



April 6, 2020

Dear Fellow Stockholder,

You are cordially invited to attend the annual meeting of stockholders of iRobot Corporation, a Delaware corporation (the “Company”), to be held on Wednesday, May 20, 2020, at 8:30 a.m., Eastern Time. The annual meeting will be held entirely online this year due to the emerging public health impact of the coronavirus outbreak (COVID-19). You will be able to attend and participate in the annual meeting online by visiting www.virtualshareholdermeeting.com/IRBT2020, where you will be able to vote electronically and submit questions. You will not be able to attend the annual meeting in person. You will need the 16-digit control number included on your Notice of Internet Availability or your proxy card (if you received a printed copy of the proxy materials) to attend the annual meeting.



At this annual meeting, you will be asked to (1) elect three (3) Class III directors, each to serve for a three-year term; (2) ratify the appointment of PricewaterhouseCoopers LLP as the Company’s independent registered public accounting firm for the current fiscal year; (3) approve amendments to our amended and restated certificate of incorporation to eliminate supermajority voting requirements; (4) approve amendments to our amended and restated certificate of incorporation to declassify the board of directors; (5) approve amendments to our amended and restated certificate of incorporation to eliminate the prohibition on stockholders’ ability to call a special meeting; (6) approve an amendment to the iRobot Corporation 2018 Stock Option and Incentive Plan (the “2018 Plan”) to increase the maximum number of shares reserved and issuable under the 2018 Plan; and (7) approve, on a non-binding, advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement.

The board of directors unanimously recommends that you vote FOR election of the director nominees, FOR ratification of appointment of our independent registered public accounting firm, FOR approval of amendments to our amended and restated certificate of incorporation to eliminate supermajority voting requirements, FOR approval of amendments to our amended and restated certificate of incorporation to declassify the board of directors, FOR approval of amendments to our amended and restated certificate of incorporation to eliminate the prohibition on stockholders’ ability to call a special meeting, FOR approval of an amendment to the 2018 Plan for the increase to the maximum number of shares reserved and issuable under the 2018 Plan, and FOR approval, on a non-binding, advisory basis, of the compensation of our named executive officers as disclosed in this Proxy Statement. Details regarding the matters to be acted upon at this annual meeting appear in the accompanying Proxy Statement. Please give the accompanying materials your careful attention.

Whether or not you plan to attend the annual meeting online, we urge you to vote on the business to come before this annual meeting so that your shares will be represented at the annual meeting. If you attend the annual meeting online, you may vote during the meeting electronically even if you have previously returned a proxy. Your prompt cooperation will be greatly appreciated.

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

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

Sincerely,

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

April 6, 2020

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

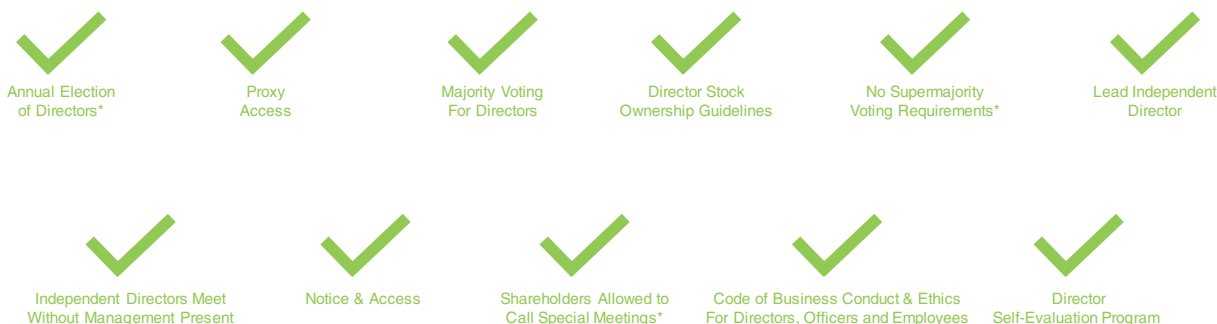
In recent years, iRobot has taken important steps to evolve key corporate governance practices and policies that shape board engagement, the composition of the board of directors, and executive compensation matters. For the upcoming 2020 annual meeting of stockholders (the “2020 Annual Meeting”), stockholders are asked to vote on seven proposals that are detailed in this year’s Proxy Statement, including proposals related to the above areas. Below are some highlights of recent governance changes including additional information about certain proposals that will be voted upon at the 2020 Annual Meeting:

Corporate Governance

In prior years, iRobot’s board of directors has recommended stockholders approve the following proposals in an effort to enhance our corporate governance practices and be responsive to expressed interests of our stockholders: 1) eliminating supermajority voting requirements has been proposed to stockholders every year since 2015; 2) declassifying our board of directors has been proposed to stockholders every year since 2016; and 3) eliminating the prohibition on stockholders’ ability to call a special meeting has been proposed to stockholders every year since 2017. Passing each of these proposals requires affirmative votes from at least 75% of the outstanding shares. Despite engaging a proxy solicitor to achieve the necessary voting threshold and receiving overwhelming stockholder support for each of these proposals, the required stockholder approvals were not attained in any of the prior years in which the proposals were recommended to stockholders. The board of directors has determined to re-submit each of these proposals to the Company’s stockholders at the 2020 Annual Meeting and has again retained a proxy solicitor to support efforts to obtain affirmative votes from at least 75% of the outstanding shares.

Notable Practices and Policies

In compliance with The Nasdaq Stock Market (“Nasdaq”) standards and Securities and Exchange Commission (“SEC”) rules, and in keeping with best practices in corporate governance, iRobot has implemented a range of what it believes to be stockholder-friendly practices and policies. These include the following:



* The Company is seeking stockholder approval at the 2020 Annual Meeting to 1) declassify its board of directors; 2) eliminate supermajority voting requirements in its governing documents relating to removal of directors and amendments to the Company’s certificate of incorporation and bylaws; and 3) allow stockholders to call special meetings.

Board Composition

We continually evaluate our board member skills for alignment with iRobot’s strategic goals. Over the past five years, we have added six independent directors who bring extensive experience in areas that are critical to the Company’s strategic direction and long-term success. As illustrated in the timeline below, these directors have further diversified our board in terms of domain expertise, experience and gender. Each new director has brought complementary skills and relevant insights into global branding, strategic software development, cloud infrastructure, data analytics, consumer business and finance – all of which we believe have informed and advanced the Company’s strategy.



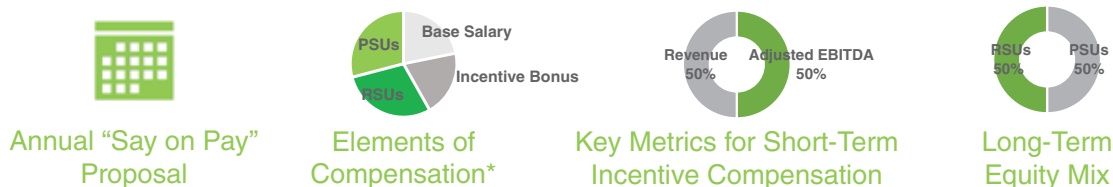
Director Facts & Figures



Executive Compensation

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

The following illustrates key elements of our executive compensation practices.



*Representative mix of compensation. For additional information, please see page 42 of the 2020 Proxy Statement.

Your Vote Matters

As noted above and outlined in greater detail within the Proxy Statement, stockholders overwhelmingly supported the three proposals included in the enclosed Proxy Statement relating to amendments of our certificate of incorporation to 1) declassify our board of directors, 2) eliminate supermajority voting requirements in our governing documents relating to removal of directors and amendments to the Company's certificate of incorporation and bylaws, and 3) allow stockholders to call special meetings, but each of these proposals did not achieve the requisite affirmative vote of at least 75% of the outstanding shares to pass. Given these dynamics, we urge all stockholders to vote their shares, regardless of how many shares you own or whether you plan to attend the online meeting. We appreciate your cooperation and support.

iROBOT CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS To Be Held on May 20, 2020

To the Stockholders of iRobot Corporation:

The annual meeting of stockholders of iRobot Corporation, a Delaware corporation (the “Company”), will be held on Wednesday, May 20, 2020, at 8:30 a.m., Eastern Time. The annual meeting will be held entirely online this year due to the emerging public health impact of the coronavirus outbreak (COVID-19). The annual meeting is being held for the following purposes:

1. To elect three (3) Class III directors, nominated by the board of directors, each to serve for a three-year term and until his or her successor has been duly elected and qualified or until his or her earlier death, resignation or removal;
2. To ratify the appointment of PricewaterhouseCoopers LLP as the Company’s independent registered public accounting firm for the current fiscal year;
3. To approve amendments to our amended and restated certificate of incorporation to eliminate supermajority voting requirements;
4. To approve amendments to our amended and restated certificate of incorporation to declassify the board of directors;
5. To approve amendments to our amended and restated certificate of incorporation to eliminate the prohibition on stockholders’ ability to call a special meeting;
6. To approve an amendment to the iRobot Corporation 2018 Stock Option and Incentive Plan (the “2018 Plan”) to increase the maximum number of shares reserved and issuable under the 2018 Plan;
7. To hold a non-binding, advisory vote on the approval of the compensation of our named executive officers as disclosed in this Proxy Statement; and
8. To transact such other business as may properly come before the annual meeting and at any adjournments or postponements thereof.

