue, have begun, and may continue, to unilaterally stretch payables to us that may increase our accounts receivable, strain our liquidity, and increase the likelihood of our failure to collect on product previously sold.

While the potential economic impact and the duration of the pandemic may be difficult to assess or predict, it has already caused, and is likely to result in further, significant disruption of global financial markets. In addition, a recession, depression or other sustained adverse market event resulting from the spread of the coronavirus could materially and adversely affect our business, our access to needed capital and liquidity, and the value of our common stock. We do not yet know the full extent of potential delays or impacts on our business, our industry or the global economy as a whole. Additionally, while significant efforts are underway to slow the spread of the disease, increase testing and develop and distribute vaccines and therapeutics, it is unclear when or whether progress in any of those areas will translate into an economic recovery that will restore consumer confidence and minimize disruptions to our operations. Accordingly, given that the potential of these effects of the current pandemic on our operations has been and will likely continue to be material, we will continue to monitor the situation closely.

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

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

***If we are not successful in expanding our direct-to-consumer sales channel by driving consumer traffic and consumer purchases through our website, our business and results of operations could be harmed.***

We are currently investing in our direct-to-consumer sales channel, primarily through our website and mobile app, and our future growth relies in part on our ability to attract consumers to this channel, which requires significant expenditures in marketing, software development and infrastructure. If we are unable to drive traffic to, and increase sales through, our website and mobile app, our business and results of operations could be harmed. The success of direct-to-consumer sales is subject to risks associated with e-commerce, many of which are outside of our control. Our inability to adequately respond to these risks and uncertainties or to successfully maintain and expand our direct-to-consumer business via our website may have an adverse impact on our results of operations.

***Our success depends nearly entirely 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 nearly entirely from sales of home floor care products. 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.

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

Efforts to expand our product offerings beyond our current markets are limited and those efforts 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. Any new product that we develop may not be introduced in a timely or cost-effective manner, may contain defects, or may not achieve the market acceptance necessary to generate sufficient revenue. Moreover, efforts to expand beyond our existing markets may never result in new products that achieve market acceptance, create additional revenue or become profitable.

On November 15, 2021, we acquired Aeris Cleantec AG, a fast-growing provider of premium air purifiers. This acquisition represents our first major expansion of product offerings beyond consumer robotics. Air purifiers represent a new market segment for us and is subject to intense competition.

Our success in the air purifier market will depend on a number of factors including our ability to develop innovative solutions, integrate those solutions into our home ecosystem, and market and sell those solutions to our existing and new customers. Establishing a new market segment will require significant investment in R&D and sales & marketing in the near term. These investments may not be successful, and our revenue and profitability may suffer.

If the air purifier business – or any other business we acquire – does not perform as expected or we are unable to effectively integrate the acquired business into our operations or achieve the expected synergies of the acquisition, our operating results could be harmed. Expansion into new market segments involve risks and uncertainties, including, among other things, potential distraction of management from our core robotic floorcare business, greater than expected liabilities and expenses, inadequate return on capital, and unidentified issues not discovered in our investigations and evaluations of those acquisitions.

***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 January 1, 2022, January 2, 2021 and December 28, 2019, sales and marketing expenses were \$289.8 million, \$265.5 million and \$231.5 million, respectively, representing approximately 18.5%, 18.6%, and 19.1% 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.

***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 increases. 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.



## Risks Related to our Dependence on Third Parties and Distribution Channels

***We depend on a limited number of manufacturers, and our reputation and results of operations would be harmed if these manufacturers fail to meet our requirements.***

We depend on a limited number of manufacturers, employing a dual-source strategy to mitigate potential manufacturing disruptions, and we have safety stock strategies for low-volume products that are not dual sourced. The majority of our contract manufacturing locations for our robots are currently located in China and we added additional manufacturing capacity in Malaysia in late 2019, and we have continued to expand production in Malaysia. Our efforts to diversify manufacturing outside of China has been, and may continue to be, materially impacted as a result of COVID-19 and related travel restrictions. These manufacturers manage the supply chain for 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, there would be a disruption in manufacturing 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.

We are dependent on a limited number of suppliers for various components used in our products, and we may from time to time have sole source suppliers. The cost, quality and availability of these components are essential to the successful production and sale of our products. We are subject to the risk of, and have already experienced, industry-wide shortages, price fluctuations and long lead times in the supply of these components and other materials, which risk may be increased as a result of COVID-19. If the supply of these components were to be delayed or constrained, or if one or more of our main suppliers were to go out of business, alternative sources or suppliers may not be available on acceptable terms or at all. In the event that any of our suppliers were to discontinue production of our key product components, developing alternate sources of supply for these components would be time consuming, difficult and costly. In the event we are unable to obtain components in sufficient quantities on a timely basis and on commercially reasonable terms, our ability to sell our products in order to meet market demand would be affected and could materially and adversely affect our brand, image, business prospects, financial condition and operating results.

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, because our purchase contracts with suppliers are typically denominated in U.S. dollars, changes in currency exchange rates may impact our suppliers who operate in local currency, which may cause our suppliers to seek price concessions on future orders.

***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 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.

***Conflicts with our channel and distribution partners could harm our business and operating results.***

The expansion of our direct-to-consumer channel could alienate some of our channel partners and cause a reduction in product sales from these partners. Channel partners may perceive themselves to be at a disadvantage based on the direct-to-consumer sales offered through our website. Due to these and other factors, conflicts in our sales channels could arise and cause channel partners to divert resources away from the promotion and sale of our products. Any of these situations could adversely impact our business and results of operations.

***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.

**Risks Related to our Legal and Regulatory Environment**

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

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

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

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

On October 4, 2021, the USTR announced its decision to establish a new process for importers to apply for exclusions from Section 301 tariffs in 549 product categories, including robotic vacuum cleaners. Beginning October 12, 2021, the USTR started accepting comments on whether or not reinstating certain tariff exclusions will impact or result in severe economic harm to companies or other interests of the United States. On October 21, 2021, we submitted comments related to the continued application of tariffs on robotic vacuum cleaning products. We cannot say definitively when, or even if, iRobot will be granted additional tariff relief on our products still manufactured in China, nor can we guarantee the terms upon which any tariff relief ultimately may be granted. In addition, our new air purification products are also subject to 25% Section 301 tariffs. We did not submit comments related to the continued application of tariffs on certain air purification products; however, a number of

importers did submit such comments, and we believe any grant of tariff relief would also likely extend to our importation of air purification products.

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

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

***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 January 1, 2022, January 2, 2021 and December 28, 2019 generated approximately 51.8%, 47.9% and 50.3%, 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 foreign currency fluctuations may make our products more expensive to our distributors and end customers, which in turn may impact sales directly or the ability or willingness of our 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 only 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, 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 United States 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. In addition, our recently acquired air purifier business subjects us to additional laws and regulations, such as the Federal Food, Drug, and Cosmetic Act, or FD&C Act, the Federal Insecticide, Fungicide and

Rodenticide Act, the U.S. Toxic Substances Control Act of 1976, U.S. Department of Energy Efficiency regulations, and various similar state and foreign country laws and regulations related to health and safety and other applicable laws required to manufacture, commercialize, sell or distribute air purification products. In the U.S., certain air purifiers intended for medical use are regulated as medical devices and are subject to regulation by the U.S. Food and Drug Administration, or FDA, under the FD&C Act and its implementing regulations. The FDA regulates, among other things, premarket clearance, establishment registration and device listing, manufacturing, packaging, labeling, servicing, recordkeeping, advertising, promotion, distribution, recalls and field actions, post-marketing monitoring and reporting. In order to commercially distribute certain air purifiers, we will be required to submit a premarket notification, or 510(k), to the FDA and obtain 510(k) clearance.

We are also subject to a variety of laws and regulations regarding information security and privacy. For example, the European Union's ("EU") General Data Protection Regulation ("GDPR") and the California Consumer Privacy Act, or new interpretations of existing laws and regulations, impose significant requirements on how we collect, process and transfer personal data, as well as significant fines for non-compliance. These current and future data privacy laws and regulations may impede our initiatives designed to deliver targeting marketing.

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.

***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 determine 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.

***We may incur costs in complying with changing tax laws in the United States and abroad, which could adversely impact our cash flow, financial condition and results of operations.***

We are a U.S.-based company subject to taxes in multiple U.S. and foreign tax jurisdictions. Our profits, cash flow and effective tax rate could be adversely affected by changes in the tax rules and regulations in the jurisdictions in which we do business, unanticipated changes in statutory tax rates and changes to our global mix of earnings.

***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 Asian markets, and Canada. For the fiscal years ended January 1, 2022, January 2, 2021 and December 28, 2019, sales to non-U.S. customers accounted for 51.8%, 47.9% and 50.3% 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 to customers outside the United States are primarily denominated in Euro and Japanese Yen and 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.

The United Kingdom's exit from the EU, commonly referred to as "Brexit," has caused significant political and economic uncertainty in the United Kingdom, EU, and elsewhere. The impact of Brexit and the resulting turmoil on the political and economic future of the United Kingdom and the EU is uncertain, and we may be adversely affected in ways we cannot currently anticipate. The United Kingdom and the EU have signed a EU-UK Trade and Cooperation Agreement (the "TCA"), which became provisionally applicable on January 1, 2021 and will become formally applicable once ratified by both the United Kingdom and the EU. The ultimate effects of Brexit will depend, in part, on how the terms of the TCA take effect in practice and on any other agreements the United Kingdom may make with the EU. Brexit also may result in significant changes in the British regulatory environment, now that legislation can diverge from EU legislation in many areas, which could increase our compliance costs. We may find it more difficult to conduct business in the United Kingdom and the EU, as Brexit will result in increased regulatory complexity and increased restrictions on the movement of capital, goods and personnel. Any of these effects of Brexit, and other similar referenda that we cannot anticipate, could disrupt our operations and adversely affect our operating results.

***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. For example, the COVID-19 pandemic has disrupted and will continue to disrupt our supply chain and manufacturers, resulting in a disruption in manufacturing our products as further discussed in the risk factors entitled "*We depend on a limited number of manufacturers, and our reputation and results of operations would be harmed if these manufacturers fail to meet our requirements*" below and "*Our business has been, and will continue to be, adversely affected by the ongoing coronavirus pandemic*" above.

***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.

**Risks related to our Intellectual Property and Technology**

***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, on October 15, 2019, we initiated a patent infringement lawsuit in federal district court in Massachusetts against SharkNinja Operating LLC and its related entities ("SharkNinja") for infringement of five patents for technology related to robotic vacuum cleaners. In addition, we sought a preliminary injunction against SharkNinja for infringement of three U.S. patents. SharkNinja has in parallel sought declarations of non-infringement of thirteen U.S. patents owned by iRobot. On November 26, 2019, the federal district court in Massachusetts denied iRobot's motion for a preliminary injunction. On January 28, 2021, we initiated litigation against SharkNinja at the U.S. International Trade Commission ("ITC") as well as in federal district court in Massachusetts based on claims of patent infringement of five additional U.S. patents, and on January 5-12, 2022 the ITC held a trial on four of those patents and a final determination has not been made.

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.

In addition, in the United States certain of our patents have been, and may continue to be, challenged by inter parte review or opposition proceedings. If our patents are subjected to inter parte review or opposition proceedings, we may incur significant costs to defend them. Further, our failure to prevail in any such proceedings could limit the patent protection available for our innovations.

***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.***

In the past we have faced 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.

***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, distributed denial-of-service attacks, ransomware, 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. These threats may be increased due to the work-from-home policies implemented by us and our customers, suppliers and distributors as a result of mitigation measures related to the COVID-19 pandemic. 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. Our cyber insurance may not protect against all of the costs and liabilities arising from a cyber attack.

***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 operate our business in jurisdictions where intellectual property theft or compromise is common.***

Currently, we maintain significant operations in China, where a majority of our products are manufactured. Subject to contractual confidentiality obligations, we are required to share significant product design materials with third-parties necessary for the design and manufacture of our products. We cannot be sure that our data or intellectual property will not be compromised through cyber-intrusion, theft or other means, particularly when the data or intellectual property is held by partners in foreign jurisdictions. Should our intellectual property be compromised, it may be difficult to enforce our rights in China and other foreign jurisdictions in which we operate.

***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 floor cleaning robots, 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 ("EU") General Data Protection Regulation ("GDPR") and the California Consumer Privacy Act impose significant 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 a similar law became effective in China in November 2021. If other countries 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.

***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 have and may continue to 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.

#### **Risks Related to Ownership of our Common Stock**

***The market price of our common stock may fluctuate significantly.***

The market price of our common stock has at times experienced substantial price volatility as a result of variations between our actual and anticipated financial results, announcements by us and our competitors, projections or speculation about our business or that of our competitors by the media or investment analysts or uncertainty about current global economic conditions. The stock market, as a whole, also has experienced extreme price and volume fluctuations that have affected the market price of the common stock of many technology companies in ways that may have been unrelated to such companies' operating performance. In addition, the market price of our common stock may be, and we believe recently has been, significantly impacted by investors covering large short positions in our common stock. Furthermore, we believe the market



price of our common stock should reflect future growth and profitability expectations. If we fail to meet these expectations, the market price of our common stock may significantly decline.

In addition, there are many other factors that may cause the market price of our common stock to fluctuate, including:

- actual or anticipated variations in our quarterly operating results, including fluctuations resulting from changes in foreign exchange rates or acquisitions by us, or the quarterly financial results of companies perceived to be similar to us;
- deterioration and decline in general economic, industry and/or market conditions;
- announcements of technological innovations or new products or services by us or our competitors;
- changes in estimates of our financial results or recommendations by market analysts;
- announcements by us or our competitors of significant projects, contracts, acquisitions, strategic alliances or joint ventures; and
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt.

***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, pandemics, labor disruptions or other factors beyond our control, including COVID-19;
- 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 and tariffs;
- 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.

***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.

#### **General Risk Factors**

***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 the 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 270,000 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. See [Footnote 13](#) to our consolidated financial statements for a description of certain of our legal proceedings.

**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 28, 2022, there were approximately 27,028,927 shares of our common stock outstanding held by approximately 174 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.

#### **Securities Authorized for Issuance Under Equity Compensation Plans**

Information about our equity compensation plans is incorporated herein by reference to Item 12 of Part III of this Annual Report on Form 10-K.

**ITEM 6. [RESERVED]**

Not Applicable.

**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 (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, ability to address consumer needs, the expansion of our addressable market, factors for differentiation of our products, product integration plans, our consumer robots, our competition, our strategy, our market position, market acceptance of our products, seasonal factors, revenue recognition, our profits, growth of our revenues, composition of our revenues, our cost of revenues, units shipped, average selling prices, the impact of promotional activity and tariffs, 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, efforts to mitigate supply chain challenges, availability of semiconductor chips, 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. With over 30 years of artificial intelligence ("AI") and advanced robotics experience, we are focused on building thoughtful robots and developing intelligent home innovations that help make life better for millions of people around the world. iRobot's portfolio of home robots and smart home devices features proprietary technologies for the connected home and advanced concepts in cleaning, mapping and navigation, human-robot interaction and physical solutions. Leveraging this portfolio, we plan to add new capabilities and expand our offerings to help consumers make their homes easier to maintain, more efficient, more secure and healthier places to live.

Since our founding in 1990, we have developed the expertise necessary to design, build, sell and support durable, high-performance and cost-effective robots through the close integration of software, electronics and hardware. Our core technologies serve as reusable building blocks that we adapt and expand to create next-generation robotic platforms. We believe that this approach accelerates the time to market, while also reducing the costs, time and other risks associated with product development. These capabilities are amplified by our Genius platform, which leverages our considerable expertise and ongoing investment in AI, home understanding and machine vision technologies to provide consumers with greater control over our products, simple integration with other smart home devices, recommendations that further enhance the cleaning experience and the ability to share and transfer home knowledge across multiple iRobot robots. We believe that the capabilities within Genius will support our ability to build out a larger ecosystem that encompasses a broader range of adjacent robotic and smart home categories. We believe that our significant expertise in robot design, engineering, and smart home technologies and targeted focus on understanding and addressing consumer needs, positions us well to expand our total addressable market and capitalize on the anticipated growth in a wider range of robotic and smart home categories.

Our total revenue for 2021 was \$1,565.0 million, which represents a 9.4% increase from revenue of \$1,430.4 million for 2020. Domestic revenue grew \$9.5 million, or 1.3%, and international revenue increased by \$125.1 million, or 18.2%.

Since the introduction of the Roomba robotic vacuum cleaner ("RVC") in 2002, we have sold more than 35 million consumer robots worldwide to become a global, market-leading consumer robotics innovator with a strong presence in a number of major geographic regions worldwide. In 2021, iRobot generated annual revenue of \$1,565.0 million while navigating very challenging market conditions as the COVID-19 pandemic continued to impact all aspects of our business. Most notably, we have faced supply chain challenges that have limited our ability to increase production to fulfill demand for our products, increased our costs to produce and ship our products and expanded the delivery timeframes required to fulfill orders.

Our commitment to innovation and funding critical research and development projects continued to yield tangible results through new product launches, and new and enhanced product features and functionality:

- We launched two major upgrades of our Genius platform that delivered a wider range of features and functionality to provide users with greater control for where, when and how our Roomba and Braava robots clean. These enhancements also enabled tighter integration between our products and other smart home devices, and the ability for consumers to seamlessly transfer maps to new iRobot robots added into the home.
- We launched the Roomba j7 Series, our first Roomba designed specifically to leverage our Genius platform and our first Roomba with the ability to identify objects. Powered by Genius and featuring PrecisionVision Navigation technology, the Roomba j7 can detect, identify and avoid an expanding range of objects. We also launched the Roomba i1 Series, a lower-cost RVC that was initially sold at select retailers.
- We introduced the iRobot H1 handheld vacuum, a premium portable vacuum for cleaning hard-to-reach areas.

In November 2021, we acquired Aeris, a fast-growing provider of premium air purifiers. The addition of Aeris helps expand iRobot's total addressable market with a portfolio of air purifiers that we believe are differentiated by their sophisticated design, quality craftsmanship, HEPA filtration, state-of-the-art engineering and software intelligence. Other 2021 highlights included our efforts to mitigate semiconductor chip shortages that constrained production of our floor cleaning robots and address a range of supply chain challenges that resulted in higher-than-expected costs for components, raw materials and transportation. We also continued our process expanding production in Malaysia. To support the growth of our direct-to-consumer sales channel, we continued to invest in improving the online buying experience on our digital properties and enhancing our marketing systems and tools to improve our efficiency and effectiveness in targeting our connected customers. We also continued to test, refine and expand robot-related subscription services for consumers in the United States, Japan and Europe.

#### **COVID-19**

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus ("COVID-19") to be a global pandemic. Since then, COVID-19 has caused significant economic disruption directly and indirectly. In an effort to slow the spread of COVID-19 and improve the health and well-being of its citizens, governments around the world have implemented and continue to implement various measures, including travel restrictions, closure of non-essential businesses, border closures, vaccination-related mandates and social distancing. These actions have altered macroeconomic conditions, created recession-like environments and contributed to rising inflation, which has impacted retailers and consumers around the world. While consumer demand for our Roomba and Braava robots remained robust during 2021, COVID-19 has compounded a myriad of supply chain challenges, ranging from limited availability of certain semiconductor chips and rising component, raw materials and transportation costs. These challenges impacted revenue and profitability during 2021 and are expected to continue at least through the first half of 2022.

Among the many actions taken to support our employees during the pandemic, we have continued to adjust our global travel policies, maintain flexible work from home policies, and implement a wide range of sanitization and cleaning protocols to keep our offices safer. During 2022, we plan to continue to evolve our workplace policies in order to help safeguard the health and maximize the productivity of our workforce.

#### **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. As used in this Annual Report on Form 10-K, "fiscal 2021" refers to the 52-week fiscal year ending January 1, 2022, "fiscal 2020" refers to the 53-week fiscal year ended January 2, 2021, and "fiscal 2019" refers to the 52-week fiscal year ended December 28, 2019.

### Key Financial Metrics and Non-GAAP Financial Measures

In addition to the measures presented in our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), we use the following key metrics, including non-GAAP financial measures, to evaluate and analyze our core operating performance and trends, and to develop short-term and long-term operational plans. The most directly comparable financial measures calculated under U.S. GAAP are Gross Profit and Operating (Loss) Income. In the fiscal years 2021, 2020 and 2019, we had Gross Profit of \$550,299, \$670,229 and \$543,927, respectively, and Operating (Loss) Income of (\$1,100), \$146,322, and \$86,618, respectively. A summary of key metrics and certain non-GAAP financial measures for the fiscal years 2021, 2020 and 2019, is as follows:

	Fiscal Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
	(dollars in thousands, except average gross selling prices) (unaudited, except for total revenue)		
Total Revenue	\$ 1,564,987	\$ 1,430,390	\$ 1,214,010
Non-GAAP Gross Profit	\$ 552,573	\$ 637,174	\$ 557,134
Non-GAAP Gross Margin	35.3 %	44.5 %	45.9 %
Non-GAAP Operating Income	\$ 38,256	\$ 149,674	\$ 125,818
Non-GAAP Operating Margin	2.4 %	10.5 %	10.4 %
Total robot units shipped (in thousands)	5,602	5,494	4,989
Average gross selling prices for robot units	\$ 332	\$ 318	\$ 310

Our non-GAAP financial measures reflect adjustments based on the following items. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations from these results should be carefully evaluated.

*Amortization of acquired intangible assets:* Amortization of acquired intangible assets consists of amortization of intangible assets including completed technology, customer relationships, and reacquired distribution rights acquired in connection with business combinations.

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

*Net Merger, Acquisition and Divestiture (Income) Expense:* Net merger, acquisition and divestiture (income) expense primarily consists of transaction fees, professional fees, and transition and integration costs directly associated with mergers, acquisitions and divestitures. It also includes business combination adjustments after the measurement period has ended.

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

*IP Litigation Expense, Net:* IP litigation expense, net relates to legal costs incurred to litigate patent, trademark, copyright and false advertising infringements, or to oppose or defend against interparty actions related to intellectual property. Any settlement payment or proceeds resulting from these infringements are included or netted against the costs.

*Gain/Loss on Strategic Investments:* Gain/loss on strategic investments includes fair value adjustments, realized gains and losses on the sales of these investments and losses on the impairment of these investments.

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

*Income tax adjustments:* Income tax adjustments include the tax effect of the non-GAAP adjustments, calculated using the appropriate statutory tax rate for each adjustment. We reassess the need for any valuation allowance recorded based on the non-GAAP profitability and have eliminated the effect of the valuation allowance recorded in the U.S. jurisdiction. We also exclude certain tax items, including impact from stock-based compensation windfalls/shortfalls, that are not reflective of income tax expense incurred as a result of current period earnings.



We exclude these items from our non-GAAP measures to facilitate an evaluation of our current operating performance and comparisons to our past operating performance. These items may vary significantly in magnitude or timing and do not necessarily reflect anticipated future operating activities. In addition, we believe that providing these non-GAAP measures affords investors a view of our operating results that may be more easily compared with our peer companies.

The following table reconciles gross profit, operating (loss) income, net income and net income per share on a GAAP and non-GAAP basis for the fiscal years ended January 1, 2022, January 2, 2021 and December 28, 2019:

	Fiscal Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
	(in thousands, except per share amounts)		
GAAP Gross Profit	\$ 550,299	\$ 670,229	\$ 543,927
Amortization of acquired intangible assets	1,223	1,920	11,721
Stock-based compensation	1,321	1,511	1,486
Tariff refunds	(270)	(36,486)	—
Non-GAAP Gross Profit	<u>\$ 552,573</u>	<u>\$ 637,174</u>	<u>\$ 557,134</u>
Non-GAAP Gross Margin	35.3 %	44.5 %	45.9 %
GAAP Operating (Loss) Income	\$ (1,100)	\$ 146,322	\$ 86,618
Amortization of acquired intangible assets	2,253	2,912	12,772
Stock-based compensation	21,694	29,975	23,744
Tariff refunds	(270)	(36,486)	—
Net merger, acquisition and divestiture expense (income)	2,059	(566)	466
IP litigation expense, net	13,464	5,444	2,218
Restructuring and other	156	2,073	—
Non-GAAP Operating Income	<u>\$ 38,256</u>	<u>\$ 149,674</u>	<u>\$ 125,818</u>
Non-GAAP Operating Margin	2.4 %	10.5 %	10.4 %
GAAP Net Income	\$ 30,390	\$ 147,068	\$ 85,300
Amortization of acquired intangible assets	2,253	2,912	12,772
Stock-based compensation	21,694	29,975	23,744
Tariff refunds	(270)	(36,486)	—
Net merger, acquisition and divestiture expense (income)	2,059	(1,241)	466
IP litigation expense, net	13,464	5,444	2,218
Restructuring and other	156	2,073	—
Gain on strategic investments	(30,063)	(43,817)	(8,904)
Income tax effect	(1,969)	12,651	(11,576)
Non-GAAP Net Income	<u>\$ 37,714</u>	<u>\$ 118,579</u>	<u>\$ 104,020</u>
GAAP Net Income Per Diluted Share	\$ 1.08	\$ 5.14	\$ 2.97
Dilutive effect of non-GAAP adjustments	0.26	(1.00)	0.65
Non-GAAP Net Income Per Diluted Share	<u>\$ 1.34</u>	<u>\$ 4.14</u>	<u>\$ 3.62</u>

### Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. Our estimates and assumptions are based on historical experience and various other factors that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from our estimates.

The accounting policies, methods and estimates used to prepare our financial statements are described in Note 2 Summary of Significant Accounting Policies of Notes to Consolidated Financial Statements in this Annual Report. We consider the following accounting policies to be those that are most important to the portrayal of our financial condition and that require a higher degree of judgment:

- revenue recognition and
- accounting for income taxes.

### ***Revenue Recognition***

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. Revenue is allocated to distinct performance obligations and is recognized net of allowances for returns and other credits and incentives. Revenue is recognized only to the extent that it is probable that a significant reversal of revenue will not occur and when collection is considered probable.

Frequently, our contracts with customers contain multiple promised goods or services. Such contracts may include any of the following, the consumer robot, downloadable app, cloud services, potential future unspecified software upgrades, premium customer care and extended warranties. For these contracts, we account for the promises separately as individual performance obligations if they are distinct. Performance obligations are considered distinct if they are both capable of being distinct and distinct within the context of the contract. In determining whether performance obligations meet the criteria for being distinct, we consider a number of factors, such as the degree of interrelation and interdependence between obligations, and whether or not the good or service significantly modifies or transforms another good or service in the contract. Our consumer robots are highly dependent on, and interrelated with, the embedded software and cannot function without the software. As such, the consumer robots are accounted for as a single performance obligation. We have determined that the app, cloud services and potential future unspecified software upgrades represent one performance obligation to the customer to enhance the functionality and interaction with the robot (referred to collectively as "Cloud Services"). Other services and support are considered distinct and therefore are treated as separate performance obligations.

### ***Significant Judgments***

Our contracts with customers may contain multiple promises to transfer products and services as described above. Determining whether products and services are considered distinct may require significant judgment.

Determining the standalone selling price ("SSP") for each distinct performance obligation requires judgment. We allocate revenue to all distinct performance obligations based on their relative SSPs. When available, we use observable prices to determine SSPs. When observable prices are not available, SSPs are established that reflect our best estimates of what the selling prices of the performance obligations would be if they were sold regularly on a stand-alone basis. Our process for estimating SSPs without observable prices considers multiple factors that may vary depending upon the facts and circumstances related to each performance obligation including, market data or the estimated cost of providing the products or services.

Determining the revenue recognition period for services requires judgment. The transaction price allocated to the Cloud Services is deferred and recognized on a straight-line basis over the estimated term of the Cloud Services. Other services and support are recognized over their service periods.

Estimating variable consideration such as product returns and sales incentives requires judgment. We provide limited rights of returns for direct-to-consumer sales generated through its online stores and certain resellers and distributors. We record an allowance for product returns based on specific terms and conditions included in the customer agreements or based on historical experience and our expectation of future returns. In addition, we may provide other credits or incentives which are accounted for as variable consideration when estimating the amount of revenue to recognize. Where appropriate, these estimates take into consideration relevant factors such as our historical experience, current contractual requirements, specific known market events and forecasted inventory level in the channels. Returns and credits are estimated at the time of sale and updated at the end of each reporting period as additional information becomes available. We regularly evaluate the adequacy of our estimates for product returns and other credits and incentives. Future market conditions and product transitions may require us to take action to change such programs and related estimates. When the variables used to estimate these reserves change, or if actual results differ significantly from the estimates, we would be required to increase or reduce revenue to reflect the impact.

### ***Accounting for Income Taxes***

We are subject to income taxes in the United States and other foreign jurisdictions. Significant judgment is required in determining our provision for income taxes, and income tax assets and liabilities, including evaluating uncertainties in the application of accounting principles and complex tax laws.

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.

We report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. We evaluate uncertain tax positions on a quarterly basis and consider factors that include, but are not limited to, changes in tax law, measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, information obtained during in process audit activities and changes in facts or circumstances related to a tax provision.

## Overview of Results of Operations

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

	Fiscal Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Revenue	\$ 1,564,987	\$ 1,430,390	\$ 1,214,010
Cost of revenue:			
Cost of product revenue	1,013,465	758,241	658,362
Amortization of acquired intangible assets	1,223	1,920	11,721
Total cost of revenue	<u>1,014,688</u>	<u>760,161</u>	<u>670,083</u>
Gross profit	550,299	670,229	543,927
Operating expenses:			
Research and development	161,331	156,670	141,607
Selling and marketing	289,848	265,475	231,548
General and administrative	99,190	100,770	83,103
Amortization of acquired intangible assets	1,030	992	1,051
Total operating expenses	<u>551,399</u>	<u>523,907</u>	<u>457,309</u>
Operating (loss) income	(1,100)	146,322	86,618
Other income, net	29,384	41,593	12,215
Income before income taxes	28,284	187,915	98,833
Income tax (benefit) expense	(2,106)	40,847	13,533
Net income	<u>\$ 30,390</u>	<u>\$ 147,068</u>	<u>\$ 85,300</u>

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

	Fiscal Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Revenue	100.0 %	100.0 %	100.0 %
Cost of revenue:			
Cost of product revenue	64.8	53.0	54.2
Amortization of acquired intangible assets	0.1	0.1	1.0
Total cost of revenue	<u>64.9</u>	<u>53.1</u>	<u>55.2</u>
Gross margin	35.1	46.9	44.8
Operating expenses:			
Research and development	10.3	11.0	11.7
Selling and marketing	18.5	18.6	19.1
General and administrative	6.3	7.0	6.8
Amortization of acquired intangible assets	0.1	0.1	0.1
Total operating expenses	<u>35.2</u>	<u>36.7</u>	<u>37.7</u>
Operating (loss) income	(0.1)	10.2	7.1
Other income, net	1.9	3.0	1.0
Income before income taxes	1.8	13.2	8.1
Income tax (benefit) expense	(0.1)	2.9	1.1
Net income	<u>1.9 %</u>	<u>10.3 %</u>	<u>7.0 %</u>

## Comparison of Years Ended January 1, 2022, January 2, 2021 and December 28, 2019

### Revenue

We primarily derive our revenue from product sales through distributor and retail sales channels, as well as the online store on our website and through our Home app. We recognize revenue upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services.

The following table shows revenue for fiscal years 2021, 2020 and 2019 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2021 vs. 2020	\$ Change 2020 vs. 2019
	January 1, 2022	January 2, 2021	December 28, 2019		
Revenue	\$ 1,564,987	\$ 1,430,390	\$ 1,214,010	\$ 134,597	\$ 216,380

#### Year ended January 1, 2022 as compared to the year ended January 2, 2021

Revenue increased 9.4% to \$1,565.0 million in fiscal 2021 from \$1,430.4 million in fiscal 2020. Despite ongoing semiconductor chip constraints and shipping delays that impacted our ability to fulfill orders in fiscal 2021 during the holiday season, revenue increased \$134.6 million, which was primarily attributable to a 4.4% increase in average gross selling price and a 2.0% increase in units shipped in fiscal 2021, as compared to fiscal 2020. The increase in average gross selling price was primarily driven by a 15.4% growth in sales of our mid and premium tier floor cleaning robots. In fiscal 2021, international revenue increased \$125.1 million, or 18.2% due primarily to 21.9% growth in EMEA and a 15.2% increase in Japan, while domestic revenue increased \$9.5 million, or 1.3%. Our direct-to-consumer revenue growth of 24.2% to \$187.4 million, or 12.0% of total revenue, reflected continued expansion of this channel as we invested in enhancing the online buying experience and upgrading our digital marketing capabilities.