Proposal 1 relates solely to the election of three (3) Class III directors nominated by the board of directors and does not include any other matters relating to the election of directors. Only stockholders of record at the close of business on March 25, 2020 (the “record date”) are entitled to notice of and to vote at the annual meeting and at any adjournment or postponement thereof.

We are mailing our stockholders a Notice of Internet Availability of Proxy Materials (the “Notice”), instead of a paper copy of our Proxy Statement and our Annual Report to Stockholders for the fiscal year ended December 28, 2019 (the “2019 Annual Report”). Stockholders who have requested a paper copy of our proxy materials will continue to receive them by mail. The Notice contains instructions on how to access those documents over the Internet and how to request a paper copy of our Proxy Statement, the 2019 Annual Report, and a form of proxy card or voting instruction card.

All stockholders are cordially invited to attend the annual meeting online. To assure your representation at the annual meeting, we urge you, regardless of whether you plan to attend the annual meeting online, to sign, date and return the proxy card (if you received printed proxy materials) or to vote over the telephone or on the Internet as instructed in these proxy materials so that your



shares will be represented at the annual meeting. If your shares are held in "street name," that is, held for your account by a broker or other nominee, you will receive instructions from the holder of record that you must follow for your shares to be voted.

To be admitted to the annual meeting at www.virtualshareholdermeeting.com/IRBT2020, you must enter the 16-digit control number included on your Notice of Internet Availability or your proxy card (if you received a printed copy of the proxy materials) to attend the annual meeting. We encourage you to access the annual meeting before it begins. Online check-in to access the meeting will start shortly before the meeting on May 20, 2020. If you attend the annual meeting at www.virtualshareholdermeeting.com/IRBT2020, you may vote electronically during the meeting even if you have previously returned a proxy. Stockholders will also have the opportunity to submit questions prior to the annual meeting at www.proxyvote.com by logging on with your control number or during the annual meeting through www.virtualshareholdermeeting.com/IRBT2020. A technical support telephone number will be posted on the log-in page of www.virtualshareholdermeeting.com/IRBT2020 that you can call if you encounter any difficulties accessing the virtual meeting during the check-in or during the meeting.

In closing, we urge all stockholders to vote their shares TODAY using the proxy card (if you received printed proxy materials) or vote online or by telephone, as instructed, regardless of how many shares you own or whether you plan to attend the meeting online. We appreciate your cooperation and support in making sure your shares are represented.

**Important Notice Regarding the Internet Availability of Proxy Materials
for the Stockholder Meeting to Be Held on May 20, 2020**

This Notice of 2020 Annual Meeting, Proxy Statement, and 2019 Annual Report are available for viewing, printing and downloading at www.proxyvote.com.

By Order of the Board of Directors,

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

GLEN D. WEINSTEIN
Executive Vice President,
Chief Legal Officer and Secretary
Bedford, Massachusetts
April 6, 2020

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING ONLINE, PLEASE VOTE BY TELEPHONE, OVER THE INTERNET, OR BY SIGNING, DATING AND RETURNING THE PROXY CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED (IF YOU RECEIVED PRINTED PROXY MATERIALS) IN ORDER TO ENSURE REPRESENTATION OF YOUR SHARES.



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iROBOT CORPORATION

PROXY STATEMENT For the Annual Meeting of Stockholders To Be Held on May 20, 2020

April 6, 2020

This Proxy Statement and related materials have been made available to you on the Internet, or have been delivered to you by mail at your request, on behalf of the board of directors of iRobot Corporation, a Delaware corporation (the “Company” or “iRobot”), for use at the annual meeting of stockholders to be held on Wednesday, May 20, 2020, at 8:30 a.m., Eastern Time. The annual meeting will be held entirely online this year due to the emerging public health impact of the coronavirus outbreak (COVID-19). Additional details regarding attending the virtual annual meeting and voting at the meeting are provided below.

Important Notice Regarding the Internet Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on May 20, 2020

We have elected to provide access to our proxy materials over the Internet under the Securities and Exchange Commission’s (“SEC”) “notice and access” rules. On or about April 7, 2020, we mailed to our stockholders a Notice of Internet Availability containing instructions on how to access our proxy materials, including our Proxy Statement and our 2019 Annual Report. We believe that providing our proxy materials over the Internet expedites shareholders’ receipt of proxy materials, lowers costs and reduces the environmental impact of our annual stockholder meeting. As a stockholder of the Company, you are invited to participate in the annual meeting, and are entitled and requested to vote on the proposals described in this Proxy Statement. The Notice of Internet Availability instructs you on how to submit your proxy or voting instructions through the Internet. If you would like to receive a paper copy of our proxy materials, the Notice of Internet Availability instructs you on how to request a paper copy of our proxy materials, including a proxy card or voting instruction form that includes instructions on how to submit your proxy or voting instructions by mail or telephone.

This Proxy Statement and our 2019 Annual Report to stockholders are available for viewing, printing and downloading at www.proxyvote.com. A copy of our Annual Report on Form 10-K for the fiscal year ended December 28, 2019, as filed with the SEC on February 13, 2020, will be furnished without charge to any stockholder upon written request to iRobot Corporation, 8 Crosby Drive, Bedford, Massachusetts 01730, Attention: Investor Relations. This Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended December 28, 2019 are also available on the SEC’s website at www.sec.gov.

The purposes of the annual meeting are to elect three (3) Class III directors, each for a three-year term, to ratify the appointment of the Company’s independent registered public accounting firm, to approve amendments to our amended and restated certificate of incorporation to eliminate supermajority voting requirements, to approve amendments to our amended and restated certificate of incorporation to declassify the board of directors, to approve amendments to our amended and restated certificate of incorporation to eliminate the prohibition on stockholders’ ability to call a special meeting (such amendments, together, the “Charter Amendments”), to approve an amendment to the iRobot Corporation 2018 Stock Option and Incentive Plan (the “2018 Plan”) to increase the maximum number of shares reserved and issuable under the 2018 Plan, and to hold a non-binding, advisory vote on the compensation of our named executive officers as disclosed in this Proxy Statement. Only

stockholders of record at the close of business on March 25, 2020 will be entitled to receive notice of and to vote at the annual meeting. As of March 25, 2020, 27,871,923 shares of common stock, \$0.01 par value per share, of the Company were issued and outstanding. The holders of common stock are entitled to one vote per share on any proposal presented at the annual meeting.

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

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

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

For Proposal 2, the ratification of the appointment of PricewaterhouseCoopers LLP as the Company’s independent registered public accounting firm for the current fiscal year, Proposal 6, the vote to approve the amendment to the 2018 Plan to increase to the maximum number of shares reserved and issuable under the 2018 Plan and Proposal 7, the non-binding, advisory vote on the compensation of our named executive officers as disclosed in this Proxy Statement, an affirmative vote of holders of a majority of the votes cast by holders of shares present, online or represented by proxy, and entitled to vote on each such matter is required for approval. Abstentions and broker non-votes, if any, are not considered votes cast for Proposals 2, 6 and 7, and, therefore, will not have any effect on the outcome of such Proposals.

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

All properly executed proxies returned in time to be counted at the annual meeting will be voted by the named proxies at the annual meeting. Where a choice has been specified on the proxy with



respect to the foregoing matters, the shares represented by the proxy will be voted in accordance with the specifications. If you return a validly executed proxy without indicating how your shares should be voted on a matter, your proxies will be voted FOR election of the director nominees, FOR ratification of the appointment of our independent registered public accounting firm, FOR each of the Charter Amendments, FOR approval of the amendment to the 2018 Plan to increase to the maximum number of shares reserved and issuable under the 2018 Plan and FOR the approval, on a non-binding, advisory basis, of the compensation of our named executive officers as disclosed in this Proxy Statement.

Aside from the election of directors, the ratification of the appointment of the independent registered public accounting firm, the approval of the Charter Amendments, the approval of the amendment to the 2018 Plan to increase to the maximum number of shares reserved and issuable under the 2018 Plan and the non-binding, advisory vote on the compensation of our named executive officers as disclosed in this Proxy Statement, the board of directors knows of no other matters to be presented at the annual meeting. If any other matter should be presented at the annual meeting upon which a vote properly may be taken, shares represented by all proxy cards received by the board of directors will be voted with respect thereto at the discretion of the persons named as proxies.

It is important that your shares be voted regardless of whether you attend the online meeting. Please follow the voting instructions on the Notice of Internet Availability of Proxy Materials that you received. If you received a proxy card or voting instruction form, please complete the proxy card or voting instruction form promptly. If your shares are held in a bank or brokerage account, you may be eligible to vote electronically or by telephone – please refer to your voting instruction form. If you attend the meeting online, you may vote electronically during the meeting even if you have previously returned your vote in accordance with the foregoing. We appreciate your cooperation.

Important Information about How to Vote

All stockholders may vote their shares over the Internet, by telephone or during the annual meeting by going to www.virtualshareholdermeeting.com/IRBT2020. If you requested and/or received a printed version of the proxy card, you may also vote by mail.