#### Year ended January 2, 2021 as compared to the year ended December 28, 2019

Revenue increased 17.8% to \$1,430.4 million in fiscal 2020 from \$1,214.0 million in fiscal 2019. Although the initial impact of the COVID-19 pandemic on our sales and manufacturing supply chain activities during the first quarter of 2020 resulted in a revenue decline, demand for our robots increased substantially during the remainder of fiscal 2020 as maintaining a clean home took on greater prominence during the pandemic. We saw significant growth in our direct-to-consumer sales generating 11% of total fiscal 2020 revenue, up from approximately 6% in 2019. The increase in revenue was primarily driven by strong demand with a 10.1% increase in total units shipped in fiscal 2020 as compared to fiscal 2019. Units shipped increased to approximately 5.5 million units compared to approximately 5.0 million units in fiscal 2019. In fiscal 2020, domestic revenue increased \$141.0 million, or 23.4%, while international revenue increased \$75.4 million, or 12.3%, as compared to fiscal 2019. The international revenue growth was driven by increases in revenue from Japan and EMEA of 20% and 8%, respectively, compared to 2019.

### Cost of Product Revenue

Cost of product revenue primarily consists of product cost, including costs of our contract manufacturers for production and component product costs, inbound and outbound freight, import duties, tariffs, logistics and fulfillment costs, manufacturing and tooling equipment depreciation, hosting costs and warranty cost. In addition, we include other expenses associated with supply chain logistics including personnel-related expenses of salaries and related costs. We outsource the manufacture of our products to contract manufacturers in southern China and began to diversify our supply chain by adding manufacturing capacity in Malaysia starting November 2019. During 2021, we continued to scale production in Malaysia by qualifying additional contract manufacturers. While labor costs in these regions 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, especially with supply chain challenges driven by the COVID-19 pandemic. In addition, because our purchase contract with our contract manufacturers in China and Malaysia are typically denominated in U.S. dollars, changes in currency exchange rates may impact our suppliers and increase our prices.

The following table shows cost of product revenue for fiscal years 2021, 2020 and 2019 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2021 vs. 2020	\$ Change 2020 vs. 2019
	January 1, 2022	January 2, 2021	December 28, 2019		
Cost of product revenue	\$ 1,013,465	\$ 758,241	\$ 658,362	\$ 255,224	\$ 99,879
As a percentage of revenue	64.8 %	53.0 %	54.2 %		

*Year ended January 1, 2022 as compared to the year ended January 2, 2021*

Cost of product revenue increased \$255.2 million, or 33.7%, to \$1,013.5 million in fiscal 2021, compared to \$758.2 million in fiscal 2020. The cost of product revenue in fiscal 2021 included \$48.3 million in tariff costs, whereas in fiscal 2020, we recognized a benefit of \$36.5 million from tariff refunds. The increase in cost of product revenue is also attributable to the 9.4% increase in revenue, as well as higher costs associated with the global supply chain challenges including increased oceanic transport and air freight expenses and higher raw materials and component costs associated with limited semiconductor chip availability. We anticipate these challenges and higher costs to continue at least through the first half of fiscal 2022.

*Year ended January 2, 2021 as compared to the year ended December 28, 2019*

Cost of product revenue increased \$99.9 million, or 15.2%, to \$758.2 million in fiscal 2020, compared to \$658.4 million in fiscal 2019. The increase is primarily due to the 17.8% increase in revenue, as well as increases in warranty and rework costs, offset by the recognition of the tariff refunds of approximately \$36.5 million for tariffs paid in 2018 and 2019. On April 24, 2020, we were granted a temporary exclusion, as extended in August 2020, from Section 301 List 3 tariffs by the United States Trade Representative, which temporarily eliminated the 25% tariff on Roomba products imported from China until December 31, 2020.

**Gross Profit**

Our gross profit as a percentage of revenue, referred to as our gross margin, varies according to the mix of products sold, the channel mix through which we sell our products, the level of promotional activities and tariff and duty costs imposed by governmental authorities.

The following table shows gross profit for fiscal years 2021, 2020 and 2019 (dollars in thousands):

	Fiscal Year Ended				
	January 1, 2022	January 2, 2021	December 28, 2019	\$ Change 2021 vs. 2020	\$ Change 2020 vs. 2019
Gross profit	\$ 550,299	\$ 670,229	\$ 543,927	\$ (119,930)	\$ 126,302
Gross margin	35.1 %	46.9 %	44.8 %		

*Year ended January 1, 2022 as compared to the year ended January 2, 2021*

Gross profit decreased \$119.9 million, or 17.9%, to \$550.3 million (35.1% of revenue) in fiscal 2021 from \$670.2 million (46.9% of revenue) in fiscal 2020. The decrease in gross margin was primarily driven by Section 301 List 3 tariff costs of \$48.3 million included in fiscal 2021, while we recognized a benefit of \$36.5 million from tariff refunds in fiscal 2020. The remainder of the decrease in gross margin was driven by supply chain headwinds with increases in air and oceanic transportation, higher material costs and pricing and promotional activity.

*Year ended January 2, 2021 as compared to the year ended December 28, 2019*

Gross profit increased \$126.3 million, or 23.2%, to \$670.2 million (46.9% of revenue) in fiscal 2020 from \$543.9 million (44.8% of revenue) in fiscal 2019. The increase in gross margin was primarily related to the recognition of the tariff refunds of \$36.5 million for tariffs paid in 2018 and 2019 as a benefit to cost of product revenue, partially offset by impact of price reductions and promotional activity during fiscal 2020 compared to fiscal 2019.

**Research and Development**

Research and development expenses consist primarily of:

- salaries and related costs for our engineers;
- contractors and consulting expenses;
- costs of components and test equipment used for product, tooling and prototype development; and
- occupancy and other overhead costs.

Our research and development team develops new software and hardware products as well as improves and enhances our existing software and hardware products to address customer demands and emerging trends. We have significantly expanded our research and development in software intelligence, resulting in recent upgrades to the Genius Home Intelligence platform, along with ongoing investment in AI, home understanding and machine vision technologies. We are committed to consistently maintaining our high 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 in fiscal 2022, research and development expenses will increase in absolute dollars but remain relatively consistent as a percentage of revenue.

The following table shows research and development costs for fiscal years 2021, 2020 and 2019 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2021 vs. 2020	\$ Change 2020 vs. 2019
	January 1, 2022	January 2, 2021	December 28, 2019		
Research and development	\$ 161,331	\$ 156,670	\$ 141,607	\$ 4,661	\$ 15,063
As a percentage of revenue	10.3 %	11.0 %	11.7 %		

*Year ended January 1, 2022 as compared to the year ended January 2, 2021*

Research and development expenses increased \$4.7 million, or 3.0%, to \$161.3 million (10.3% of revenue) in fiscal 2021 from \$156.7 million (11.0% of revenue) in fiscal 2020. This increase is primarily due to an \$8.0 million increase in people-related costs associated with additional headcount and higher program-related costs of \$4.6 million during fiscal 2021, offset by lower short-term incentive compensation of \$8.0 million resulting from changes in assessments mainly driven by supply chain challenges as further discussed elsewhere in this Annual Report on Form 10-K.

*Year ended January 2, 2021 as compared to the year ended December 28, 2019*

Research and development expenses increased \$15.1 million, or 10.6%, to \$156.7 million (11.0% of revenue) in fiscal 2020 from \$141.6 million (11.7% of revenue) in fiscal 2019. This increase is primarily due to an \$8.7 million increase in people-related costs, mostly attributable to higher short-term incentive compensation costs, as well as higher program-related costs of \$4.3 million during fiscal 2020.

### **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;
- product display expenses;
- customer service costs; and
- technology subscription and cloud expenses.

We anticipate that in fiscal 2022, selling and marketing expenses will increase in absolute dollars and as a percentage of revenue due to incremental investment to enhance the consumer's buying experience on our digital properties, support continued growth of our direct-to-consumer channel, build strong, enduring relationships with customers, as well as continue to build awareness of our products.

The following table shows selling and marketing costs for fiscal years 2021, 2020 and 2019 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2021 vs. 2020	\$ Change 2020 vs. 2019
	January 1, 2022	January 2, 2021	December 28, 2019		
Selling and marketing	\$ 289,848	\$ 265,475	\$ 231,548	\$ 24,373	\$ 33,927
As a percentage of revenue	18.5 %	18.6 %	19.1 %		

*Year ended January 1, 2022 as compared to the year ended January 2, 2021*

Selling and marketing expenses increased by \$24.4 million, or 9.2%, to \$289.8 million (18.5% of revenue) in fiscal 2021 from \$265.5 million (18.6% of revenue) in fiscal 2020. This increase was primarily attributable to higher people-related costs of \$12.4 million associated with additional headcount, higher marketing spend of \$7.8 million associated with increased used of working media to drive sales growth and new launches, as well as \$6.5 million higher technology related cost including cloud service and maintenance and support fees as we continue to invest in our digital marketing and e-commerce capabilities. These increases were offset by lower short-term incentive compensation of \$3.3 million resulting from changes in assessments driven by supply chain challenges as further discussed elsewhere in this Annual Report on Form 10-K.

*Year ended January 2, 2021 as compared to the year ended December 28, 2019*

Selling and marketing expenses increased by \$33.9 million, or 14.7%, to \$265.5 million (18.6% of revenue) in fiscal 2020 from \$231.5 million (19.1% of revenue) in fiscal 2019. This increase is primarily attributable to an increase in marketing investments of \$30.7 million primarily related to advertising campaigns in all regions during the holiday season and marketing activities to build our direct-to-consumer sales channel, as well as higher people-related costs of \$2.9 million mainly driven by short-term incentive compensation.

### 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 2021, 2020 and 2019 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2021 vs. 2020	\$ Change 2020 vs. 2019
	January 1, 2022	January 2, 2021	December 28, 2019		
General and administrative	\$ 99,190	\$ 100,770	\$ 83,103	\$ (1,580)	\$ 17,667
As a percentage of revenue	6.3 %	7.0 %	6.8 %		

#### Year ended January 1, 2022 as compared to the year ended January 2, 2021

General and administrative expenses decreased by \$1.6 million, or 1.6%, to \$99.2 million (6.3% of revenue) in fiscal 2021 from \$100.8 million (7.0% of revenue) in fiscal 2020. This decrease is primarily attributable to lower vesting expectations related to our performance-based stock-based compensation and lower short-term incentive compensation of \$14.9 million and a \$4.6 million decrease in the allowance for credit losses associated with the uncertainty of collection from certain customer accounts resulting from the pandemic. The decrease is offset by an increase of \$8.8 million in legal fees driven by higher intellectual property litigation costs and a \$4.6 million increase associated with people related cost resulting from additional headcount.

#### Year ended January 2, 2021 as compared to the year ended December 28, 2019

General and administrative expenses increased by \$17.7 million, or 21.3%, to \$100.8 million (7.0% of revenue) in fiscal 2020 from \$83.1 million (6.8% of revenue) in fiscal 2019. This increase is primarily attributable to higher short-term incentive compensation and performance-based stock-based compensation of \$11.6 million, an increase of \$4.8 million in legal fees driven by higher intellectual property litigation costs, and a \$2.6 million increase in the allowance for credit losses associated with the uncertainty of collection from certain customer accounts resulting from the pandemic.

### 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. 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 following table shows total amortization expense for fiscal years 2021, 2020 and 2019 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2021 vs. 2020	\$ Change 2020 vs. 2019
	January 1, 2022	January 2, 2021	December 28, 2019		
Cost of revenue	\$ 1,223	\$ 1,920	\$ 11,721	\$ (697)	\$ (9,801)
Operating expense	1,030	992	1,051	38	(59)
Total amortization expense	\$ 2,253	\$ 2,912	\$ 12,772	\$ (659)	\$ (9,860)
As a percentage of revenue	0.1 %	0.2 %	1.1 %		

The decreases in amortization of acquired intangible assets during fiscal 2021 as compared to fiscal 2020, was primarily related to one of the acquired technology intangible assets that was fully amortized in the second quarter of 2020. The decrease in amortization of acquired intangible assets during fiscal 2020 as compared to fiscal 2019, was primarily related to the reacquired distribution rights intangible assets that were fully amortized in the fourth quarter of 2019.



**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 2021, 2020 and 2019 (dollars in thousands):

	Fiscal Year Ended				
	January 1, 2022	January 2, 2021	December 28, 2019	\$ Change 2021 vs. 2020	\$ Change 2020 vs. 2019
Other income, net	\$ 29,384	\$ 41,593	\$ 12,215	\$ (12,209)	\$ 29,378
As a percentage of revenue	1.9 %	3.0 %	1.0 %		

Other income, net amounted to \$29.4 million, \$41.6 million and \$12.2 million for fiscal 2021, 2020 and 2019, respectively. During fiscal 2021, other income, net, includes the gains of \$30.2 million associated with our Matterport, Inc. ("Matterport") investment when Matterport completed a merger and we received shares in Matterport, and marking the shares to fair value. During fiscal 2020, other income, net, included the gains of \$38.6 million associated with our InTouch Health investment when Teladoc Health, Inc. ("Teladoc") acquired InTouch Health and exchanged our shares of InTouch Health for shares of Teladoc during the third quarter of 2020. During fiscal 2019, other income, net, included an \$8.4 million gain on sale of an equity investment.

**Income Tax (Benefit) Provision**

The following table shows income tax (benefit) provision for fiscal years 2021, 2020 and 2019 (dollars in thousands):

	Fiscal Year Ended				
	January 1, 2022	January 2, 2021	December 28, 2019	\$ Change 2021 vs. 2020	\$ Change 2020 vs. 2019
Income tax (benefit) provision	\$ (2,106)	\$ 40,847	\$ 13,533	\$ (42,953)	\$ 27,314
As a percentage of pre-tax income	(7.4)%	21.7 %	13.7 %		

**Year ended January 1, 2022 as compared to the year ended January 2, 2021**

We recorded an income tax benefit of \$2.1 million and income tax provision of \$40.8 million for fiscal 2021 and fiscal 2020, respectively. The \$2.1 million benefit for fiscal 2021 resulted in an effective income tax rate of (7.4)%. The \$40.8 million provision for fiscal 2020 resulted in an effective income tax rate of 21.7%.

Our effective income tax rate of (7.4)% for fiscal 2021 differed from the federal statutory tax rate of 21% primarily due to the impact of tax benefits related to research and development tax credits, the deduction for Foreign Derived Intangible Income and a discrete tax benefit associated with stock-based compensation. The decrease in the effective income tax rate of (7.4)% for fiscal 2021 as compared to 21.7% for fiscal 2020 is primarily driven by lower income in 2021 and the impact of tax benefits during the period.

**Year ended January 2, 2021 as compared to the year ended December 28, 2019**

We recorded an income tax provision of \$40.8 million and \$13.5 million for fiscal 2020 and fiscal 2019, respectively. The \$40.8 million provision for fiscal 2020 resulted in an effective income tax rate of 21.7%. The \$13.5 million provision for fiscal 2019 resulted in an effective income tax rate of 13.7%.

Our effective income tax rate of 21.7% for fiscal 2020 differed from the federal statutory tax rate of 21% primarily due to the recognition of State income taxes and valuation allowances offset by tax benefits related to research and development tax credits and the deduction for Foreign Derived Intangible Income. The increase in the effective income tax rate of 21.7% for fiscal 2020 as compared to 13.7% for fiscal 2019 is primarily due to a discrete tax benefit associated with stock based compensation in 2019.

**Liquidity and Capital Resources**

At January 1, 2022, our principal sources of liquidity were cash and cash equivalents totaling \$201.5 million and short-term investments of \$33.0 million. Our working capital, which represents our total current assets less total current liabilities, was \$393.9 million as of January 1, 2022, compared to \$573.7 million as of January 2, 2021. Cash and cash equivalents held by our foreign subsidiaries totaled \$42.7 million as of January 1, 2022. We expect the cash held overseas to be permanently reinvested outside of the United States, and our U.S. operation to be funded through its own operating cash flows, cash, and if necessary, through borrowing under our working capital credit facility.

We manufacture and distribute our products through contract manufacturers and third-party logistics providers. We believe this approach gives us the advantages of relatively low capital investment and significant flexibility in scheduling

production and managing inventory levels. By leasing our office facilities, we also minimize the cash needed for expansion, and only invest periodically in leasehold improvements a portion of which is often reimbursed by the landlords of these facilities. Accordingly, our capital spending is generally limited to machinery and tooling, leasehold improvements, business applications software and computer and equipment. In the fiscal years ended January 1, 2022 and January 2, 2021, we spent \$29.9 million and \$31.6 million, respectively, on capital expenditures.

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

#### ***Cash (used in) provided by operating activities***

*Year ended January 1, 2022 as compared to the year ended January 2, 2021*

Net cash used in our operations for the fiscal year ended January 1, 2022 was \$32.0 million, of which the principal components were the cash outflow of \$86.3 million from change in working capital, partially offset by our net income of \$30.4 million and non-cash charges of \$23.9 million. The cash outflow from changes in working capital is mainly driven by cash used in inventory of \$151.2 million offset by cash inflow from the increase in accounts payable of \$82.3 million.

*Year ended January 2, 2021 as compared to the year ended December 28, 2019*

Net cash provided by our operations for the fiscal year ended January 2, 2021 was \$232.0 million, of which the principal components were our net income of \$147.1 million and non-cash charges of \$41.2 million, and changes in working capital of \$43.8 million. The changes in working capital include increases in accounts payable and accrued liabilities of \$106.0 million, partially offset by increases in inventory of \$24.5 million, accounts receivable of \$21.9 million and other assets of \$15.8 million.

#### ***Cash used in investing activities***

*Year ended January 1, 2022 as compared to the year ended January 2, 2021*

Net cash used in investing activities for the fiscal year ended January 1, 2022 was \$48.1 million. During the year ended January 1, 2022, we acquired Aeris for \$71.4 million, net of cash acquired, and invested \$29.9 million in the purchase of property and equipment, including machinery and tooling for new products. In addition, we made strategic investments of \$10.8 million while proceeds from the sales and maturities of marketable securities amounted to \$64.0 million.

*Year ended January 2, 2021 as compared to the year ended December 28, 2019*

Net cash used in investing activities for the fiscal year ended January 2, 2021 was \$22.2 million. During the year ended January 2, 2021, we invested \$31.6 million in the purchase of property and equipment, including machinery and tooling for new products as well as expansion in Malaysia. In addition, we made strategic investments of \$4.2 million while proceeds from the sales and maturities of marketable securities amounted to \$13.5 million.

#### ***Cash used in financing activities***

*Year ended January 1, 2022 as compared to the year ended January 2, 2021*

Net cash used in financing activities for the fiscal year ended January 1, 2022 was \$148.4 million, which primarily reflects the repurchase of 1,198,218 shares of our common stock for \$100.0 million under an accelerated share repurchase agreement during the third quarter of 2021, and the repurchase of 446,954 shares of our common stock for \$50.0 million under a stock repurchase program during the second quarter of 2021.

*Year ended January 2, 2021 as compared to the year ended December 28, 2019*

Net cash used in financing activities for the fiscal year ended January 2, 2021 was \$21.3 million, which primarily reflects the repurchase of 663,602 shares of our common stock for \$25.0 million under a stock repurchase program in March 2020.

#### ***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 and extending the term of the credit facility to June 2023. As of January 1, 2022, we had no outstanding borrowings under our revolving credit facility. The revolving line of credit is available

to fund working capital and other corporate purposes. The interest on loans under our credit facility accrues, at our election, at either (1) LIBOR plus a margin, currently equal to 1.0%, based on our ratio of indebtedness to Adjusted EBITDA (the "Eurodollar Rate"), or (2) the lender's base rate. The lender's base rate is equal to the highest of (1) the federal funds rate plus 0.5%, (2) the lender's prime rate and (3) the Eurodollar Rate plus 1.0%. In the event USD LIBOR is discontinued as expected in June 2023, we expect the interest rates for our debt following such event will be based on either alternate base rates or agreed upon replacement rates. While we do not expect a LIBOR discontinuation would affect our ability to borrow or maintain already outstanding borrowings, it could result in higher interest rates.

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

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

As of January 1, 2022, we were in compliance with all covenants under the revolving credit facility.

#### *Lines of Credit*

We have an unsecured letter of credit facility with Bank of America, N.A., available to fund letters of credit up to an aggregate outstanding amount of \$5.0 million. As of January 1, 2022, we had letters of credit outstanding of \$0.7 million under our letter of credit facility and other lines of credit with Bank of America, N.A.

We have an unsecured guarantee line of credit with Mizuho, Bank Ltd., available to fund import tax payments up to an aggregate outstanding amount of 250.0 million Japanese Yen. As of January 1, 2022, we had no outstanding balance under the guarantee line of credit.

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

We currently have no material cash commitments, except for normal recurring trade payables, expense accruals, capital expenditures and operating leases, all of which we anticipate funding through working capital and funds provided by operating activities. We believe our outsourced approach to manufacturing provides us with flexibility in both managing inventory levels and financing our inventory. We believe our existing cash and cash equivalents, short-term investments, and funds available through our credit facility will be sufficient to meet our working capital and capital expenditure needs over at least the next twelve months. In the event our revenue plan does not meet our expectations, we may eliminate or curtail expenditures to mitigate the impact on our working capital. Our future capital requirements will depend on many factors, including our rate of revenue growth or decline, the expansion or contraction of our marketing and sales activities, the timing and extent of spending to support product development efforts, the timing of introductions of new products and enhancements to existing products, the acquisition of new capabilities or technologies, the continuing market acceptance of our products and services, and the impact of COVID-19 on our business. Moreover, to the extent existing cash and cash equivalents, 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, inventory related purchase obligations, 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 January 1, 2022 (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 (1)	\$ 6,317	\$ 13,316	\$ 11,736	\$ 18,992	\$ 50,361	
Inventory-related purchase obligations (2)	41,910	—	—	—	41,910	
Minimum contractual payments	13,281	25,500	13,667	—	52,448	
Other obligations	9,681	16,516	—	—	26,197	
Total	<u>\$ 71,189</u>	<u>\$ 55,332</u>	<u>\$ 25,403</u>	<u>\$ 18,992</u>	<u>\$ 170,916</u>	

(1) Includes impact of an amendment entered after end of fiscal 2021.

(2) Includes estimated obligations under purchase orders related to inventory. Excludes purchase orders that can be cancelled without penalty.

At January 1, 2022, we had outstanding purchase orders aggregating approximately \$363.9 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 cancellable without penalty.

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

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

We regularly monitor the forecast of non-U.S. dollar revenue and expenses and the level of non-U.S. dollar monetary asset and liability balances to determine if any actions, including possibly entering into foreign currency contracts, should be taken to minimize the impact of fluctuating exchange rates on our results of operations. Periodically, we enter into forward exchange contracts to hedge against foreign currency fluctuations. These contracts may or may not be designated as cash flow hedges for accounting purposes. We use cash flow hedges primarily to reduce the effects of foreign exchange rate changes on sales in Euros and Japanese Yen. These contracts typically have maturities of three years or less. At January 1, 2022 and January 2, 2021, we had outstanding cash flow hedges with a total notional value of \$423.3 million and \$431.9 million, respectively.

We also enter into economic hedges that are not designated as hedges from an accounting standpoint to reduce or eliminate the effects of foreign exchange rate changes typically related to short term trade receivables and payables. These contracts have maturities of twelve months or less. At January 1, 2022 and January 2, 2021, we had outstanding economic hedges with a total notional value of \$325.4 million and \$192.2 million, respectively.

At January 1, 2022, 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 \$45.5 million.

### **Interest Rate Sensitivity**

At January 1, 2022, we had unrestricted cash and cash equivalents of \$201.5 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 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 have the ability to invest in a variety of securities including, 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 January 1, 2022, all of our cash and cash equivalents were held in demand deposits and money market funds.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**iROBOT CORPORATION  
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<u>Page</u>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	46
<a href="#">Consolidated Balance Sheets at January 1, 2022 and January 2, 2021</a>	48
<a href="#">Consolidated Statements of Income for the Years ended January 1, 2022, January 2, 2021 and December 28, 2019</a>	49
<a href="#">Consolidated Statements of Comprehensive Income for the Years ended January 1, 2022, January 2, 2021 and December 28, 2019</a>	49
<a href="#">Consolidated Statements of Stockholders' Equity for the Years ended January 1, 2022, January 2, 2021 and December 28, 2019</a>	51
<a href="#">Consolidated Statements of Cash Flows for the Years ended January 1, 2022, January 2, 2021 and December 28, 2019</a>	52
<a href="#">Notes to Consolidated Financial Statements</a>	53

## **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 January 1, 2022 and January 2, 2021, and the related consolidated statements of income, of comprehensive income, of stockholders’ equity and of cash flows for each of the three years in the period ended January 1, 2022, 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 January 1, 2022, 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 January 1, 2022 and January 2, 2021, and the results of its operations and its cash flows for each of the three years in the period ended January 1, 2022 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 January 1, 2022, 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.

**Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Allowance for Product Returns*

As described in Notes 2 and 3 to the consolidated financial statements, the Company provides limited rights of returns for direct-to-consumer sales generated through its on-line stores and certain resellers and distributors. The Company records an allowance for product returns based on specific terms and conditions included in the customer agreements or based on historical experience and management's expectation of future returns. Returns and credits are estimated at the time of sale and updated at the end of each reporting period as additional information becomes available. As of January 1, 2022, the Company had reserves for product returns of \$56.8 million.

The principal considerations for our determination that performing procedures relating to the allowance for product returns is a critical audit matter are (i) the significant judgment by management in developing the allowance for product returns related to management's expectation of future returns; and (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to the allowance for product returns and management's expectation of future returns.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including the estimation of the allowance for product returns. These procedures also included, among others (i) testing management's process for developing the allowance for product returns, (ii) evaluating the appropriateness of management's approach to calculate the allowance for product returns, (iii) testing the completeness and accuracy of underlying historical sales and returns data used by management to develop the allowance for product returns, and (iv) evaluating the reasonableness of management's expectation of future returns based on historical experience by customer by product.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts  
February 15, 2022

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



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

	January 1, 2022	January 2, 2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 201,457	\$ 432,635
Short term investments	33,044	51,081
Accounts receivable, net	160,642	170,526
Inventory	333,296	181,756
Other current assets	61,094	45,223
Total current assets	789,533	881,221
Property and equipment, net	78,887	76,584
Operating lease right-of-use assets	37,609	43,682
Deferred tax assets	37,945	33,404
Goodwill	173,292	125,872
Intangible assets, net	28,410	9,902
Other assets	38,753	19,063
Total assets	<u>\$ 1,184,429</u>	<u>\$ 1,189,728</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 251,298	\$ 165,779
Accrued expenses	132,618	131,388
Deferred revenue and customer advances	11,767	10,400
Total current liabilities	395,683	307,567
Operating lease liabilities	43,462	50,485
Deferred tax liabilities	3,250	705
Other long-term liabilities	25,311	26,537
Total long-term liabilities	72,023	77,727
Total liabilities	467,706	385,294
Commitments and contingencies (Note 13)		
Preferred stock, 5,000 shares authorized and none outstanding	—	—
Common stock, \$0.01 par value; 100,000 shares authorized; 27,006 and 28,184 shares issued and outstanding, respectively	270	282
Additional paid-in capital	222,653	205,256
Retained earnings	485,710	599,389
Accumulated other comprehensive income (loss)	8,090	(493)
Total stockholders' equity	716,723	804,434
Total liabilities and stockholders' equity	<u>\$ 1,184,429</u>	<u>\$ 1,189,728</u>

See accompanying Notes to Consolidated Financial Statements

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

	Fiscal Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Revenue	\$ 1,564,987	\$ 1,430,390	\$ 1,214,010
Cost of revenue:			
Cost of product revenue	1,013,465	758,241	658,362
Amortization of acquired intangible assets	1,223	1,920	11,721
Total cost of revenue	1,014,688	760,161	670,083
Gross profit	550,299	670,229	543,927
Operating expenses:			
Research and development	161,331	156,670	141,607
Selling and marketing	289,848	265,475	231,548
General and administrative	99,190	100,770	83,103
Amortization of acquired intangible assets	1,030	992	1,051
Total operating expenses	551,399	523,907	457,309
Operating (loss) income	(1,100)	146,322	86,618
Other income, net	29,384	41,593	12,215
Income before income taxes	28,284	187,915	98,833
Income tax (benefit) expense	(2,106)	40,847	13,533
Net income	\$ 30,390	\$ 147,068	\$ 85,300
Net income per share:			
Basic	\$ 1.10	\$ 5.23	\$ 3.04
Diluted	\$ 1.08	\$ 5.14	\$ 2.97
Number of shares used in per share calculations:			
Basic	27,687	28,101	28,097
Diluted	28,162	28,618	28,735

See accompanying Notes to Consolidated Financial Statements

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

	Fiscal Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Net income	\$ 30,390	\$ 147,068	\$ 85,300
Other comprehensive income (loss), net of tax:			
Net foreign currency translation adjustments	(11,730)	14,045	(3,435)
Net unrealized gains (losses) on cash flow hedges, net of tax	23,715	(13,932)	12,363
Net gains on cash flow hedge reclassified into earnings, net of tax	(3,398)	(3,587)	(1,418)
Net unrealized (losses) gains on marketable securities, net of tax	(4)	(28)	247
Total comprehensive income	<u>\$ 38,973</u>	<u>\$ 143,566</u>	<u>\$ 93,057</u>

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) ("AOCI")	Stockholders' Equity
	Shares	Value				
<b>Balance at December 29, 2018</b>	27,788	\$ 278	\$ 172,771	\$ 367,021	\$ (4,748)	\$ 535,322
Issuance of common stock under employee stock plans	187	2	7,145			7,147
Vesting of restricted stock units	436	5	(5)			—
Stock-based compensation			23,744			23,744
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(59)	(1)	(7,276)			(7,277)
Other comprehensive income					7,757	7,757
Directors' deferred compensation			76			76
Net income				85,300		85,300
<b>Balance at December 28, 2019</b>	28,352	\$ 284	\$ 196,455	\$ 452,321	\$ 3,009	\$ 652,069
Issuance of common stock under employee stock plans	151	1	5,583			5,584
Vesting of restricted stock units	391	4	(4)			—
Stock-based compensation			29,975			29,975
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(46)	—	(1,845)			(1,845)
Other comprehensive loss					(3,502)	(3,502)
Directors' deferred compensation			85			85
Stock repurchases	(664)	(7)	(24,993)			(25,000)
Net income				147,068		147,068
<b>Balance at January 2, 2021</b>	28,184	\$ 282	\$ 205,256	\$ 599,389	\$ (493)	\$ 804,434
Issuance of common stock under employee stock plans	143	1	6,718			6,719
Vesting of restricted stock units	369	3	(3)			—
Stock-based compensation			21,694			21,694
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(45)	—	(5,161)			(5,161)
Other comprehensive income					8,583	8,583
Directors' deferred compensation			64			64
Stock repurchases	(1,645)	(16)	(5,915)	(144,069)		(150,000)
Net income				30,390		30,390
<b>Balance at January 1, 2022</b>	27,006	\$ 270	\$ 222,653	\$ 485,710	\$ 8,090	\$ 716,723

See accompanying Notes to Consolidated Financial Statements

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

	Fiscal Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
<b>Cash flows from operating activities:</b>			
Net income	\$ 30,390	\$ 147,068	\$ 85,300
Adjustments to reconcile net income to net cash (used in) provided by operating activities, net of the effects of acquisitions:			
Depreciation and amortization	33,309	34,762	37,159
Gain on equity investments	(30,063)	(43,817)	(8,439)
Stock-based compensation	21,694	29,975	23,744
Deferred income taxes, net	(6,934)	13,837	(11,118)
Other	5,940	6,467	7,267
Changes in operating assets and liabilities — (use) source			
Accounts receivable	10,290	(21,893)	13,064
Inventory	(151,193)	(24,535)	7,307
Other assets	(19,868)	(15,804)	(3,310)
Accounts payable	82,289	48,699	(20,536)
Accrued expenses and other liabilities	(7,824)	57,289	(386)
Net cash (used in) provided by operating activities	(31,970)	232,048	130,052
<b>Cash flows from investing activities:</b>			
Additions of property and equipment	(29,928)	(31,599)	(35,337)
Purchase of investments	(10,811)	(4,150)	(5,436)
Proceeds from sale of equity investments	—	—	9,787
Cash paid for business acquisition, net of cash acquired	(71,357)	—	(2,817)
Sales and maturities of investments	63,976	13,500	12,880
Net cash used in investing activities	(48,120)	(22,249)	(20,923)
<b>Cash flows from financing activities:</b>			
Proceeds from employee stock plans	6,719	5,584	7,147
Income tax withholding payment associated with restricted stock vesting	(5,161)	(1,845)	(7,277)
Stock repurchases	(150,000)	(25,000)	—
Net cash used in financing activities	(148,442)	(21,261)	(130)
Effect of exchange rate changes on cash and cash equivalents	(2,646)	4,705	20
Net (decrease) increase in cash and cash equivalents	(231,178)	193,243	109,019
Cash and cash equivalents, at beginning of period	432,635	239,392	130,373
Cash and cash equivalents, at end of period	\$ 201,457	\$ 432,635	\$ 239,392
<b>Supplemental disclosure of cash flow information</b>			
Cash paid for income taxes	\$ 20,375	\$ 19,929	\$ 22,582

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, builds and sells robots and home innovations that make life better. The Company's portfolio of home robots and smart home devices features proprietary technologies for the connected home and advanced concepts in cleaning, mapping and navigation, human-robot interaction and physical solutions. iRobot's durable and high-performing robots are designed using the close integration of software, electronics and hardware. The Company's revenue is primarily generated from product sales through a variety of distribution channels, including chain stores and other national retailers, through the Company's own website and app, dedicated e-commerce websites, the online arms of traditional retailers and through value-added distributors and resellers worldwide.