- **By Internet (before the Annual Meeting).** You may vote at www.proxyvote.com, 24 hours a day, seven days a week. You will need the 16-digit included in your Notice of Internet Availability or your proxy card (if you received a printed copy of the proxy materials). Votes submitted through the Internet must be received by 11:59 p.m. Eastern Standard on May 19, 2020.
- **By Telephone.** You may vote using a touch-tone telephone by calling 1-800-690-6903, 24 hours a day, seven days a week. You will need the 16-digit control number included on your Notice of Internet Availability or your proxy card (if you received a printed copy of the proxy materials). Votes submitted by telephone must be received by 11:59 p.m. Eastern Standard on May 19, 2020.
- **By Mail.** If you received printed proxy materials, you may submit your vote by completing, signing and dating each proxy card received and returning it promptly in the prepaid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Sign your name exactly as it appears on the proxy card. Proxy cards submitted by mail must be received no later than by May 19, 2020 to be voted at the annual meeting.
- **During the Annual Meeting.** You may vote during the annual meeting by going to www.virtualshareholdermeeting.com/IRBT2020. You will need the 16-digit control number included on your Notice of Internet Availability or your proxy card (if you received a printed copy of the proxy materials). If you previously voted via the Internet (or by telephone or mail), you will not limit your right to vote online at the annual meeting.

If you vote via the Internet or by telephone, your electronic vote authorizes the named proxies in the same manner as if you signed, dated and returned your proxy card. If you vote via the Internet or by telephone, do not return your proxy card.

Participation in the Virtual Annual Meeting

This year our annual meeting will be a completely virtual meeting. There will be no physical meeting location.

To participate in the virtual meeting, visit www.virtualshareholdermeeting.com/IRBT2020 and enter the 16-digit control number included on your Notice of Internet Availability or your proxy card (if you received a printed copy of the proxy materials). You may begin to log into the meeting platform beginning at 8:15 a.m. Eastern Time on May 20, 2020. The meeting will begin promptly at 8:30 a.m. Eastern Time on May 20, 2020.

Stockholders will also have the opportunity to submit questions prior to the annual meeting at www.proxyvote.com by logging on with your control number or during the annual meeting through www.virtualshareholdermeeting.com/IRBT2020. A technical support telephone number will be posted on the log-in page of www.virtualshareholdermeeting.com/IRBT2020 that you can call if you encounter any difficulties accessing the virtual meeting during the check-in or during the meeting.

PROPOSAL 1 ELECTION OF DIRECTORS

Nominees

Our board of directors currently consists of nine members. Our amended and restated certificate of incorporation currently divides the board of directors into three classes. One class is elected each year for a term of three years. The board of directors, upon the recommendation of the nominating and corporate governance committee, has nominated Elisha Finney, Andrew Miller, and Michelle V. Stacy, and recommended that each be elected to the board of directors as a Class III director, each to hold office until the annual meeting of stockholders to be held in the year 2023 or until his or her successor has been duly elected and qualified or until his or her earlier death, resignation or removal. Each of Mr. Miller and Ms. Finney and Stacy has consented to being named in this Proxy Statement and has agreed to serve if elected. The board of directors is also composed of (i) three Class I directors (Colin M. Angle, Deborah G. Ellinger and Eva Manolis) whose terms are currently set to expire upon the election and qualification of directors at the annual meeting of stockholders to be held in 2021 and (ii) three Class II directors (Mohamad Ali, Michael Bell and Ruey-Bin Kao) whose terms are currently set to expire upon the election and qualification of directors at the annual meeting of stockholders to be held in 2022. If Proposal 4 is approved by the stockholders, each of Mr. Miller and Ms. Finney and Stacy, along with all other directors, will stand for election at the 2021 annual meeting.

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

Recommendation of the Board

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

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

Nominee’s or Director’s Name	Position(s) with the Company	Year Current Term Will Expire	Current Class of Director
Nominees for Class III			
Directors:			
Andrew Miller	Director	2020	III
Elisha Finney	Director	2020	III
Michelle V. Stacy	Director	2020	III
Continuing Directors:			
Colin M. Angle	Chairman of the Board, Chief Executive Officer And Director	2021	I
Deborah Ellinger	Director	2021	I
Eva Manolis	Director	2021	I
Mohamad Ali	Lead Independent Director	2022	II
Michael Bell	Director	2022	II
Ruey-Bin Kao	Director	2022	II

Specific Qualifications, Skills and Experience Required of the Board

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



PUBLIC CO. LEADERSHIP

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



PUBLIC CO. BOARD EXPERIENCE

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



FINANCE AND CAPITAL MANAGEMENT

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



GLOBAL OPERATING EXPERIENCE

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



CONSUMER PRODUCTS

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



CONSUMER TECHNOLOGY

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



CLOUD INFRASTRUCTURE

We have built a robust Home Knowledge Cloud that supports over-the-air delivery of new digital features and enhanced functionality for customers globally. Additionally, our cloud infrastructure enables us to gain substantial insight into the performance of our robots and is valuable for advancing third-party developer and related product integration activities. We benefit from directors who bring relevant insights into the technical and financial implications of cloud-based connectivity.



SOFTWARE/SAAS

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



SMART HOME

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



ROBOTICS

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



DIVERSITY

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

Board of Directors

Over the past five years we have added six independent directors who have further diversified the board in terms of experience, expertise and gender. In particular, these new directors have brought relevant, complementary skill sets and insights in disciplines that span global branding, strategic software development, cloud infrastructure, data analytics, consumer business and finance, all of which are critical to our strategy. We continually evaluate our board member skills for alignment with our strategic goals. The following matrix summarizes our directors' skills that are critical to our success:

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

Board and Governance Information	
9	Size of Board
8	Number of Independent Directors
57	Average Age of Directors
8	Board Meetings Held in Fiscal 2019
4	Average Tenure of Independent Directors (in years)
✓	Annual Election of Directors*
✓	Proxy Access
✓	Majority Voting for Directors
✓	No Supermajority Voting Requirements*
✓	Lead Independent Director
✓	Independent Directors Meet Without Management Present
✓	Director Stock Ownership Guidelines
✓	Code of Business Conduct and Ethics for Directors, Officers and Employees
✓	Director Self-Evaluation Program

* The Company is seeking stockholder approval at the 2020 Annual Meeting to declassify its board of directors and eliminate supermajority voting requirements in its governing documents



Director Nominees



Andrew Miller

DIRECTOR SINCE: 2016

AGE: 58

Director



iRobot Committees:

- Chair of Audit Committee
- Nominating and Corporate Governance Committee



Public Directorships:

- Verint Systems (since December 2019)

Andrew Miller has served as a director since September 2016 and brings critical financial leadership as well as software, cloud infrastructure and Internet of Things (IoT) experience to iRobot as the Company continues to grow its consumer business globally and focus on the connected home. Mr. Miller most recently served as executive vice president and chief financial officer of PTC, a provider of software technology platforms and solutions, from early 2015 until May 2019. At PTC, he was responsible for global finance, tax and treasury, investor relations, information technology, pricing, corporate real estate, and customer administration. From 2008 to 2015, Mr. Miller served as chief financial officer of Cepheid, a high-growth molecular diagnostics company, where he built world-class finance and information technology teams and a nationally recognized investor relations program. Mr. Miller has also served in financial leadership roles at Autodesk, MarketFirst Software, Cadence Design Systems, and Silicon Graphics. In addition to his service on the iRobot board of directors, Mr. Miller serves as a director on the board of Verint Systems (Nasdaq: VRNT), a global software and cloud provider of actionable intelligence solutions, where he is a member of the board's audit committee. He is also a former director of United Online. Mr. Miller holds a B.S. in Commerce with an emphasis in Accounting from Santa Clara University and was a CPA.

Experience and Qualifications

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





Elisha Finney

DIRECTOR SINCE: 2017

AGE: 58

Director



iRobot Committees:

- Audit Committee
- Compensation and Talent Committee



Public Directorships:

- Mettler-Toledo International Inc. (since November 2017)
- NanoString Technologies, Inc. (since May 2017)
- ICU Medical, Inc. (since January 2016)
- Cutera, Inc. (former) (from October 2017 to May 2019)

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

Experience and Qualifications

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





Michelle V. Stacy

DIRECTOR SINCE: 2014

AGE: 64

Director



iRobot Committees:

- Compensation and Talent Committee



Public Directorships:

- Flex Pharma, Inc. (former) (from March 2016 to July 2019)

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

Experience and Qualifications

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



Continuing Directors



Colin Angle

DIRECTOR SINCE: 1992

AGE: 52

Chairman, CEO and Founder



iRobot Committees:

- None

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

Experience and Qualifications

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





Deborah G. Ellinger

DIRECTOR SINCE: 2011

AGE: 61

Director



iRobot Committees:

- Chair of the Nominating and Corporate Governance



Public Directorships:

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

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

Experience and Qualifications

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





Eva Manolis

DIRECTOR SINCE: 2019

AGE: 55

Director



iRobot Committees:

- Audit Committee



Public Directorships:

- Fair Isaac Corporation (since April, 2018)
- Shutterfly, Inc. (former) (from October 2016 to September 2019)

Eva Manolis has served as a director since July 2019. She brings more than 30 years of product development and global ecommerce experience within the consumer technology space to the iRobot board. Eva served in a variety of executive roles at Amazon.com, Inc. from 2005 through 2016 where she was successful in developing and growing customer adoption of technologies, products, programs and services across a variety of categories including consumer electronics. Most recently, Eva served as vice president of consumer shopping at Amazon.com, Inc. from 2010 until 2016 with responsibility for worldwide innovative shopping experiences, including the development of features and services for the company’s mobile app and website on a global scale. Prior to that, Eva served as vice president of web and mobile retail applications from 2008 to 2010 and vice president of global retail applications from 2005 to 2008. Eva also founded Shutterfly, Inc. in 1999 and served as executive vice president of products, services and strategy until 2002. At Shutterfly, she was responsible for the vision, architecture, design and development of the company’s website from inception to profitability. In addition to her service on the iRobot board of directors, she also currently serves on the board of directors at Fair Isaac Corporation and previously served on the board of directors at Shutterfly, Inc.