**2. Summary of Significant Accounting Policies**

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

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

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.

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. As used in the Annual Report on Form 10-K, "fiscal 2021" refers to the 52-week fiscal year ending January 1, 2022, "fiscal 2020" refers to the 53-week fiscal year ended January 2, 2021, and "fiscal 2019" refers to the 52-week fiscal year ended December 28, 2019.

***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, standalone selling price, variable consideration and other obligations such as sales incentives and product returns; allowance for credit losses; accounting for business combinations; impairment of goodwill and long-lived assets; valuation of non-marketable equity investments; product warranties; loss contingencies; accounting for stock-based compensation including performance-based assessments; and accounting for income taxes and related valuation allowances. The Company bases its estimates and assumptions on historical experience, market participant fair value considerations, projected future cash flows, current conditions, including estimated economic implications of the COVID-19 pandemic and various other factors that the Company believes are reasonable under the circumstances. Actual results and outcomes may differ from the Company's estimates and assumptions.

***Cash and Cash Equivalents***

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 January 1, 2022 and January 2, 2021, cash and cash equivalents totaled \$201.5 million and \$432.6 million, respectively. These cash and cash equivalents are carried at cost, which approximates fair value.

***Short Term Investments***

The Company's short term investments include marketable equity securities with readily determinable fair value and debt securities. The fair value of investments is determined based on quoted market prices at the reporting date for those instruments. The change in fair value of the Company's investments in marketable equity securities is recognized as unrealized gains and losses in other income, net at the end of each reporting period. The Company's investments in debt securities were classified as available-for-sale and were recorded at fair value with any unrealized gain or loss recorded as an element of stockholders' equity. Investments consisted of the following (in thousands):

## iROBOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	January 1, 2022		January 2, 2021	
	Cost	Fair Market Value	Cost	Fair Market Value
Marketable equity securities	\$ 23,286	\$ 33,044	\$ 46,578	\$ 47,576
Corporate and government bonds	—	—	3,498	3,505
Total short term investments	\$ 23,286	\$ 33,044	\$ 50,076	\$ 51,081

On July 22, 2021, Matterport, Inc. ("Matterport"), of which the Company held non-marketable equity securities, completed a merger with a special purpose acquisition company and began trading on Nasdaq under the symbol "MTTR." Prior to the merger, the Company accounted for the shares in Matterport as equity securities without readily determinable fair value. Upon consummation of the merger, the Company received 1.6 million shares of MTTR. The post merger Matterport shares received are subject to time based contractual sales restrictions which expire in January 2022. These shares are accounted for as marketable equity securities and measured at fair value, less a temporary discount for lack of marketability, with unrealized gains and losses recognized in other income, net at the end of each reporting period. During the fiscal year ended January 1, 2022, the Company recorded gains of \$30.2 million associated with the Matterport investment. As of January 1, 2022, the shares in MTTR were valued at \$33.0 million and are recorded in short term investments on the consolidated balance sheet. Subsequent to fiscal 2021, the Company sold all MTTR shares and received a net proceed of \$16.2 million and recognized a loss of \$16.8 million.

On July 1, 2020, Teladoc Health, Inc. ("Teladoc") closed on its previously announced acquisition of InTouch Health, of which the Company held non-marketable equity securities. In exchange for its shares of InTouch Health, the Company received 0.2 million shares of Teladoc and recorded a gain of \$38.6 million to other income, net during the fiscal year ended January 2, 2021. The Teladoc shares received were subject to time based contractual sales restrictions which expired in January 2021. These shares were accounted for as marketable equity securities and measured at fair value with unrealized gains and losses recognized in other income, net at the end of each reporting period. As a result, the Company entered into an economic hedge in July 2020 to reduce the Company's exposure to stock price fluctuations during the restricted period. During the first quarter of 2021, the Company received net proceeds of \$51.5 million related to the sale of Teladoc shares with gross proceeds of \$60.1 million, net of settlement payment of \$8.6 million for the related economic hedge.

#### **Allowance for Credit Losses**

The Company maintains an allowance for credit losses for accounts receivable using an expected loss model that requires the use of forward-looking information to calculate credit loss estimate. The expected loss methodology is developed through consideration of factors including, but not limited to, historical collection experience, current customer credit ratings, customer concentrations, current and future economic and market conditions and age of the receivable. Although the Company historically has not experienced significant write-offs resulting from credit losses in accounts receivable, the COVID-19 pandemic has caused uncertainty in some customer accounts. As of January 1, 2022 and January 2, 2021, the Company had an allowance for credit losses of \$4.6 million and \$4.8 million, respectively. During fiscal 2021 and 2020, the Company recorded a bad debt recovery of \$0.2 million and a bad debt expense of \$3.6 million, respectively, and is included in general and administrative expenses in the accompanying consolidated statements of income.

#### **Accounts receivable allowances**

**Allowance for product returns:** The Company records an allowance for product returns based on specific terms and conditions included in the customer agreements or based on historical experience and the Company's expectation of future returns.

**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 terms and conditions included in customer agreements, specific programs and historical experience.

## iROBOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	Fiscal Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
<b>Allowance for product returns</b>			
Balance at beginning of period	\$ 64,343	\$ 55,191	\$ 53,920
Provision	61,014	68,028	69,488
Deduction	(68,518)	(58,876)	(68,217)
Balance at end of period	<u>\$ 56,839</u>	<u>\$ 64,343</u>	<u>\$ 55,191</u>
<b>Allowance for other credits and incentives</b>			
Balance at beginning of period	\$ 142,173	\$ 134,046	\$ 97,737
Provision	267,821	285,139	284,084
Deduction	(308,388)	(277,012)	(247,775)
Balance at end of period	<u>\$ 101,606</u>	<u>\$ 142,173</u>	<u>\$ 134,046</u>

**Inventory**

Inventory primarily consists of finished goods and, to a lesser extent, components, which are purchased from contract manufacturers. Inventory is stated at the lower of cost or net realizable value with cost being determined using the standard cost method, which approximates actual costs determined on the first-in, first-out basis. Inventory costs primarily consist of materials, inbound freight, import duties, tariffs, and other handling fees. The Company writes down its inventory for estimated obsolescence or excess inventory based upon assumptions around market conditions and estimates of future demand. Net realizable value is the estimated selling price less estimated costs of completion, disposal and transportation. Adjustments to reduce inventory to net realizable value are recognized in cost of revenue and have not been significant for the periods presented.

**Tariff Refunds**

From September 2018 until April 2020, our Roomba products were subject to Section 301 tariffs. In April 2020, we were granted a temporary exclusion from Section 301 List 3 tariffs by the United States Trade Representative ("USTR"). This exclusion, as extended in August 2020, eliminated the 25% tariff on Roomba products imported from China until December 31, 2020 and entitled us to a refund of approximately \$57.0 million in tariffs paid since the date the Section 301 List 3 tariffs were imposed. The Company recognized a benefit of \$36.5 million from tariff refund during fiscal year 2020. Effective January 1, 2021, the 25% Section 301 tariff again applies to our Roomba products imported from China. For the fiscal year ended January 1, 2022, the incremental Section 301 tariff cost was \$48.3 million.

**Property and Equipment**

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives as follows:

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

Expenditures for additions and improvements that extend the useful lives 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.



**Capitalization of Cloud Computing Arrangements**

The Company incurs costs to implement cloud computing arrangements that are hosted by third-party vendors. Beginning in fiscal 2020, and continuing through fiscal 2021, the Company began investing and implementing various new direct-to-consumer and marketing technology and tools. Implementation costs incurred during the application development stage are capitalized until the software is ready for its intended use. The costs are then amortized on a straight-line basis over the term of the associated hosting arrangement and are recognized as an operating expense within the consolidated statements of income. Capitalized costs were \$7.4 million and \$0.7 million as of January 1, 2022 and January 2, 2021, respectively, and are reported as a component of other assets on the Company's consolidated balance sheets.

**Business Combinations**

The Company allocates the purchase price of each acquisition to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the date of acquisition. Goodwill is measured as the excess of the purchase price over the value of net identified assets acquired. While the Company uses its best estimates and assumptions to accurately value assets acquired, liabilities assumed, and contingent consideration, where applicable, at the acquisition 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 or the Company's final determination of estimated fair value, whichever comes first, is included in operating results in the period in which the adjustment is determined.

**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 annually during the 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 primarily consist of property and equipment, operating lease right-of-use assets and intangible assets. 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 2021, 2020 and 2019.

**Strategic Investments**

The Company holds non-marketable equity securities as part of its strategic investments portfolio. The Company classifies the majority of these securities as equity securities without readily determinable fair values and measures these investments at cost, less any impairment, adjusted for observable price changes in orderly transactions for identical or similar investments of the same issuer. 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 Company monitors non-marketable equity investments for impairment indicators, such as deterioration in the investee's financial condition and business forecasts and lower valuations in recent or proposed financings. 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. Changes in fair value of non-marketable equity investments are recorded in other income, net on the consolidated statements of income. At January 1, 2022 and January 2, 2021, the Company's equity securities without readily determinable fair values totaled \$16.3 million and \$17.4 million, respectively, and are included in other assets on the consolidated balance sheets.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Warranty**

The Company generally provides a one-year warranty on all of its products except in countries where a two-year warranty is required against defects in materials and workmanship. The Company's standard warranty provides for repair or replacement of the associated products during the warranty period. The Company records estimated warranty costs in the period the related revenue is recognized based on historical experience, expectations of future costs to repair or replace including freight and knowledge of specific product failures outside the Company's historical experience. Actual results could differ from these estimates, which could cause increases or decreases to the warranty reserves in future periods.

**Financial Instruments and Hedging Activities**

The Company utilizes derivative instruments to partially offset its financial risks to foreign exchange risk. The Company does not engage in speculative hedging activity. In order to account for a derivative instrument as a cash flow 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. Cash flow hedge amounts that are included in the assessment of hedge effectiveness are deferred in accumulated other comprehensive income (loss) until the hedged item is recognized in earnings. Deferred gains and losses associated with cash flow hedges are recognized as a component of net sales in the same period as the related revenue is recognized. Absent meeting these criteria, changes in fair value are recognized in other income, net, in the consolidated statements of income. The Company may also enter into non-designated foreign currency contracts to offset a portion of the foreign currency exchange gains and losses generated by the remeasurement of certain assets and liabilities denominated in non-functional currencies. Changes in fair value are recognized in other income, net, in the consolidated statements of income.

**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. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. 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 for 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.

**Research and Development**

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

**Advertising Expense**

Advertising costs are expensed as incurred and included in selling and marketing expenses. During the years ended January 1, 2022, January 2, 2021 and December 28, 2019 advertising expense totaled \$147.2 million, \$145.2 million and \$125.0 million, respectively.

**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 January 1, 2022, January 2, 2021 and December 28, 2019, the Company had a valuation allowance of \$13.1 million, \$7.6 million and \$3.8 million, respectively, for certain 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 recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in the income tax provision.

**Concentration of Credit Risk and Significant Customers**

Financial instruments which potentially expose the Company to concentrations of credit risk consist of accounts receivable and cash and cash equivalents. Management believes its credit policies are prudent and reflect normal industry terms and business risk. At January 1, 2022 and January 2, 2021, one customer accounted for 14.5% and 17.6% , respectively, of the Company's accounts receivable balance. For the fiscal years ended January 1, 2022, January 2, 2021, and December 28, 2019, there was one customer that accounted for 10% or more of total revenue, representing 21.8%, 22.7% and 21.3%, of the Company's total revenue, 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. These deposits may be redeemed upon demand, and management believes that the financial institutions that hold the Company's cash and cash equivalents are financially sound and, accordingly, minimal credit risk exists with respect to cash and cash equivalents.

**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 (in thousands, except per share amounts):

	Fiscal Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Net income	\$ 30,390	\$ 147,068	\$ 85,300
Weighted-average shares outstanding	27,687	28,101	28,097
Dilutive effect of employee stock plans	475	517	638
Diluted weighted-average shares outstanding	28,162	28,618	28,735
Basic income per share	\$ 1.10	\$ 5.23	\$ 3.04
Diluted income per share	\$ 1.08	\$ 5.14	\$ 2.97

Employee stock awards representing approximately 0.1 million, 0.2 million and 0.2 million shares of common stock for the fiscal years ended January 1, 2022, January 2, 2021 and December 28, 2019, respectively, were excluded from the computation of diluted earnings per share as their effect would have been antidilutive.

**Recently Adopted Accounting Standards**

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

**Recently Issued Accounting Standards**

In October 2021, the FASB issued ASU No. 2021-08, "Business Combinations - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers." The ASU improves the accounting for acquired revenue contracts with customers by providing specific guidance on recognition of contract asset and liability from revenue contracts in a business combination. The amendments to this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. The Company intends to adopt the ASU effective January 1, 2023, and does not expect a material impact to its consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

Frequently, the Company's contracts with customers contain multiple promised goods or services. Such contracts may include any of the following, the consumer robot, downloadable app, cloud services, accessories on demand, potential future unspecified software upgrades, premium customer care and extended warranties. For these contracts, the Company accounts for the promises separately as individual performance obligations if they are distinct. Performance obligations are considered distinct if they are both capable of being distinct and distinct within the context of the contract. In determining whether performance obligations meet the criteria for being distinct, the Company considers a number of factors, such as the degree of interrelation and interdependence between obligations, and whether or not the good or service significantly modifies or transforms another good or service in the contract. The Company's consumer robots are highly dependent on, and interrelated with, the embedded software and cannot function without the software. As such, the consumer robots are accounted for as a single performance obligation. The Company has determined that the app, cloud services and potential future unspecified software upgrades represent one performance obligation to the customer to enhance the functionality and interaction with the robot (referred to collectively as "Cloud Services"). Other services and support are considered distinct and therefore are treated as separate performance obligations.

The Company allocates revenue to all distinct performance obligations based on their relative stand-alone selling prices ("SSPs"). When available, the Company uses observable prices to determine SSPs. When observable prices are not available, SSPs are established that reflect the Company's best estimates of what the selling prices of the performance obligations would be if they were sold regularly on a stand-alone basis. The Company's process for estimating SSPs without observable prices considers multiple factors that may vary depending upon the facts and circumstances related to each performance obligation including, market data or the estimated cost of providing the products or services. The transaction price allocated to the robot is recognized as revenue at a point in time when control is transferred, generally as title and risk of loss pass, and when collection is considered probable. The transaction price allocated to the Cloud Services is deferred and recognized on a straight-line basis over the estimated term of the Cloud Services. Other services and support are recognized over their service periods. For contracts with a duration of greater than one year, the transaction price allocated to performance obligations that are unsatisfied as of January 1, 2022 and January 2, 2021 was \$20.9 million and \$11.5 million, respectively. The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less.