Experience and Qualifications

Ms. Manolis brings more than 30 years of product development and global ecommerce experience within the consumer technology space to iRobot.





Mohamad Ali

DIRECTOR SINCE: 2015

AGE: 49

Lead Independent Director



iRobot Committees:

- Nominating and Corporate Governance Committee



Public Directorships:

- Carbonite (former) (from December 2014 to July 2019)

Mohamad Ali has served as a director since August 2015 and brings extensive experience with capital allocation in technology companies, as well as strategic software development, including cloud infrastructure and data analytics. Mohamad became chief executive officer and a director of International Data Group, Inc. (IDG), the world's leading technology media, events and research company, in August 2019. Prior to this, he had served as the president, chief executive officer and director of Carbonite, Inc., a global leader in data protection, since 2014. Mohamad successfully led Carbonite's continued growth, serving the ever-evolving technology needs of small and midsize businesses and consumers. Previously, Mohamad served as chief strategy officer at Hewlett-Packard, a manufacturer of computers and enterprise products, from 2012 to 2014 and president of Avaya Global Services, an enterprise communications company. He also served in senior leadership roles at IBM Corporation, a multinational technology and consulting company, where he acquired numerous companies to build IBM's analytics and big data business. Mohamad is a director of Oxfam America and Massachusetts Technology Leadership Council and previously served on the board of directors of Carbonite, Inc, City National Corporation and City National Bank. The Massachusetts Technology Leadership Council recognized Mohamad as "CEO of the Year" in 2018 and he was named to the Boston Business Journal's 2008 "40 Under 40" list. Mohamad holds a B.S. and an M.S. in Electrical Engineering, both from Stanford University.

Experience and Qualifications

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





Michael Bell

DIRECTOR SINCE: 2016

AGE: 53

Director



iRobot Committees:

- Chair of the Compensation and Talent Committee



Public Directorships:

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

Michael Bell has served as a director since March 2016. Mr. Bell served as chief technology officer of Michigan based electric vehicle startup Rivian from June 2019 until February 2020. Prior to this, he was the chief executive officer and president of Silver Spring Networks, a leading networking platform and solutions provider for smart energy networks, since September 2015 until his retirement in January 2018. Previously, from 2010 to 2015 he held various roles at Intel Corporation, a multinational technology corporation specializing in the production of semiconductor chips, including Corporate Vice President New Devices Group, Corporate VP Mobile and Communications Group and Corporate Vice President Ultra Mobility Group. He was head of Product Development at Palm, Inc. from 2007 to 2010. He worked at Apple, Inc. from 1991 to 2007 and played significant roles in development of Apple iPhone and Apple TV products, serving as Vice President, CPU Software from 2002 to 2007. He holds a B.S. in Mechanical Engineering from the University of Pennsylvania.

Experience and Qualifications

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





Dr. Ruey-Bin Kao

DIRECTOR SINCE: 2018

AGE: 59

Director



iRobot Committees:

- Compensation and Talent Committee



Public Directorships:

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

Dr. Ruey-Bin Kao has served as a director since June 2018. He has more than 30 years of expertise in technology, telecommunication, corporate governance, and consumer business. Dr. Kao has held senior leadership roles, driving revenue growth and profitability, at numerous global companies, including Telstra Corporation Ltd. (“Telstra”) (Chief Executive Officer, Greater China), Applied Materials China (President, China), China Hewlett-Packard Co. Ltd (China Managing Director / General Manager of Enterprise Business), Motorola, Inc. (China Chairman / President) and AT&T Bell Laboratories (Business and Product Marketing Manager). Most recently, from January 2014 to December 2017, Dr. Kao served as the Chief Executive Officer, Greater China, at Telstra, Australia’s leading telecommunications and technology company, where his management responsibilities included building strategic partnerships to enhance the company’s brand, as well as developing and executing an effective growth strategy by identifying areas of potential in the rapidly evolving Greater China market. Dr. Kao was formerly a director of China Telecommunications Corporation, China National Travel Services Group Corporation Ltd. and Shenhua Group Corporation Ltd. (now known as China Energy Investment Corporation Ltd.). Dr. Kao holds a bachelor degree in Computer Science from Tamkang University, master’s degree in Computer and Information Science from the University of Delaware and a doctorate degree of Business Administration from the Hong Kong Polytechnic University.

Experience and Qualifications

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



The Board of Directors and Its Committees

Board of Directors

The board of directors met eight (8) times during the fiscal year ended December 28, 2019, and took action by unanimous written consent three (3) times. Each of the directors attended at least 75% of the aggregate of the total number of meetings of the board of directors and the total number of meetings of all committees of the board of directors on which he or she served during fiscal 2019. The board of directors has the following standing committees: audit committee; compensation and talent committee and nominating and corporate governance committee, each of which operates pursuant to a separate charter that has been approved by the board of directors. A current copy of each charter is available at the Corporate Governance section of our website at <http://www.irobot.com>. The information found on, or accessible through, our website is not incorporated into, and does not form a part of, this Proxy Statement or any other report or document we file with or furnish to the SEC. Each committee reviews the appropriateness of its charter at least annually and retains the authority to engage its own advisors and consultants. The composition and responsibilities of each committee are summarized below.

Board Committees

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

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

= Chairperson = Member = Financial Expert

Audit Committee

Met 10 times in 2019



Committee Chair
Andrew Miller

Committee Members
Elisha Finney



Eva Manolis



Responsibilities

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

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

Independence and Financial Expertise

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



Committee Chair
Michael Bell

Committee Members
Elisha Finney



Ruey-Bin Kao



Michelle V. Stacy



Responsibilities

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

The compensation and talent committee took action by unanimous written consent four (4) times during the fiscal year ended December 28, 2019.

Independence

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

Nominating and Corporate Governance Committee



Committee Chair
Deborah G. Ellinger

Committee Members
Mohamad Ali



Andrew Miller



Responsibilities

Met 5 times in 2019

- developing and recommending to the board a set of corporate governance principles and best practices, including considering the adequacy of the by-laws and certificate of incorporation for consideration by the shareholders;
- evaluating, monitoring and recommending to the board corporation governance policies, including a code of business conduct and ethics and a set of corporate governance guidelines;
- overseeing the annual evaluation of the board, the committees of the board and management;
- developing and recommending to the board criteria for board and committee membership;
- establishing procedures for identifying and evaluating director candidates including nominees recommended by stockholders;
- identifying individuals qualified to become board members; and
- recommending to the board the persons to be nominated for election as directors and to each of the board's committees;

Independence

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

DIRECTORS AND EXECUTIVE OFFICERS

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

Name	Age	Position
Colin M. Angle	52	Chairman of the Board, Chief Executive Officer and Director
Mohamad Ali (3)	49	Lead Independent Director
Michael Bell (1)	53	Director
Deborah G. Ellinger (3)	61	Director
Elisha Finney (1)(2)	58	Director
Ruey-Bin Kao (1)	59	Director
Eva Manolis (2)	56	Director
Andrew Miller (2)(3)	59	Director
Michelle V. Stacy (1)	64	Director
Russell J. Campanello	64	Executive Vice President, Human Resources and Corporate Communications
Keith Hartsfield	49	Executive Vice President, Chief Product Officer
Tim Saeger	56	Executive Vice President, Chief Research and Development Officer
Glen D. Weinstein	49	Executive Vice President, Chief Legal Officer
Julie Zeiler (4)	54	Executive Vice President, Chief Financial Officer
Alison Dean (4)	55	Executive Vice President, Chief Financial Officer, Treasurer and Principal Accounting Officer

(1) Member of compensation and talent committee

(2) Member of audit committee

(3) Member of nominating and corporate governance committee

(4) On February 3, 2020 Alison Dean provided her resignation, effective May 4, 2020. Julie Zeiler, the Company's current Vice President of Finance, will be appointed as the Company's Executive Vice President and Chief Financial Officer effective May 4, 2020.

Executive Officers

Alison Dean has served as our executive vice president, chief financial officer, treasurer and principal accounting officer since April 2013. On February 3, 2020, Ms. Dean resigned from these positions and, effective May 4, 2020, will be succeeded by Julie Zeiler, the Company's current vice president of finance. Ms. Dean previously served as our senior vice president, corporate finance from February 2010 until March 2013. From March 2007 until February 2010, Ms. Dean served as our vice president, financial controls & analysis. From August 2005 until March 2007, Ms. Dean served as our vice president, financial planning & analysis. From 1995 to August 2005, Ms. Dean served in a number of positions at 3Com Corporation, including vice president and corporate controller from 2004 to 2005 and vice president of finance, worldwide sales from 2003 to 2004. She has also served as a director at Everbridge, Inc. since July 2018. Ms. Dean holds a B.A. in Business Economics from Brown University and an M.B.A. from Boston University.

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

Keith Hartsfield has served as our executive vice president and chief product officer since September 2019. Prior to joining iRobot, Mr. Hartsfield served in multiple executive roles at HP, Inc., a multinational information technology company, from 2014 to 2019, including vice president of the Z workstation products, vice president of mobility products and workflow transformation, and vice president of mobility products. Prior to his time with HP, he served as chief operating officer for Green Edge Technologies, an “Internet of things” (“IoT”) startup focused on energy management and home automation. Earlier in his career, Mr. Hartsfield held a variety of executive roles with Motorola and Nokia. Mr. Hartsfield holds a B.S. in Electrical Engineering from Purdue University, a M.S. in Electrical Engineering and Applied Physics from Case Western Reserve University and an M.B.A. from the Wharton School, University of Pennsylvania. He also serves on the board of directors of Intellecty, Inc., an IoT startup focused on water management and leak detection in the home. Mr. Hartsfield has been awarded several U.S. patents.