The Company's products generally carry a one-year or two-year limited warranty that promises customers that delivered products are as specified. The Company does not consider these assurance-type warranties as a separate performance obligation and therefore, the Company accounts for such warranties under ASC 460, "Guarantees." For contracts with the right to upgrade to a new product after a specified period of time, the Company accounts for this trade-in right as a guarantee obligation under ASC 460. The total transaction price is reduced by the full amount of the trade-in right's fair value and the remaining transaction price is allocated between the performance obligations within the contract.

## iROBOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company provides limited rights of returns for direct-to-consumer sales generated through its online stores and certain resellers and distributors. The Company records an allowance for product returns based on specific terms and conditions included in the customer agreements or based on historical experience and the Company's expectation of future returns. In addition, the Company may provide other credits or incentives which are accounted for as variable consideration when estimating the amount of revenue to recognize. Where appropriate, these estimates take into consideration relevant factors such as the Company's historical experience, current contractual requirements, specific known market events and forecasted inventory level in the channels. Overall, these reserves reflect the Company's best estimates, and the actual amounts of consideration ultimately received may differ from the Company's estimates. Returns and credits are estimated at the time of sale and updated at the end of each reporting period as additional information becomes available. As of January 1, 2022, the Company has reserves for product returns of \$56.8 million and other credits and incentives of \$101.6 million. As of January 2, 2021, the Company had reserves for product returns of \$64.3 million and other credits and incentives of \$142.2 million. The Company regularly evaluates the adequacy of its estimates for product returns and other credits and incentives. Future market conditions and product transitions may require the Company to take action to change such programs and related estimates. When the variables used to estimate these reserves change, or if actual results differ significantly from the estimates, the Company would be required to increase or reduce revenue to reflect the impact. During fiscal 2021 and 2020, changes to these estimates related to performance obligations satisfied in prior periods were not material.

**Disaggregation of Revenue**

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

	January 1, 2022	January 2, 2021	December 28, 2019
United States	\$ 754,173	\$ 744,648	\$ 603,618
EMEA	470,475	386,007	357,760
Japan	222,772	193,304	160,875
Other	117,567	106,431	91,757
Total revenue	<u>\$ 1,564,987</u>	<u>\$ 1,430,390</u>	<u>\$ 1,214,010</u>

**Contract Balances**

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

	January 1, 2022	January 2, 2021
Accounts receivable, net	\$ 155,659	\$ 170,526
Unbilled receivables	8,747	—
Contract liabilities	22,996	17,700

The Company invoices customers based upon contractual billing schedules, and accounts receivable are recorded when the right to consideration becomes unconditional. Unbilled receivables represent revenue recognized in excess of billings. Contract liabilities include deferred revenue associated with the Cloud Services and extended warranty plans as well as prepayments received from customers in advance of product shipments. The change in the opening and closing balances of the Company's contract assets and contract liabilities primarily results from the timing difference between the Company's performance and the customer's payment. During fiscal 2021 and 2020, the Company recognized \$12.5 million and \$5.5 million, respectively, of the contract liability balance as revenue upon transfer of the products or services to customers.

**4. Leases**

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

## iROBOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

payments from the measurement of right-of-use assets and lease liabilities. The Company's variable lease payments generally include usage based nonlease components. The Company's lease agreements do not contain any residual value guarantees or restrictive covenants.

The Company's existing leases do not provide a readily determinable implicit rate. Therefore, the Company estimates its incremental borrowing rate to discount the lease payments. At January 1, 2022, the Company's weighted average discount rate was 3.58%, while the weighted average remaining lease term was 7.61 years.

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

	January 1, 2022	January 2, 2021	December 28, 2019
Operating lease cost	\$ 8,510	\$ 9,363	\$ 8,777
Variable lease cost	3,633	3,583	4,096
Total lease cost	<u>\$ 12,143</u>	<u>\$ 12,946</u>	<u>\$ 12,873</u>

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

	January 1, 2022	January 2, 2021	December 28, 2019
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 8,762	\$ 9,862	\$ 9,540
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	\$ —	\$ 2,310	\$ 53,227

Maturities of operating lease liabilities were as follows as of January 1, 2022 (in thousands):

2022	\$ 7,895
2023	7,623
2024	6,567
2025	6,599
2026	6,680
Thereafter	21,849
Total minimum lease payments	<u>\$ 57,213</u>
Less: imputed interest	7,531
Present value of future minimum lease payments	<u>\$ 49,682</u>
Less: current portion of operating lease liabilities (Note 7)	6,220
Long-term lease liabilities	<u>\$ 43,462</u>

## iROBOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

## 5. Property and Equipment

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

	January 1, 2022	January 2, 2021
Computer and equipment	\$ 12,723	\$ 13,617
Furniture and fixtures	9,329	8,394
Machinery and tooling	97,348	80,715
Leasehold improvements	32,207	36,459
Business applications software	16,048	19,185
Other	4,143	1,642
Subtotal	171,798	160,012
Less: accumulated depreciation	92,911	83,428
Property and equipment, net	<u>\$ 78,887</u>	<u>\$ 76,584</u>

As of January 1, 2022 and January 2, 2021, the net book value of capitalized internal-use software costs was \$4.9 million and \$6.5 million, respectively, which are included within business applications software.

Depreciation expense for the years ended January 1, 2022, January 2, 2021 and December 28, 2019 was \$31.1 million, \$31.9 million, and \$24.4 million, respectively, which included amortization expense of \$2.3 million, \$2.1 million and \$1.5 million, respectively, for capitalized internal-use software.

## 6. Goodwill and other intangible assets

The following table summarizes the activity in the carrying amount of goodwill and intangible assets for fiscal years 2021 and 2020 (in thousands):

	Goodwill	Intangible assets
Balance as of December 28, 2019	\$ 118,732	\$ 12,352
Amortization	—	(2,912)
Effect of foreign currency translation	7,140	462
Balance as of January 2, 2021	125,872	9,902
Acquisition	52,662	21,000
Amortization	—	(2,253)
Effect of foreign currency translation	(5,242)	(239)
Balance as of January 1, 2022	<u>\$ 173,292</u>	<u>\$ 28,410</u>

On November 15, 2021, the Company closed its acquisition of Aeris Cleantec AG ("Aeris"), a fast-growing provider of premium air purifiers, for approximately \$71.4 million in cash. The acquisition will advance the Company's vision and strategy by enabling it to diversify its product offerings and grow new and existing consumer relationships with enhanced solutions that complement the core products. The purchase price was allocated based on estimated fair value of acquired intangible assets of \$21.0 million, including \$15.5 million of developed technology and \$5.5 million of customer relationships, with a weighted estimated useful life of 5 years, net tangible assets of \$10.1 million and goodwill of \$52.7 million. The acquisition was a stock purchase and the goodwill resulting from this acquisition is not deductible for tax purposes. Goodwill is primarily attributed to the value expected from synergies resulting from the combination. The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on management's estimates and assumptions and may be subject to change as additional information is received. The Company expects to finalize the fair value measurements as soon as practicable, but not later than one year from the acquisition date.

The Company has included the financial results of the business in the consolidated financial statements since the acquisition date, which were not material. The Company has not furnished proforma financial information related to this acquisition because such information is not material to the financial results. Acquisition-related costs associated with the business combination were \$2.1 million for fiscal year 2021 and are included in general and administrative expenses in the Company's consolidated statements of income.

## iROBOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Intangible assets consisted of the following (in thousands):

	January 1, 2022			January 2, 2021		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Completed technology	\$ 43,727	\$ 27,752	\$ 15,975	\$ 28,100	\$ 26,525	\$ 1,575
Tradenname	100	100	—	100	100	—
Customer relationships	16,628	4,193	12,435	11,728	3,401	8,327
Reacquired distribution rights	32,096	32,096	—	34,318	34,318	—
Non-competition agreements	260	260	—	280	280	—
Total	\$ 92,811	\$ 64,401	\$ 28,410	\$ 74,526	\$ 64,624	\$ 9,902

Amortization expense related to acquired intangible assets was \$2.3 million, \$2.9 million and \$12.8 million for the fiscal years ended January 1, 2022, January 2, 2021 and December 28, 2019, 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
2022	\$ 3,279	\$ 2,162	\$ 5,441
2023	2,604	2,162	4,766
2024	2,604	2,162	4,766
2025	2,604	1,988	4,592
2026	2,604	775	3,379
Thereafter	2,280	3,186	5,466
Total	\$ 15,975	\$ 12,435	\$ 28,410



## iROBOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

## 7. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	January 1, 2022	January 2, 2021
Accrued warranty	\$ 32,019	\$ 24,392
Accrued manufacturing and logistics cost	23,038	20,093
Accrued compensation and benefits	19,029	17,635
Accrued bonus	11,375	31,523
Accrued sales and other indirect taxes payable	9,599	15,480
Current portion of operating lease liabilities	6,220	6,315
Derivative liability	2,600	4,268
Accrued income taxes	1,788	3,806
Accrued other	26,950	7,876
	<u>\$ 132,618</u>	<u>\$ 131,388</u>

## 8. 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 the unsecured revolving line of credit from \$75.0 million to \$150.0 million and extending the term of the credit facility to June 2023. As of January 1, 2022, the Company had no outstanding borrowings under the revolving credit facility. The revolving line of credit is available to fund working capital and other corporate purposes. 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 and (3) the Eurodollar Rate plus 1.0%. In the event USD LIBOR is discontinued as expected in June 2023, the Company expects the interest rates for its debt following such event will be based on either alternate base rates or agreed upon replacement rates. While the Company does not expect a LIBOR discontinuation would affect its ability to borrow or maintain already outstanding borrowings, it could result in higher interest rates.

The credit facility contains customary terms and conditions for credit facilities of this type, including restrictions on 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, its 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.

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

As of January 1, 2022, the Company was in compliance with all covenants under the revolving credit facility.

*Lines of Credit*

The Company has an unsecured letter of credit facility with Bank of America, N.A., available to fund letters of credit up to an aggregate outstanding amount of \$5.0 million. As of January 1, 2022, the Company had letters of credit outstanding of \$0.7 million under the letter of credit facility and other lines of credit with Bank of America, N.A.

The Company has an unsecured guarantee line of credit with Mizuho, Bank Ltd., available to fund import tax payments up to an aggregate outstanding amount of 250.0 million Japanese Yen. As of January 1, 2022, the Company had no outstanding balance under the guarantee line of credit.

## iROBOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

## 9. Derivative Instruments and Hedging Activities

The Company operates internationally and, in the normal course of business, is exposed to fluctuations in foreign currency exchange rates. The foreign currency exposures typically arise from transactions denominated in currencies other than the functional currency of the Company's operations, primarily the British Pound, Canadian Dollar, Euro and Japanese Yen. The Company uses derivative instruments that are designated in cash flow hedge relationships to reduce or eliminate the effects of foreign exchange rate change on sales. These contracts typically have maturities of three years or less. At January 1, 2022 and January 2, 2021, the Company had outstanding cash flow hedges with a total notional value of \$423.3 million and \$431.9 million, respectively.

The Company also enters into economic hedges that are not designated as hedges from an accounting standpoint to reduce or eliminate the effects of foreign exchange rate changes typically related to short term trade receivables and payables. These contracts typically have maturities of twelve months or less. As of January 1, 2022 and January 2, 2021, the Company had outstanding foreign currency economic hedges with a total notional value of \$325.4 million and \$192.2 million, respectively.

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

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

	Classification	Fair Value	
		January 1, 2022	January 2, 2021
<b>Derivatives not designated as hedging instruments:</b>			
Foreign currency forward contracts	Other current assets	\$ 8,362	\$ 261
Foreign currency forward contracts	Other assets	1,627	—
Foreign currency forward contracts	Accrued expenses	2,377	2,176
Forward sale contract	Other current assets	—	3,904
<b>Derivatives designated as cash flow hedges:</b>			
Foreign currency forward contracts	Other current assets	\$ 4,110	\$ 362
Foreign currency forward contracts	Other assets	9,610	679
Foreign currency forward contracts	Accrued expenses	223	2,092
Foreign currency forward contracts	Long-term liabilities	407	8,554

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

	Classification	Fiscal year ended		
		January 1, 2022	January 2, 2021	December 28, 2019
Gain (loss) recognized in income	Other income, net	\$ (9,779)	\$ (188)	\$ 89

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

	Gain (loss) recognized in OCI on Derivative (1)		
	Fiscal year ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Foreign currency forward contracts	\$ 31,363	\$ (18,504)	\$ 16,483

## iROBOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	Gain (loss) recognized in earnings on cash flow hedging instruments		
	January 1, 2022	January 2, 2021	December 28, 2019
	Revenue	Revenue	Revenue
Consolidated statements of income in which the effects of cash flow hedging instruments are recorded	\$ 1,564,987	\$ 1,430,390	\$ 1,214,010
Gain (loss) on cash flow hedging relationships:			
Foreign currency forward contracts:			
Amount of gain reclassified from AOCI into earnings	\$ 4,493	\$ 4,783	\$ 1,889

## 10. Fair Value Measurements

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

	Fair Value Measurements as of January 1, 2022		
	Level 1	Level 2 (1)	Level 3
<b>Assets:</b>			
Money market funds	\$ 33,003	\$ —	\$ —
Marketable equity securities, \$23,286 at cost (2)	33,044	—	—
Derivative instruments (Note 9)	—	23,709	—
Total assets measured at fair value	\$ 66,047	\$ 23,709	\$ —
<b>Liabilities:</b>			
Derivative instruments (Note 9)	\$ —	\$ 3,007	\$ —
Total liabilities measured at fair value	\$ —	\$ 3,007	\$ —

	Fair Value Measurements as of January 2, 2021		
	Level 1	Level 2 (1)	Level 3
<b>Assets:</b>			
Money market funds	\$ 47,529	\$ —	\$ —
Marketable equity securities, \$46,578 at cost (2)	47,576	—	—
Corporate and government bonds, \$3,498 at cost	—	3,505	—
Derivative instruments (Note 9)	—	5,206	—
Total assets measured at fair value	\$ 95,105	\$ 8,711	\$ —
<b>Liabilities:</b>			
Derivative instruments (Note 9)	\$ —	\$ 12,822	\$ —
Total liabilities measured at fair value	\$ —	\$ 12,822	\$ —

(1) Level 2 fair value estimates are based on observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

## iROBOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (2) The related unrealized gain recorded in other income, net was \$9.8 million and \$1.0 million for the fiscal year ended January 1, 2022 and January 2, 2021, respectively. Marketable equity securities are included in short term investments on the consolidated balance sheet.

**11. 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 January 1, 2022 and January 2, 2021.

***Common Stock***

Common stockholders are entitled to one vote for each share held and to receive dividends if and when declared by the Company's 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***

The Company's Board of Directors approved a stock repurchase program authorizing up to \$200.0 million in share repurchases from time to time until September 2021, which was extended until March 31, 2022. As of January 1, 2022, \$25.0 million remained available for further repurchase under the program.

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

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

In fiscal 2020, the repurchased 663,602 shares of its common stock at an average price of \$37.65, totaling \$25.0 million.

**12. Stock-Based Compensation**

The Company has awards and options outstanding under three stock incentive plans: the 2005 Stock Option and Incentive Plan (the "2005 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 the 2005 Plan and the 2015 Plan, the "Plans"). The 2018 Plan is the only one of the three 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. On May 21, 2020, the stockholders approved an amendment to the 2018 Plan to increase the number of aggregate shares authorized for issuance to 2,495,000 shares, an increase of 745,000 shares. Stock awards returned to the Plans, with the exception of those issued under the 2005 Plan, as a result of their expiration, cancellation or termination are automatically made available for issuance under the 2018 Plan. As of January 1, 2022, there were 1,023,556 shares available for future grant under the 2018 Plan. The Company recognized \$21.7 million, \$30.0 million and \$23.7 million of stock-based compensation expense during the fiscal years ended January 1, 2022, January 2, 2021, and December 28, 2019, respectively.

## iROBOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Stock-based compensation breaks down by expense classification as follows (in thousands):

	Fiscal Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Cost of revenue	\$ 1,321	\$ 1,511	\$ 1,486
Research and development	9,542	10,655	9,186
Selling and marketing	4,190	3,700	3,323
General and administrative	6,641	14,109	9,749
Total	\$ 21,694	\$ 29,975	\$ 23,744

#### 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 January 1, 2022, the unamortized compensation costs associated with restricted stock units was \$64.8 million with a weighted-average remaining recognition period of 2.78 years.

The following table summarizes the time-based restricted stock unit activity for fiscal years 2021, 2020 and 2019:

	Number of Shares Underlying Restricted Stock	Weighted Average Grant Date Fair Value
Outstanding at December 29, 2018	855,889	\$ 63.32
Granted	407,325	79.91
Vested	(358,119)	54.89
Forfeited	(85,863)	76.85
Outstanding at December 28, 2019	819,232	73.83
Granted	493,908	61.53
Vested	(318,079)	67.95
Forfeited	(101,028)	75.20
Outstanding at January 2, 2021	894,033	68.97
Granted	523,496	88.73
Vested	(314,427)	71.36
Forfeited	(99,886)	75.82
Outstanding at January 1, 2022	1,003,216	\$ 77.85

The aggregate intrinsic value of outstanding time-based restricted stock units at January 1, 2022 was \$66.1 million based on the Company's closing stock price on January 1, 2022 of \$65.88, with a weighted average remaining contractual term of 1.66 years.

#### Performance-Based Restricted Stock Units

The Company grants performance-based restricted stock units ("PSUs") to certain of its employees that vest on the satisfaction of service and performance conditions. The performance conditions are based on certain financial performance targets at the end of a three year performance period. The number of shares actually vested at the end of the three-year period may range from 0% to 200% of the target number of PSUs granted based on the actual achievement of the conditions.

The unamortized fair value as of January 1, 2022 associated with performance based restricted stock units was \$4.2 million with a weighted-average remaining recognition period of 1.75 years.

## iROBOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the performance-based restricted stock unit activity for fiscal years 2021, 2020 and 2019:

	Number of Shares Underlying PSU	Weighted Average Grant Date Fair Value
Outstanding at December 29, 2018	274,119	\$ 54.10
Granted	70,827	122.20
Vested	(78,943)	33.33
Forfeited	(49,772)	78.29
Outstanding at December 28, 2019	216,231	78.42
Granted	130,284	46.77
Vested	(71,734)	61.44
Forfeited	(45,129)	75.17
Outstanding at January 2, 2021	229,652	66.41
Granted	134,127	94.74
Vested	(55,503)	68.41
Forfeited	(23,154)	71.68
Outstanding at January 1, 2022	285,122	\$ 78.92

The aggregate intrinsic value of outstanding PSUs was \$18.8 million based on the Company's closing stock price on January 1, 2022 of \$65.88 with a weighted average remaining contractual term of 1.75 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 January 1, 2022, there were 465,465 shares reserved for future issuance under the ESPP. The Company recognized \$1.2 million, \$1.0 million, and \$1.1 million of stock-based compensation expense during the fiscal years ended January 1, 2022, January 2, 2021, and December 28, 2019, respectively.

### **13. 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.

#### ***Outstanding Purchase Orders***

At January 1, 2022, we had outstanding purchase orders aggregating approximately \$363.9 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 cancellable without penalty.

#### ***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 January 1, 2022 and January 2, 2021, respectively.

## iROBOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**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 7) in the accompanying consolidated balance sheets.

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

	Fiscal Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Balance at beginning of period	\$ 24,392	\$ 13,856	\$ 11,964
Provision	42,430	28,884	14,091
Warranty claims	(34,803)	(18,348)	(12,199)
Balance at end of period	\$ 32,019	\$ 24,392	\$ 13,856

**14. Employee Benefits**

The Company sponsors a retirement plan under Section 401(k) of the Internal Revenue Code (the "Retirement Plan"). Eligible US 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 \$3.8 million, \$3.0 million and \$2.9 million for the plan years ended January 1, 2022, January 2, 2021 and December 28, 2019, 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.

**15. Income Taxes**

Income before provision for income taxes was as follows (in thousands):

	Fiscal Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Domestic	\$ 8,880	\$ 166,973	\$ 84,225
Foreign	19,404	20,942	14,608
Income before income taxes	\$ 28,284	\$ 187,915	\$ 98,833

The components of income tax (benefit) provision were as follows (in thousands):

	Fiscal Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
<b>Current</b>			
Federal	\$ 1,045	\$ 13,593	\$ 13,366
State	441	2,724	5,004
Foreign	7,019	10,451	6,941
Total current income tax provision	\$ 8,505	\$ 26,768	\$ 25,311
<b>Deferred</b>			
Federal	\$ (8,286)	\$ 14,695	\$ (9,345)
State	(690)	2,552	(1,783)
Foreign	(1,635)	(3,168)	(650)
Total deferred income tax (benefit) provision	(10,611)	14,079	(11,778)
Total income tax (benefit) provision	\$ (2,106)	\$ 40,847	\$ 13,533

## iROBOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The reconciliation of statutory federal income tax to the income tax (benefit) provision is as follows (in thousands):

	Fiscal Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Statutory federal income tax	\$ 5,940	\$ 39,462	\$ 20,755
State taxes (net of federal benefit)	389	4,834	3,999
Federal and state credits	(7,620)	(6,702)	(8,152)
Excess tax (benefits) expenses from stock-based compensation	(4,160)	313	(6,468)
Foreign-derived intangible income	(3,253)	(3,360)	(4,180)
Executive compensation	1,706	718	2,081
Foreign tax rate differential	264	1,458	1,986
Change in valuation allowance	4,691	3,817	2,678
Other	(63)	307	834
	<u>\$ (2,106)</u>	<u>\$ 40,847</u>	<u>\$ 13,533</u>

The components of net deferred tax assets were as follows (in thousands):

	January 1, 2022	January 2, 2021
Deferred tax assets		
Revenue reserves	\$ 22,039	\$ 20,564
Accruals and other liabilities	14,518	14,357
Operating lease liabilities	11,428	12,429
Tax credits and net operating loss carryforwards	17,326	12,748
Stock-based compensation	3,463	4,868
Other	5,476	3,793
Gross deferred tax assets	74,250	68,759
Valuation allowance	(13,136)	(7,643)
Total deferred tax assets	61,114	61,116
Deferred tax liabilities		
Intangible assets	5,469	3,341
Operating lease right-of-use assets	10,998	11,443
Marketable equity securities	7,370	10,676
Other	2,582	2,957
Total deferred tax liabilities	26,419	28,417
Net deferred tax assets	<u>\$ 34,695</u>	<u>\$ 32,699</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 January 1, 2022, the Company has unremitted foreign earnings and any unrecognized deferred tax liability on these unremitted earnings would be immaterial.

The Company has federal and foreign net operating loss carryforwards of \$3.9 million and \$12.7 million, respectively, as of January 1, 2022. The Company has a valuation allowance of \$2.0 million in the U.S. and a valuation allowance of \$5.7 million in certain foreign jurisdictions for net operating loss carryforwards due to statutory limitations as of January 1, 2022. The Company has state research and development credit carryforwards of \$19.4 million and \$16.3 million as of January 1, 2022 and January 2, 2021, respectively, which expire from 2029 to 2037. Under the 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 January 1, 2022, January 2, 2021 and December 28, 2019, the Company had a valuation allowance of \$13.1 million, \$7.6 million and \$3.8 million, respectively, for state research and



## iROBOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

development credit carryforwards and 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		
	January 1, 2022	January 2, 2021	December 28, 2019
Balance at beginning of period	\$ 8,559	\$ 7,121	\$ 7,119
Increase for tax positions related to the current year	914	765	770
Increase (decrease) for tax positions related to prior years	369	1,231	(768)
Decrease for lapses of statute of limitations	—	(558)	—
Balance at end of period	\$ 9,842	\$ 8,559	\$ 7,121

The Company accrues interest and, if applicable, penalties for any uncertain tax positions as a component of income tax expense. As of January 1, 2022, January 2, 2021 and December 28, 2019 there were no material accrued interest or penalties. 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 January 1, 2022 were to become recognizable in the future, it would record a \$11.2 million benefit, inclusive of interest, to the income tax provision.

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") and state tax authorities is closed for fiscal years prior to 2014 and fiscal 2016. Federal and state carryforward attributes that were generated prior to fiscal 2014 and during fiscal 2016 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. The IRS notified the Company during the fourth quarter of fiscal 2020 that it intends to disallow the Company's deductions related to domestic production activities for those tax years. We currently believe the ultimate disposition of this matter will not have a material adverse effect on our consolidated financial position, liquidity or results of operations. 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.

#### 16. Industry Segment, Geographic Information and Significant Customers

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

##### *Geographic Information*

For the fiscal years ended January 1, 2022, January 2, 2021 and December 28, 2019, sales to non-U.S. customers accounted for 51.8%, 47.9% and 50.3% of total revenue, respectively.

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

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

	January 1, 2022	January 2, 2021	December 28, 2019
Domestic	\$ 754,173	\$ 744,648	\$ 603,618
International	810,814	685,742	610,392
<b>Total</b>	<b>\$ 1,564,987</b>	<b>\$ 1,430,390</b>	<b>\$ 1,214,010</b>

***Significant Customers***

For the fiscal years ended January 1, 2022, January 2, 2021, and December 28, 2019, there was one customer that accounted for 10% or more of total revenue, representing 21.8%, 22.7% and 21.3%, of total revenue, respectively.

**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 January 1, 2022, 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. Management excluded Aeris Cleantec AG ("Aeris") from our assessment of internal control over financial reporting as of January 1, 2022 because the Company acquired it in a business combination in 2021. Aeris' total assets and total revenues represent approximately 0.8% and 0.2%, respectively, of the Company's total assets and total revenues, as of and for the year ended January 1, 2022. Based on this assessment, management concluded that the Company maintained effective internal control over financial reporting as of January 1, 2022 based on the specified criteria.

The effectiveness of the Company's internal control over financial reporting as of January 1, 2022 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 January 1, 2022, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

*10b5-1 Trading Plans*

Our policy governing transactions in our securities by our directors, officers, and employees permits our officers, directors, funds affiliated with our directors, and certain other persons to enter into trading plans complying with Rule 10b5-1 under the Exchange Act. We have been advised that certain of our officers and directors (including Colin Angle, Chief Executive Officer, and Glen Weinstein, EVP and Chief Legal Officer, as well as Mohamad Ali, and Deborah Ellinger, each a director of the Company) have entered into trading plans (each a "Plan" and collectively, the "Plans") covering periods after the date of this 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 the Company.

We anticipate that, as permitted by Rule 10b5-1 and our policy governing transactions in our securities, some or all of our officers, directors and employees may establish trading plans in the future. We intend to disclose the names of our executive officers and directors who establish a trading plan in compliance with Rule 10b5-1 and the requirements of our policy governing transactions in our securities in our future quarterly and annual reports on Form 10-Q and 10-K filed with the Securities and Exchange Commission. We undertake no obligation to update or revise the information provided herein.

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not Applicable.

**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 January 1, 2022.

**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 January 1, 2022.

**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 January 1, 2022.

**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 January 1, 2022.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

Our independent public accounting firm is PricewaterhouseCoopers LLP, Boston, Massachusetts, PCAOB Auditor ID 238.

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 January 1, 2022.

**PART IV****ITEM 15. EXHIBITS AND 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 January 1, 2022 and January 2, 2021

Consolidated Statements of Income for the Years ended January 1, 2022, January 2, 2021 and December 28, 2019

Consolidated Statements of Comprehensive Income for the Years ended January 1, 2022, January 2, 2021 and December 28, 2019

Consolidated Statements of Stockholders' Equity for the Years ended January 1, 2022, January 2, 2021 and December 28, 2019

Consolidated Statements of Cash Flows for the Years ended January 1, 2022, January 2, 2021 and December 28, 2019

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>
<a href="#">3.1(1)</a>	Form of Second Amended and Restated Certificate of Incorporation of the Registrant dated November 15, 2005
<a href="#">3.2</a>	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)
<a href="#">4.1(1)</a>	Specimen Stock Certificate for shares of the Registrant's Common Stock
<a href="#">4.2</a>	Description of the Registrant's securities registered under Section 12 of the Securities Exchange Act of 1934 (filed as Exhibit 4.2 to the Registrant's Annual Report on Form 10-K filed on February 13, 2020 and incorporated by reference herein)
<a href="#">10.1†</a>	Form of Amended and Restated Indemnification Agreement (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 9, 2020 (File No. 001-36414) and incorporated by reference herein)
<a href="#">10.2†</a>	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)
<a href="#">10.3†(1)</a>	Employment Agreement between the Registrant and Colin Angle, dated as of January 1, 1997
<a href="#">10.4†</a>	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)
<a href="#">10.5†</a>	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)
<a href="#">10.6</a>	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 through the eighth amendment)
<a href="#">10.7*</a>	Ninth Amendment to Lease Agreement between the Registrant and Boston Properties Limited Partnership for premises located at 4-18 Crosby Drive, Bedford, Massachusetts, dated as of January 28, 2022

<a href="#">10.8†</a>	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)
<a href="#">10.9†</a>	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)
<a href="#">10.10#</a>	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)
<a href="#">10.11</a>	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)
<a href="#">10.12</a>	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)
<a href="#">10.13</a>	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)
<a href="#">10.14</a>	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)
<a href="#">10.15#</a>	Manufacturing Services Agreement between the Registrant and Kin Yat Industrial Company Limited, dated as of January 22, 2014 (filed as Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2018 and incorporated by reference herein)
<a href="#">10.16†</a>	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)
<a href="#">10.17†</a>	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)
<a href="#">10.18†</a>	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)
<a href="#">10.19†</a>	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)
<a href="#">10.20†</a>	iRobot Corporation Senior Executive Incentive Compensation Plan as Amended and Restated (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 30, 2019 and incorporated by reference herein)
<a href="#">10.21†</a>	Amendment to the iRobot Corporation 2018 Stock Option and Incentive Plan (filed as Exhibit 99.1 to the Registrant's Registration Statement on Form S-8 on June 30, 2020 (File No. 333-239573) and incorporated by reference herein)
<a href="#">10.22##</a>	Accelerated Share Repurchase Agreement by and between the Registrant and Wells Fargo, National Association, dated August 2, 2021 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 2, 2021 and incorporated by reference herein)
<a href="#">21.1*</a>	Subsidiaries of the Registrant
<a href="#">23.1*</a>	Consent of PricewaterhouseCoopers LLP
24.1	Power of Attorney (incorporated by reference to the signature page of this report on Form 10-K)
<a href="#">31.1*</a>	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
<a href="#">31.2*</a>	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
<a href="#">32.1**</a>	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)
†	Indicates a management contract or any compensatory plan, contract or arrangement.
#	Confidential treatment requested for portions of this document.
##	Certain portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K because such information is both (i) not material and (ii) information that the Registrant treats as private or confidential.
(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 15, 2022

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Colin M. Angle and Julie Zeiler, 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 15, 2022.

<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/ JULIE ZEILER</u> Julie Zeiler	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
<u>/s/ KARIAN WONG</u> Karian Wong	SVP, Finance (Principal 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/ KAREN M. GOLZ</u> Karen M. Golz	Director
<u>/s/ RUEY-BIN KAO</u> Ruey-Bin Kao	Director

/s/ EVA MANOLIS

Eva Manolis

Director

/s/ ANDREW MILLER

Andrew Miller

Director

/s/ MICHELLE V. STACY

Michelle V. Stacy

Director

**iROBOT CORPORATION  
SUBSIDIARIES OF THE REGISTRANT**

Subsidiary Legal Name	Jurisdiction of Incorporation/Formation
(Date of Voluntary Dissolution 4-12-21)	
iRobot US Holdings, LLC	Delaware
iRobot Holdings LLC	Delaware
Guangzhou iRobot Robot Technology Consulting Company Limited	China
iRobot (Shanghai) Ltd,	China
iRobot (HK) Limited	Hong Kong
iRobot Japan G.K.	Japan
iRobot UK Ltd.	United Kingdom
iRobot France SAS	France
iRobot Belgium SPRL	Belgium
iRobot Portugal, Unipessoal Lda	Portugal
iRobot Austria GmbH	Austria
iRobot Germany GmbH	Germany
iRobot Netherlands B.V.	Netherlands
iRobot Iberia S.L.	Spain
(Liquidated)	
Aeris Cleantec AG	Switzerland
Aeris HealthInc.	United States
Aeris Beijing, Ltd.	China

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 333-239573, 333-225482, 333-219686, 333-204669, 333-193998, 333-186700, 333-184320, 333-179593, 333-172333, 333-164993, 333-157306, 333-149373, 333-140707, 333-129576) of iRobot Corporation of our report dated February 15, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Boston, Massachusetts  
February 15, 2022

**Certifications**

I, Colin M. Angle, certify that:

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

Date: February 15, 2022

/s/ COLIN M. ANGLE

---

Colin M. Angle  
Chief Executive Officer

**Certifications**

I, Julie Zeiler, certify that:

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

Date: February 15, 2022

/s/ JULIE ZEILER

---

Julie Zeiler  
Chief Financial Officer

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

In connection with the Annual Report on Form 10-K of iRobot Corporation (the "Company") for the year ended January 1, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Colin M. Angle, the Chief Executive Officer of the Company and Julie Zeiler, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

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

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

Dated February 15, 2022

/s/ COLIN M. ANGLE

---

Colin M. Angle  
Chief Executive Officer

Dated February 15, 2022

/s/ JULIE ZEILER

---

Julie Zeiler  
Chief Financial Officer

## NINTH AMENDMENT TO LEASE

This NINTH AMENDMENT TO LEASE (this "Amendment") is dated as of January 28, 2022 (the "Effective Date") and is hereby entered into by and between XCHANGE OWNER LLC ("Landlord"), a Delaware limited liability company, with an address of c/o Jumbo Capital Incorporated, 1900 Crown Colony Drive, 4<sup>th</sup> Floor, Quincy, Massachusetts 02169, and IROBOT CORPORATION ("Tenant"), a Delaware corporation, with an address of 8 Crosby Drive, Bedford, Massachusetts 01730.

### RECITALS

WHEREAS, Landlord, as successor-in-interest to DIV Bedford, LLC (as successor-in-interest to Boston Properties Limited Partnership), and Tenant are parties to that certain Lease dated February 22, 2007 (the "Original Lease"), as amended by that certain Letter Agreement dated August 15, 2007 (the "Letter Agreement"), as amended by that certain First Amendment to Lease dated September 16, 2010 (the "First Amendment"), as amended by that certain Declaration dated June 16, 2011 (the "Declaration"), as amended by that certain Second Amendment to Lease dated May 20, 2014 (the "Second Amendment"), as amended by that certain letter dated October 8, 2014 (the "2014 Letter"), as amended by that certain Third Amendment to Lease dated April 10, 2015 (the "Third Amendment"), as amended by that certain Fourth Amendment to Lease dated October 23, 2015 (the "Fourth Amendment"), as amended by that certain Fifth Amendment to Lease dated May 4, 2016 (the "Fifth Amendment"), as amended by that certain Sixth Amendment to Lease dated July 5, 2017 (the "Sixth Amendment"), as amended by that certain Seventh Amendment to Lease dated November 21, 2017 (the "Seventh Amendment"), and as amended by that certain Eighth Amendment to Lease dated February 14, 2018 (the "Eight Amendment"), and together with the Original Lease, the Letter Agreement, the First Amendment, the Declaration, the Second Amendment, the 2014 Letter, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment, and the Seventh Amendment, the "Lease"), pursuant to which Landlord leases to Tenant approximately 272,367 rentable square feet of space (the "Existing Premises") located within the Complex (as defined in the Lease) known as XChange at Bedford located in Bedford, Massachusetts;

WHEREAS, pursuant to and in accordance with the Eighth Amendment, Landlord leased to Tenant approximately 32,770 rentable square feet of space (the "Relocation Premises") consisting of the entire third (3<sup>rd</sup>) floor of Building 14 at the Complex ("Building 14");

WHEREAS, Landlord and Tenant desire to substitute an area of Building 14 consisting of approximately 13,493 rentable square feet of space located on the first (1<sup>st</sup>) floor of Building 14 as shown on Exhibit A attached hereto and incorporated herein by this reference (the "Substitute Premises") for the Relocation Premises; and

WHEREAS, Landlord and Tenant further agree to amend, modify and/or supplement other provisions of the Lease, all as set forth herein on the following terms and conditions.

### AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby agree, as of the Effective Date, as follows:

1. Incorporation of Recitals. The recitals set forth above are true and correct, incorporated herein and made a part of this Amendment as if set forth herein in full.
2. Incorporation of Exhibits. The exhibits attached hereto are incorporated herein and made a part of this Amendment as if set forth herein in full.
3. Capitalized Terms and Conflicts. All capitalized terms used in this Amendment that are not defined in this Amendment shall have the meanings ascribed to such terms in the Lease. In the event of any conflict between the terms of the Lease and the terms of this Amendment, the definitions set forth in this Amendment shall supersede and control.



4. Substitute Premises. Effective as of the Substantial Completion of the Ninth Amendment Landlord’s Work (as both terms are hereinafter defined) (the “Relocation Date”), the Substitute Premises shall be leased to Tenant in substitution for the Relocation Premises. The Substitute Premises shall be subject to any and all the terms and conditions of the Lease. On or before the Relocation Date, Tenant shall surrender and yield up the Relocation Premises pursuant to all terms and conditions of the Lease and this Amendment, as applicable, and the Lease shall terminate in part with respect only to the Relocation Premises, and any and all monetary obligations under the Lease with respect to the Relocation Premises shall be paid by Tenant to Landlord through the Relocation Date in accordance with any and all terms and conditions of the Lease, subject to the terms and conditions contained herein. From and after the Relocation Date, provided that Tenant has vacated the Relocation Premises in accordance with the terms contained herein and all terms and conditions of the Lease, as applicable, then (i) the rentable square footage of the Premises shall be amended to mean approximately 253,090 rentable square feet (the “Resulting Premises”) for all purposes under the Lease, including, without limitation, the calculation of Operating Expenses Allocable to the Premises and Landlord’s Tax Expenses Allocable to the Premises, and (ii) the definition of Premises specified in the Lease and all references in the Lease to “Premises” shall be deemed to mean the “Resulting Premises”.
5. Failure to Vacate Relocation Premises. Tenant agrees that the failure to vacate the Relocation Premises on or before the Relocation Date shall constitute an Event of Default (as defined in Article VII of the Lease) under the Lease and Tenant agrees to indemnify Landlord and hold it harmless from and against any and all loss, cost, damages or expense incurred by Landlord arising out of any failure by Tenant to timely surrender the Relocation Premises on or before the Relocation Date. In addition to any other remedies available to Landlord under the Lease at law or in equity, in the event that Tenant fails to timely surrender the Relocation Premises to Landlord, then Tenant shall continue to pay all Annual Fixed Rent, Additional Rent, and other sums and charges allocable to the Relocation Premises, as well as any and all direct damages sustained by Landlord, including, without limitation those sums, charges, and damages contained in Section 8.18 (Holding Over) of the Lease.
6. Annual Fixed Rent. Tenant shall pay to Landlord Annual Fixed Rent with respect to the Substitute Premises in accordance with the schedule below but otherwise in accordance with the terms and conditions of the Lease:

Period	Monthly Installments of Fixed Rent	Annual Fixed Rent
Relocation Date – February 13, 2023	\$24,174.96	\$290,099.50*
February 14, 2023 – February 13, 2024	\$25,018.27	\$300,219.25
February 14, 2024 – February 13, 2025	\$25,861.58	\$310,339.00

\*Annualized figure.

Through the Relocation Date, Tenant shall continue to pay to Landlord all Annual Fixed Rent, Additional Rent and other sums and charges allocable to the Existing Premises, including, without limitation, the Relocation Premises, in accordance with any and all terms and conditions of the Lease. In addition, through the expiration of the Term

of this Lease, Tenant shall otherwise continue to pay to Landlord all Annual Fixed Rent, Additional Rent and other sums and charges allocable to the Resulting Premises in accordance with any and all terms and conditions of the Lease.

7. Condition of Substitute Premises. Except with respect to the Ninth Amendment Landlord's Work attached hereto as Exhibit B and incorporated herein by this reference (the "Ninth Amendment Landlord's Work"), Tenant acknowledges that Tenant has examined the Substitute Premises, and Tenant (i) is taking occupancy of and accepting the Substitute Premises in its present condition "AS-IS" and without any agreements, representations, understandings or obligations on the part of Landlord to perform any alterations, repair or improvements and (ii) is satisfied with the condition of the Substitute Premises as it relates to the suitability of the Substitute Premises for Tenant's purposes.
8. Rent Credit. Provided that no Event of Default then exists and this Lease is in full force and effect, Landlord and Tenant hereby acknowledge and agree that Landlord shall, within ten (10) days following Tenant's timely payment of the Annual Fixed Rent with respect to the Resulting Premises for the applicable month, provide to Tenant a rent credit in the amount of One Hundred Seventy-Eight Thousand Five Hundred Seventy-One and 43/100 Dollars (\$178,571.43) (the "Monthly Rent Credit") for each month from June 2022 through December 2022, Landlord and Tenant hereby acknowledging and agreeing that the total amount of such monthly payments to be made by Landlord to Tenant from June 2022 through December 2022 is equal to One Million Two Hundred Fifty Thousand and 00/100 Dollars (\$1,250,000.00) (the "Total Rent Credit"); provided, however, that Landlord and Tenant hereby acknowledge and agree that Landlord may, in Landlord's sole and unfettered discretion, elect to provide to Tenant a rent credit in excess of \$178,571.43 for any such month during the period of time from June 2022 through December 2022, provided, however, that Landlord and Tenant further acknowledge and agree that Landlord shall only be responsible to provide to Tenant a rent credit in the amount of the Total Rent Credit during the period of time from June 2022 through December 2022 in connection with this Amendment. Each Monthly Rent Credit may be used by Tenant for the payment to Landlord of Annual Fixed Rent and/or Additional Rent.
9. Furniture. On or prior to the Relocation Date, Landlord and Tenant shall execute a Bill of Sale in the form attached hereto as Exhibit C, which is hereby incorporated herein by this reference. Notwithstanding the foregoing, and for the purposes of clarity, Landlord and Tenant hereby acknowledge and agree that any and all such furniture in the Relocation Premises as of the Effective Date hereof shall be transferred from Tenant to Landlord; provided, however, that furniture expressly does not include audio/visual equipment, IT equipment, communications equipment, tools and fixtures and similar.
10. Extension Option. Tenant shall continue to have the right to extend the Lease pursuant to and in accordance with all terms and conditions of the Lease, including, without limitation, Section 7 of the Sixth Amendment (Extension Option); provided, however, that Landlord and Tenant hereby acknowledge and agree that, by execution of this Amendment, Tenant shall have no right to extend the term of the Lease with respect to the Substitute Premises, Landlord and Tenant hereby further acknowledging and agreeing that the term with respect to the Substitute Premises shall end and expire on February 13, 2025, unless sooner terminated pursuant to all terms and conditions of the Lease.
11. Exterior Signage. Effective as of the Effective Date hereof, Section 8(b) of the Eighth Amendment (Exterior Signage) shall hereby be deleted in its entirety and shall be of no force or effect.
12. Security Deposit. Within a commercially reasonable period of time following the Effective Date hereof, but in no event later than the Relocation Date, Tenant shall deposit with and deliver to Landlord a new Letter of Credit (as such term is defined in Section

8.21(A) of the Lease) in the amount of Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00) (the “Security Deposit”), which Letter of Credit shall comply with all terms and conditions contained in Section 8.21(A) of the Lease. From and after the date that Tenant deposits with and delivers to Landlord the Security Deposit pursuant to and in accordance with all terms and conditions contained herein and in the Lease, as applicable, such amount shall be deemed to be the “Security Deposit”, which shall be held by Landlord pursuant to and in accordance with all terms and conditions of the Lease, and, accordingly, the definition of “Security Deposit” in Section 1.1 of the Lease, as amended, is hereby deleted and replaced with the following: “\$250,000, to be held and disposed of pursuant to the provisions of Section 8.21 of this Lease.”

13. Parking. Effective as of the Relocation Date, in accordance with the ratio set forth in Section 1.1 of the Lease (i.e. three (3) parking privileges for each 1,000 square feet of rentable floor area leased by Tenant), the number of Parking Privileges Tenant is entitled to use at the Complex shall be 759 parking spaces.
14. Landlord’s Construction Representative. Effective as of the Effective Date hereof, “Landlord’s Construction Representative”, as originally set forth in Section 1.1 of the Lease (Subjects Referred To), shall hereby be amended to be Jordan Berns.
15. Landlord’s Address. Effective as of the Effective Date hereof, Landlord’s address shall be amended to be c/o Jumbo Capital Incorporated, 1900 Crown Colony Drive, 4<sup>th</sup> Floor, Quincy, Massachusetts 02169, with a copy to Continental Law Group, LLC, 75 State Street, Suite 100, Boston, Massachusetts 02109, Attn: Anthony J. Gambale, Esq.
16. Fixed Rent Payments. Effective as of the Effective Date hereof, the second (2<sup>nd</sup>) and third (3<sup>rd</sup>) sentences of Section 2.5 of the Lease (Fixed Rent Payments) is hereby deleted in its entirety and replaced with the following:

“Until notice of some other designation is given, Annual Fixed Rent and all other charges for which provision is herein made shall be paid by remittance to or for the order of Xchange Owner LLC by mail to c/o Jumbo Capital Incorporated, 1900 Crown Colony Drive, 4<sup>th</sup> Floor, Quincy, Massachusetts 02169. All remittances received by Jumbo Capital Incorporated or any subsequently designated recipient shall be treated as payment to Landlord.”

17. Leasing Notice Right. Effective as of the Effective Date hereof, Section 9 of the Sixth Amendment (Leasing Notice Right) is hereby deleted in its entirety and shall be of no force or effect.
18. Brokers. Landlord and Tenant represent and warrant to the other that they have not made any agreement or taken any action which may cause any other party to become entitled to a commission as a result of the transactions contemplated by this Amendment. Furthermore, each party will indemnify and defend the other from any and all claims, actual or threatened, for compensation by any other such third person by reason of such party’s breach of their representation or warranty contained in this Section.
19. Tenant’s Representations. Tenant hereby represents and warrants to Landlord that as of the Effective Date: (a) all of Tenant’s estate, right, title and interest in and to the Lease is free and clear of assignments, sublettings, liens and encumbrances; (b) the Lease is in full force and effect; (c) Tenant is presently in possession of the Existing Premises and is paying the Annual Fixed Rent, operating expenses and any and all other charges or sums due under the Lease with respect to the Existing Premises; (d) the Lease has not been modified, supplemented or amended in any way, except as may be set forth in this Amendment; and (e) that this Amendment has been duly authorized, executed and delivered by and on behalf of Tenant and constitutes the valid and binding agreement of Tenant in accordance with the terms hereof.

20. Ratification of Lease. Except as amended and modified by this Amendment, all the terms, provisions, agreements, covenants and conditions of the Lease are hereby affirmed and ratified.
21. Execution/Entire Agreement. This Amendment, together with the Lease as affected hereby, constitutes the entire agreement of the parties, and may not be amended except by written instrument signed by all parties. This Amendment shall have the effect of an agreement under seal and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
22. Governing Law. This Amendment shall be interpreted and enforced in accordance with the Laws of the Commonwealth of Massachusetts and Landlord and Tenant hereby irrevocably consent to the jurisdiction and proper venue of the Commonwealth of Massachusetts.
23. Counterparts. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Amendment to be executed as of the date set forth above.

**LANDLORD:**

**XCHANGE OWNER LLC**

a Delaware limited liability company

By: **JC/SMP XCHANGE OWNER LLC**  
its Managing Member

By: **BABAR, LLC**  
its Manager

By: /s/ Jay O. Hirsh

Name: Jay O. Hirsh  
Title: Authorized Signatory

**TENANT:**

**IROBOT CORPORATION**

a Delaware corporation

By: /s/ Julie Zeiler  
Name: Julie Zeiler  
Title: EVP & Chief Financial Officer

**EXHIBIT A**

SUBSTITUTE PREMISES

See attached.

**EXHIBIT B**

NINTH AMENDMENT LANDLORD'S WORK

**EXHIBIT C**

**BILL OF SALE**