Tim Saeger has served as our executive vice president and chief research and development officer since December 2018. Mr. Saeger previously served as our executive vice president of engineering from March 2017 to December 2018 and senior vice president of engineering from August 2015 until March 2017. Previously, Mr. Saeger served in multiple roles at Bose Corporation, a manufacturing company that predominantly sells audio equipment, from 2005 through 2015, including Vice President of Home Entertainment, and Vice President of Product Development. Earlier in his career, Mr. Saeger also served at Thomson, Inc., and General Dynamics Corporation, in a variety of engineering and engineering management positions. He holds a B.S. in Electrical Engineering from Auburn University and an MS in Electrical Engineering from the University of Texas at Arlington. Mr. Saeger has been awarded 24 U.S. patents.

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

Julie Zeiler will become our executive vice president and chief financial officer effective May 4, 2020. Ms. Zeiler currently serves as our Vice President of Finance, a position she has held since January 2017. Previously, she served in a number of senior financial leadership positions over a 20-year tenure at Boston Scientific Corporation, including as Director of Finance, Global Operations from 2014 to 2017, as well as in financial management roles at Digital Equipment Corporation. She holds a B.A. in Economics and English from Albion College.

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

CORPORATE GOVERNANCE AND BOARD MATTERS

Board Leadership Structure

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

Independence of Members of the Board of Directors

The board of directors has determined that Dr. Kao, Mses. Ellinger, Finney, Manolis and Stacy, and Messrs. Ali, Bell and Miller are independent within the meaning of the director independence standards of Nasdaq and the SEC. Furthermore, the board of directors has determined that each member of each of the committees of the board of directors is independent within the meaning of the director independence standards of Nasdaq and the SEC.

Executive Sessions of Independent Directors

Executive sessions of the independent directors are held during each regularly scheduled in-person meeting of the board of directors. Executive sessions do not include any of our non-independent directors and are chaired by a lead independent director who is appointed annually by the board of directors from our independent directors. Mr. Ali currently serves as the lead independent director. In this role, Mr. Ali serves as chairperson of the independent director sessions. The independent directors of the board of directors met in executive session four (4) times in 2019.

Role of Lead Independent Director

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

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

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

The Board of Directors' Role in Risk Oversight

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

Policies Governing Director Nominations

Director Qualifications

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

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

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

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

Process for Identifying and Evaluating Director Nominees

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

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

Procedures for Recommendation of Director Nominees by Stockholders

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

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

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

- Name and address of the stockholder making the recommendation;
- A representation that the stockholder is a record holder of the Company's securities, or if the stockholder is not a record holder, evidence of ownership;



- Name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five full fiscal years of the individual recommended for consideration as a director nominee;
- A description of the qualifications and background of the proposed director nominee which addresses the minimum qualifications, actual or potential conflicts of interest, and other criteria for board membership approved by the board of directors from time to time and set forth in the Company's Policy Governing Director Qualifications and Nominations;
- A description of all arrangements or understandings between the stockholder and the proposed director nominee;
- The consent of the proposed director nominee (i) to be named in the Proxy Statement for the annual meeting and (ii) to serve as a director if elected at such annual meeting; and
- Any other information regarding the proposed director nominee that is required to be included in the Proxy Statement.

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

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

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

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

Policy Governing Security Holder Communications with the Board of Directors

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

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

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

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

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

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

Policy Governing Director Attendance at Annual Meetings of Stockholders

Our policy is to schedule a regular meeting of the board of directors on the same date as our annual meeting of stockholders and, accordingly, directors are encouraged to be present at our stockholder meetings. Our directors are expected to participate in the virtual annual meeting of stockholders, unless they have a conflict that cannot be resolved. The eight board members who were directors at the time of the annual meeting of stockholders held in 2019 attended the meeting.

Board of Directors Evaluation Program

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

For more corporate governance information, you are invited to access such information at <https://investor.irobot.com/corporate-governance/highlights>.

Code of Business Conduct and Ethics

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



Human Rights Policy

We have adopted a Human Rights Policy. Respect for human rights is an essential value for our Company and for the communities in which we operate. We are committed to ensuring that our employees and individuals in the communities affected by our activities are treated with dignity and respect. We believe that following these principles helps our employees and our business thrive as we develop new and exciting technologies for the smart home.

iRobot's Manufacturing Supply Chain Partners: Business Conduct, Environment, Labor Practices

Our primary contract manufacturers and most significant suppliers work under a master supply agreement that includes provisions for compliance with environmental regulations consistent with the iRobot General Environmental Regulatory Requirements, conflict minerals provisions within Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, anti-corruption laws and all applicable local government regulations regarding minimum wage, living conditions, overtime, working conditions, child labor laws and the applicable labor and environmental laws.

For more corporate governance information, you are invited to access our website at <https://investor.irobot.com/corporate-governance/highlights>.

Compensation and Talent Committee Interlocks and Insider Participation

During 2019, Mses. Finney and Stacy, and Mr. Bell and Dr. Kao served as members of the compensation and talent committee. No member of the compensation and talent committee was an employee or former employee of us or any of our subsidiaries, or had any relationship with us requiring disclosure herein.

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

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

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

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

The audit committee oversees the Company’s accounting and financial reporting processes on behalf of the board of directors. The meetings of the audit committee are designed to facilitate and encourage communication among the audit committee, Company management, the independent registered public accounting firm and the Company’s internal audit function. The Company’s management has the primary responsibility for the financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting. In fulfilling its oversight responsibilities, the audit committee has reviewed and discussed with management the Company’s consolidated financial statements for the fiscal quarters and full year ended December 28, 2019, including a discussion of, among other things, the quarterly and annual earnings press releases, the quality of the Company’s accounting principles, the reasonableness of significant estimates and judgments, and the clarity of disclosures in the Company’s financial statements.

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

The audit committee also reviewed with PricewaterhouseCoopers LLP, the Company’s independent registered public accounting firm, the results of their audit and discussed matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board and the SEC. The audit committee has reviewed permitted services under rules of the SEC as currently in effect and discussed with PricewaterhouseCoopers LLP their independence from management and the Company, including the matters in the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant’s communications with the audit committee concerning independence, and has considered and discussed the compatibility of non-audit services provided by PricewaterhouseCoopers LLP with that firm’s independence. For each engagement, Company management provided the audit committee with information about the services and fees, sufficiently detailed to allow the audit committee to make an informed judgment about the nature and scope of the services and the potential for the services to impair the independence of the independent registered public accounting firm. After the end of each fiscal year, Company management provides the audit committee with a summary of actual fees incurred with the independent registered public accounting firm.



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

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

The audit committee has also evaluated the performance of PricewaterhouseCoopers LLP, including, among other things, the length of time the firm has been engaged; its familiarity with our operations and businesses, accounting policies and practices, and our internal controls over financial reporting; and the appropriateness of fees paid to PricewaterhouseCoopers LLP for audit and non-audit services in 2019, on an absolute basis and as compared to the scope of prior year audits. Information about PricewaterhouseCoopers LLP's fees for 2019 is discussed below in this Proxy Statement under "Proposal 2 - Ratification of Appointment of Independent Registered Public Accounting Firm." Based on its evaluation, the audit committee has retained PricewaterhouseCoopers LLP to serve as the Company's independent registered public accounting firm for the 2020 fiscal year.

Based on its review of the financial statements and the aforementioned discussions, the audit committee concluded that it would be reasonable to recommend, and on that basis, did recommend, to the board of directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 28, 2019, which was filed with the SEC on February 13, 2020.

Respectfully submitted by the Audit Committee,

Andrew Miller (chairman)

Elisha Finney

Eva Manolis

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

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

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

The compensation and talent committee has reviewed and discussed the Compensation Discussion and Analysis (the “CD&A”) for the year ended December 28, 2019 with management. In reliance on the reviews and discussions referred to above, the compensation and talent committee recommended to the board of directors, and the board of directors has approved, that the CD&A be included in this Proxy Statement and incorporated by reference in our Annual Report on Form 10-K for the year ended December 28, 2019, which was filed with the SEC on February 13, 2020.

Respectfully submitted by the Compensation and Talent Committee,

Michael Bell (chairman)

Elisha Finney

Ruey-Bin Kao

Michelle Stacy

COMPENSATION AND OTHER INFORMATION CONCERNING EXECUTIVE OFFICERS AND DIRECTORS

Compensation Discussion and Analysis

Executive Overview

The competition for executive talent in our industry continues to be significant. While we compete to attract and retain talent against other established technology companies in our industry, the skill sets, expertise and capabilities that we believe will help us further expand our business and drive value creation increasingly bring us into competition for talent against a wider range of technology companies, including those focused on emerging technologies.

Our compensation philosophy is based on a desire to balance retention of executive talent with pay for performance incentive compensation which is designed to reward our named executive officers for our financial and operating performance. We believe the compensation of our named executive officers should align our executives' interests with those of our stockholders and focus executive behavior on the achievement of both near-term corporate targets as well as long-term business objectives and strategies.

2019:

- In September 2019, we hired Keith Hartsfield as chief product officer to lead iRobot's physical and digital product offerings, providing strategic direction on innovation and vision, new product development, design competitiveness, partnership and in-market excellence.
- In September 2019, our chief operating officer, Christian Cerda, departed to pursue other career opportunities outside of our Company.

2020:

- In February 2020, we announced the transition of our chief financial officer role, with Julie Zeiler being appointed to succeed Alison Dean as executive vice president and chief financial officer on May 4, 2020. Alison will remain with iRobot in an advisory role for a period after May 4th to ensure a seamless and successful transition of responsibilities.

2019 Financial Performance Highlights

Our performance as a company in 2019 reflected our ability to continue growing and preserve profitability as we navigated an increasingly challenging environment. More specifically:

- Our financial performance was impacted directly and indirectly by rising Section 301 tariffs on List 3 goods that included robotic vacuum cleaners imported into the United States from China, as well as increasingly aggressive price competition in EMEA and the United States.
- We continued to expand our business in 2019 and generated 11% annual revenue growth to a record \$1.214 billion. However, we fell short of our original 2019 revenue targets due to the challenging market conditions encountered.
- The impact of lower-than-expected revenue, Section 301 tariffs on List 3 goods, which increased from 10% to 25% midway through the year, and changes to pricing and promotional activity resulted in lower gross margins, operating profitability, net income and earnings per share.
- We were able to partially mitigate the impact of these factors by carefully managing our cost structure, which included a 15% reduction of general and administrative expenses in 2019, and reducing certain discretionary spending and adjusting the timing and pacing of hiring.
- We ended the year with revenue between threshold and target performance levels in our annual cash incentive program and Adjusted EBITDA below threshold.

Revenue \$1.214B an increase of 11% from full-year 2018	Operating Income \$86.6M compared with \$105.8M from full-year 2018
Diluted Earnings Per Share \$2.97 compared with \$3.07 for full-year 2018	Net Income \$85.3M compared with \$88.0M from full-year 2018

Compensation Highlights:

Our compensation programs as designed are sensitive to Company performance. Our 2019 financial results and impact on compensation reflect this correlation:

- **Base Salary:** Base salary increases were made in early 2019 and ranged from 5.3% to 11.1% coming off a very strong 2018 performance. There were however, no base salary increases for named executive officers' in 2020 in recognition, in part, of 2019 performance.
- **Bonus:** 2019 incentive bonus payout of 39% of target, driven by below threshold Adjusted EBITDA performance and revenue between threshold and target.
 - 2018 Bonus was 126% of target.
- **PSUs:** 2017 PSUs paying out at 77% of target, driven by achievement of the revenue target but between threshold and target operating Income percent.
- **2019 equity grants:** Total current value of the March 2019 equity grants as of 12/28/2019 was 57% below the grant date fair value.

Named Executive Officer	Total Grant Date Fair Value	Total Value at 12/28/2019	Difference
Colin M. Angle	5,552,768	2,371,968	(3,180,800)
Alison Dean	1,665,830	711,590	(954,240)
Glen D. Weinstein	1,221,511	521,791	(699,720)
Tim Saeger	1,332,469	569,189	(763,280)

* Please note equity grants for Named Executive Officers were made on March 8, 2019.

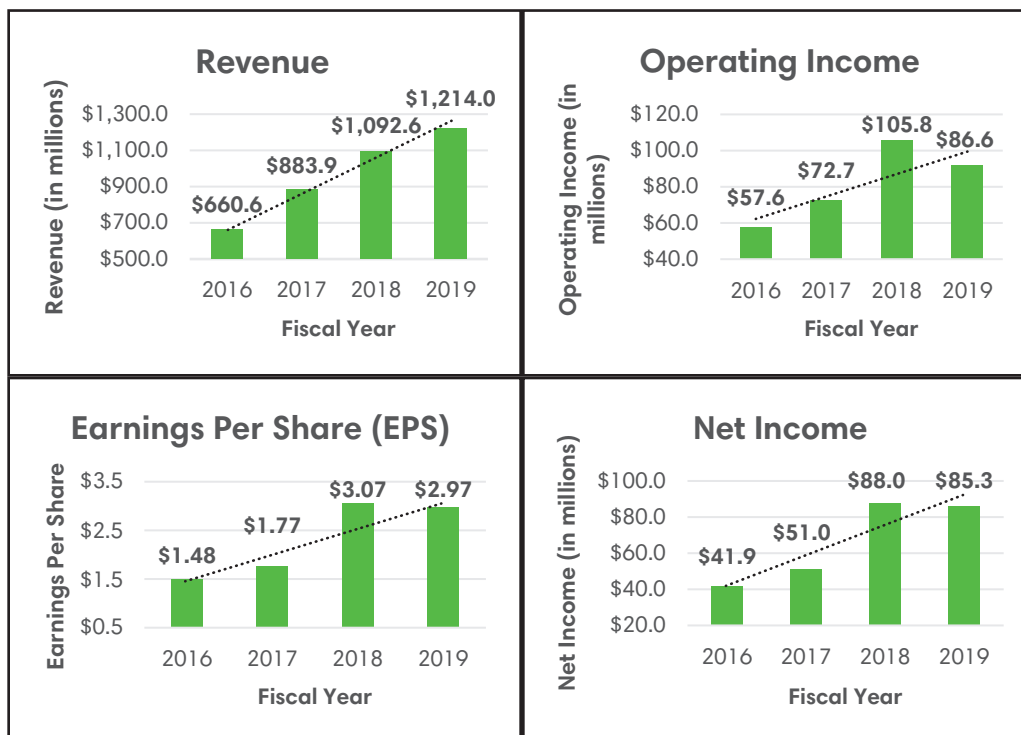
Despite a challenging year from a financial performance perspective, in 2019 we executed on key elements of our strategy:

2019 Strategic priorities:

Product Innovation	Introduced Roomba s9/s9+ and Braava Jet m6, as well as new digital features
Segment Leadership	We remain the world's leading Robotic Vacuum Cleaner (RVC) company
Product Diversification	<p>Strong growth in our Braava family of robot mops, surpassing \$100M in annual revenue in 2019</p> <p>Conducted beta trials of Terra t7 robot lawn mower in Germany and the United States</p> <p>Strengthened our position within the smart home through a range of partnerships, including one with IFTTT that allows users to integrate our robots with other Smart Home devices easily.</p>
Customer Engagement	Accelerated transformation of our user base into a true community with 4M customers opting in to our digital communications
Manufacturing	Commenced Roomba production in Malaysia in late 2019, which was ahead of schedule, and balanced production across multiple manufactures in China
Cost Control	Proactively managed our cost structure to adjust spending and preserve profitability

Historical Financial Performance

Our financial performance over the last four years has been strong. While 2019 was a challenging year given the more difficult than anticipated market conditions in the U.S. including the impact of the tariff, as well as intense price competition, we managed our cost structure well to reduce spending, which included a 15% reduction in general and administrative expenses in 2019, which mitigated these impacts. The performance below demonstrates our focus on growing our business while continuing to deliver stockholder value.

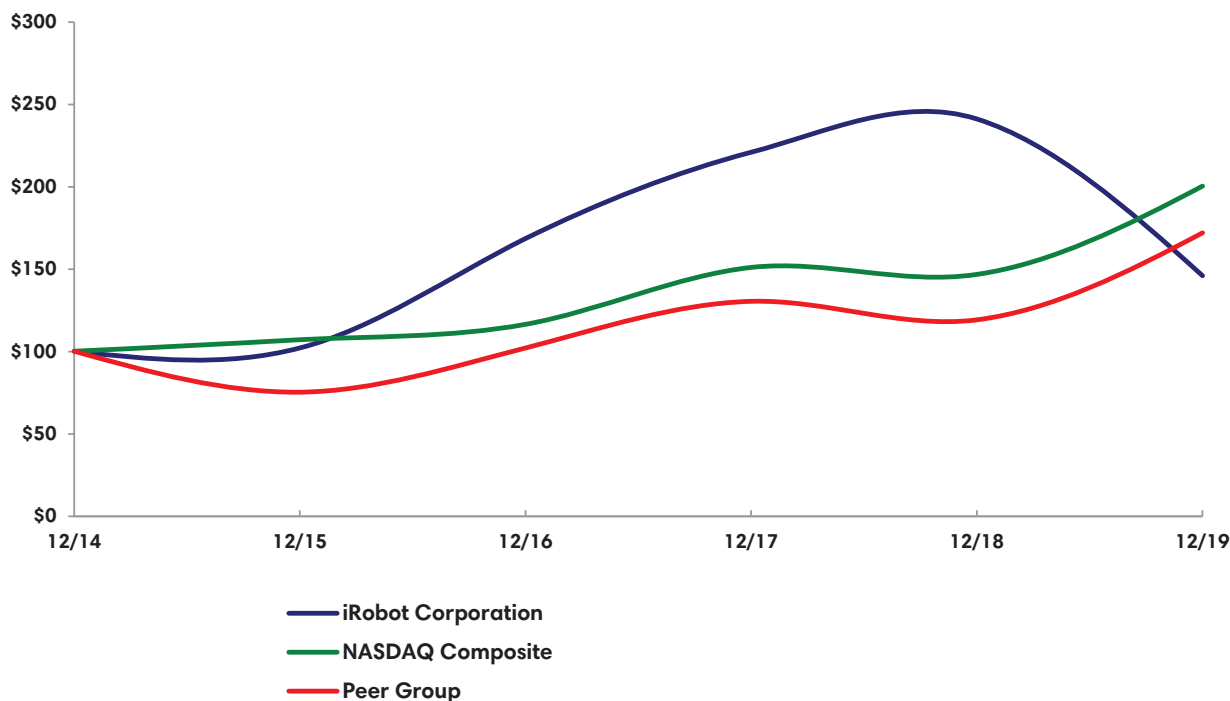


The graph below compares the cumulative 5-Year total return provided shareholders on iRobot Corporation's common stock relative to the cumulative total returns of the Nasdaq Composite index and a customized peer group, which includes the sixteen companies listed in footnote 1 below. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our common stock, in the Nasdaq Composite Index and the customized peer group on December 31, 2014 and its relative performance is tracked through December 31, 2019.

(1) The sixteen companies included in the Company's peer group are: 3d Systems Corp, Brooks Automation Inc., Coherent Inc., Dolby Laboratories Inc., Faro Technologies Inc., Fitbit Inc., Garmin Ltd., GoPro Inc., Logitech International S.A., Netgear Inc., Novanta Inc, Plantronics Inc., TiVo Corp., Trimble Inc., Ubiquiti Inc. and Universal Electronics Inc.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

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



*\$100 invested on 12/31/14 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	12/14	12/15	12/16	12/17	12/18	12/19
iRobot Corporation	100.00	101.96	168.35	220.91	241.19	145.82
Nasdaq Composite	100.00	106.96	116.45	150.96	146.67	200.49
Peer Group	100.00	75.36	102.17	130.41	119.26	171.88

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Objectives of Our Compensation Program

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

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

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

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

Methodologies for Establishing Executive Compensation

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

The compensation and talent committee has engaged Pay Governance as its independent executive compensation consultant. The consultant works with the compensation and talent committee in addition to our human resources department and the chief executive officer to assist them with a range of items including establishing an appropriate peer group, developing the structure of the executive compensation program and in formulating recommendations regarding base salary levels, target incentive awards, performance goals for incentive compensation and equity awards for named executive officers. In conjunction with the annual performance review of each named executive officer, the compensation and talent committee carefully considers the recommendations of the chief executive officer with respect to the other executive officers when setting base salary, bonus payments under the prior year’s incentive compensation plan, and target amounts and performance goals for the current year’s incentive compensation plan. In addition, the compensation and talent committee similarly determines the size and structure of equity incentive awards, if any, for each named executive officer.

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

At the May 2019 annual meeting of stockholders, the Company held its annual say on pay vote. The results of the say on pay vote held in May 2019 were as follows (as a percentage of the votes cast):

For	18,270,478	98.0%
Against	255,524	1.3%
Abstain	145,716	0.7%

The results of the say on pay vote are advisory and not binding on the Company, the board of directors or the compensation and talent committee. The board of directors and the compensation and talent committee, however, value the opinions of our stockholders and take the results of the say on pay vote into account when making decisions regarding the compensation of our named executive officers. Additionally, an important aspect of our investor relations activities involves interacting with our stockholders to discuss our executive compensation programs, answer important questions about our compensation philosophies and practices, and gain valuable direct feedback in the process.

The compensation and talent committee will, in consultation with Pay Governance and as appropriate, continue to consider changes to our compensation programs in ways that can further align the pay of our senior executives with our performance while taking into account input from stockholders and evolving factors such as the business environment, the competitive market for talent and other emerging trends. Additionally, the compensation and talent committee will continue to consider the outcome of our say on pay votes, regulatory changes and emerging best practices when making future compensation decisions for our named executive officers.

Our compensation plans are developed, in part, by utilizing publicly available compensation data and subscription compensation survey data for national and regional companies in the technology and consumer technology industries, including those that focus on smart-tech and high-tech products. When determining the range of competitive practice for executive compensation, we review compensation data for companies with revenues, market capitalization, headcount and levels of ongoing research and development investment similar to our profile. There is an expanded discussion on our peer group in the section “Compensation Comparisons” on page 40. While there are no perfect benchmarks for our Company, we believe that this approach provides us with valuable insights as to pay levels and practices of companies similar to ours.

Compensation Consultants

As the independent compensation consultant, Pay Governance provides the compensation and talent committee with advice on a broad range of executive compensation matters. The scope of Pay Governance’s services included the following:

- Apprising the compensation and talent committee of compensation-related and regulatory trends and developments in the marketplace;
- Assessing the composition of the peer companies used for comparative purposes;
- Performing a competitive assessment of our non-employee director and executive compensation programs; and
- Identifying potential changes to the executive compensation program to maintain competitiveness and ensure consistency with business strategies, good governance practices and alignment with stockholder interests; and
- Reviewing the Compensation Discussion & Analysis section of the Company’s Proxy Statement.

As more fully described on page 53, the compensation and talent committee reviewed its relationship with Pay Governance pursuant to SEC rules and determined Pay Governance’s work for the compensation and talent committee did not raise any conflicts of interest. The Company did not engage Pay Governance for any other consulting work in fiscal 2019.

Compensation Comparisons

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

The following selection criteria, developed in conjunction with the compensation and talent committee, which are carefully reviewed annually and adjusted as needed, were used to develop the comparative compensation peer group used in assessing the competitiveness of our executive compensation program and in helping develop fiscal year 2019 compensation actions:

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



Our compensation peer group for 2019 consisted of the following sixteen companies which we show in two different technology segments. Consumer technology companies that focus on high tech products for consumers, and broader technology companies that have a technology focus and meet some of the criteria mentioned above.

Consumer Technology Companies	Broader Technology Companies
Fitbit, Inc.	3D Systems Corporation
Garmin Ltd.	Brooks Automation, Inc.
GoPro, Inc.	Coherent, Inc.
Logitech International S.A.	Dolby Laboratories, Inc.
NETGEAR, Inc.	Faro Technologies, Inc.
Plantronics, Inc.	Novanta Inc.
TiVo Corporation	Trimble Inc.
	Ubiquiti Inc.
	Universal Electronics Inc.

This 2019 compensation peer group differs from the 2018 compensation peer group due to the removal of Nautilus, Inc., & Harmonic, Inc. Added to our compensation peer group were Garmin Ltd., Brooks Automation, Inc., Coherent, Inc., & Ubiquiti Inc. The changes to the compensation peer group create better alignment with respect to key financial criteria and companies in comparable industries.

These companies, at the time of the analysis on September 30, 2018, had a trailing 12-month median revenue of approximately \$1.1 billion and a median market capitalization of approximately \$2.4 billion. iRobot at this same time had revenues of nearly \$1 billion and a market capitalization of approximately \$3.0 billion.

The compensation and talent committee reviews all components of compensation for named executive officers. In accordance with its charter, the compensation and talent committee also, among other responsibilities, administers our incentive compensation plan, and reviews management's recommendations on company-wide compensation programs and practices. In setting compensation levels for our executive officers in fiscal 2019, the compensation and talent committee considered many factors in addition to the benchmarking described above, including, but not limited to:

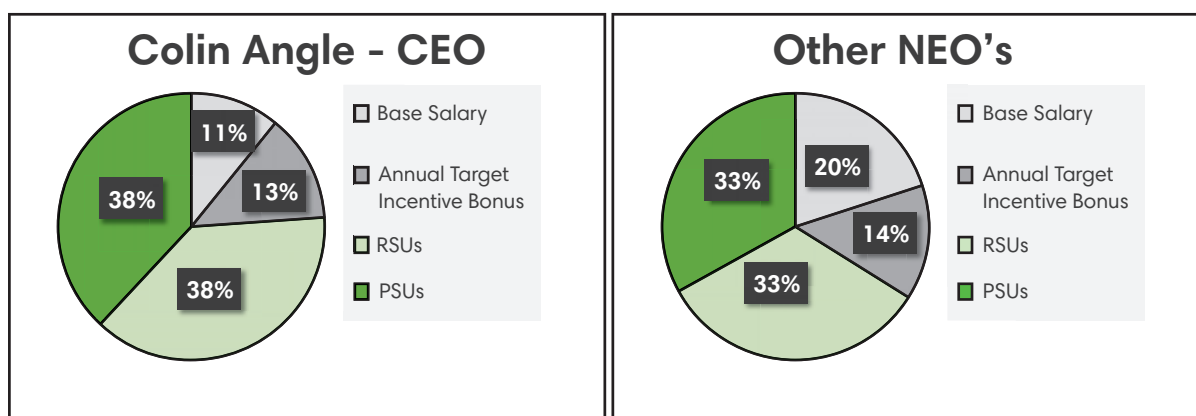
- the scope and strategic impact of the executive officer's responsibilities;
- our past business performance, and future expectations;
- our long-term goals and strategies;
- the performance and experience of each individual;
- retention considerations
- unvested equity holdings
- past compensation levels of each individual and of the named executive officers as a group;
- relative levels of pay among the executive officers;
- the amount of each component of compensation in the context of the executive officer's total compensation and other benefits;
- input from the board with respect to its evaluation of and recommendations for the chief executive officer; and
- input from the chief executive officer with respect to the evaluation of and recommendations for the other named executive officers.

The compensation levels for our executive offers in 2019 were determined in February of 2019. These were determined coming off a 2018 year where we had 24% revenue growth, operating margin of nearly 10%, earnings per share of \$3.18, and a stock price that was trading at an all-time high.

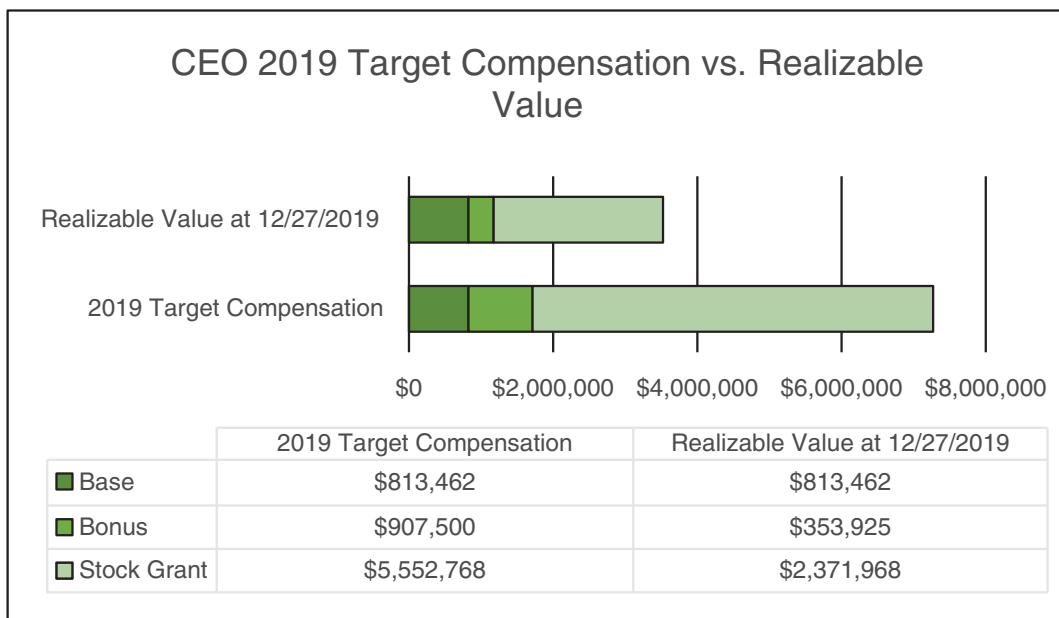
The compensation and talent committee determines compensation for our chief executive officer using the same factors it considers for other executive officers, while placing greater emphasis on performance-based opportunities through long-term equity and short-term cash incentive compensation, which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

Elements of Compensation and 2019 Annual Target Compensation

Our executive compensation program in 2019 consisted of three primary elements: base salary, annual cash incentives, and long-term equity awards, in the form of time-based RSUs and PSUs. All of our executive officers also are eligible for certain benefits offered to employees generally, including life, health, disability and dental insurance, as well as participation in our 401(k) plan and employee stock purchase plan. We have also entered into executive agreements with our executive officers that provide for certain severance benefits upon termination of employment, including a termination in connection with a change in control of the Company. The target compensation mix for each of our named executive officers was determined at the beginning of 2019 and is summarized in the charts below.



The compensation mix shown above is based on the target amount for each of the elements and does not contemplate the upside and downside opportunity included in our variable incentive plans. Our compensation plans are sensitive to Company performance and emphasize pay that is variable and/or “at risk”. As a result of performance that fell below our expectations during 2019, our CEO’s 2019 realizable pay was 49% of his targeted total compensation, as shown below



Elements of Compensation

Base Salary

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

In 2019, the compensation and talent committee reviewed the base salaries for each of our executive officers, taking into account an assessment of the individual’s responsibilities, experience, individual performance and contribution to our performance, and also generally taking into account the competitive environment for attracting and retaining executives consistent with our business needs, along with those factors previously described. With respect to each of our other named executive officers, our chief executive officer provided a detailed evaluation and recommendation related to base salary adjustments, if any (excluding for himself).

In connection with our annual review process in February 2019 and taking into account the considerations discussed above as well as our strong 2018 performance, the compensation and talent committee made base salary adjustments for Mr. Angle, Ms. Dean, Mr. Cerda, Mr. Weinstein and Mr. Saeger as noted in the table below. These adjustments to salaries were in recognition of

exceptional performance and to ensure we are maintaining a competitive positioning with our peer group and the market. For 2020, base salaries of our named executives were reviewed by the compensation and talent committee, and it was determined not to make any adjustments to our named executive officers' base salaries.

	2018 Base Salary	% Increase	2019 Base Salary	% Increase	2020 Base Salary
Colin M. Angle	\$750,000	10.0%	\$825,000	0%	\$825,000
Alison Dean (1)	\$475,000	5.3%	\$500,000	0%	\$500,000
Glen D. Weinstein	\$380,000	7.9%	\$410,000	0%	\$410,000
Tim Saeger	\$380,000	5.3%	\$400,000	0%	\$400,000
Keith Hartsfield (2)	N/A	N/A	\$400,000	0%	\$400,000

- (1) Alison Dean, EVP, Chief Financial Officer has resigned effective May 4, 2020.
- (2) Keith Hartsfield, EVP, Chief Product Officer, was hired in September 2019.

We believe that the base salaries of our named executive officers, which range from 11% to 22% as a percentage of total target compensation, are set at an appropriate level to align our compensation mix with our compensation philosophy.

Cash Incentive Compensation

The compensation and talent committee believes that short-term cash incentive compensation for executive officers should be contingent upon successful achievement of significant financial and business objectives and implementation of our business strategy. For our named executive officers, including our chief executive officer, the payment of cash incentive awards is based on an evaluation of achievement against predetermined Company financial and operational metrics in accordance with our Senior Executive Incentive Compensation Plan ("SEICP") adopted by the compensation and talent committee. For each named executive officer, 100% of his or her target cash incentive compensation in 2019 was tied to key Company financial and operating performance measures. We aim to set our cash incentive opportunities for named executive officers to be market competitive for performance at target with actual amounts earned adjusted up or down based on performance achievement, as described below.



For fiscal 2019, the threshold, target and maximum bonus award opportunities under our SEICP for each of our named executive officers, as a percentage of base salary are set forth in the table below. These target bonus amounts were set at levels the compensation and talent committee determined were appropriate to achieve our business plan, which involved growing the Company in a profitable, cost-effective way.

	Incentive Bonus Award Opportunity Payout Scale (% of base salary)		
	Threshold (12.5% of target opportunity) (1)	Target (100%)	Maximum (200% of target opportunity) (2)
Colin M. Angle	13.75%	110.00%	220.00%
Alison Dean	10.00%	80.00%	160.00%
Glen D. Weinstein	8.13%	65.00%	130.00%
Tim Saeger	8.13%	65.00%	130.00%
Glen D. Weinstein	7.5%	60.00%	120.00%
Christian Cerda	10.00%	80.00%	160.00%

- (1) Cash incentive payments are made only if the Company has achieved a specified Adjusted EBITDA hurdle, excluding cash incentive compensation expense.
- (2) This reflects the maximum incentive cash payout levels established under our SEICP for 2019 based on the specific goals established for fiscal 2019.

The following tables summarize the 2019 performance measures, associated weightings and goals for each of the named executive officers under the SEICP, including actual performance achievement. As discussed previously, the payout opportunity ranges from 12.5% of the target incentive opportunity for achieving threshold level of performance to 200% of the target incentive opportunity for achieving maximum level of performance.

Metric	Weightings	Performance Goal			2018 Actual Performance	Actual Percentage Earned (as % of target)
		Threshold (12.5%)	Target (100%)	Maximum (200%)		
\$ in millions						
Adjusted EBITDA, excluding cash incentive compensation expense	50%	\$174.0	\$204.7	\$272.3	\$171.6	0%
Company Revenue	50%	\$1,169.5	\$1,299.5	\$1,599.4	\$1,214.0	39%
Total Payout (as a % of Target)	77%					39%

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

Adjusted EBITDA (excluding compensation expense) achieved 83.8% of target, which fell below the 85% achievement threshold level to earn a payout, resulting in no payout for this metric.

Revenue achieved 93.4% of target, which fell between threshold and target, resulting in 77% achievement on revenue.

Overall payout as a result of performance of both metrics is 39%.

The compensation and talent committee chose this mix of financial targets for cash incentive compensation because it believes it creates a balanced focus on growth and profitability, and it believes that executive officers should be focused on a small set of critical, team-based financial and operating metrics that reinforce the executive's role and impact the Company's business strategy.

Also, the compensation and talent committee established a minimum level of profitability whereby the available total incentive compensation payout for the entire employee base — including the named executive officers — would be reduced on a dollar-for-dollar basis if Adjusted EBITDA, including cash incentive compensation expense, fell below 156.6 million for the fiscal year.

In 2019, we executed on key elements of our strategy while navigating increasingly challenging market conditions that directly and indirectly impacted our revenue growth, operating profitability and EPS performance. We mobilized to develop and implement a range of strategies in response to both competitive threats and increased tariffs, as well as adjusting our cost structure to preserve profitability resulting from lower-than-anticipated revenue. We plan to continue to refine and execute our strategic priorities moving forward. While we are proud of our accomplishments in 2019, we nevertheless fell short of our Revenue and Adjusted EBITDA goals, which resulted in the following cash awards to the named executive officers for performance in fiscal 2019 pursuant to our SEICP:

	Incentive Bonus Award		
	Original Target Incentive Opportunity	Achievement	SEICP Earned & Paid
Colin M. Angle	\$907,500	39%	\$353,925
Alison Dean	\$400,000	39%	\$156,000
Glen D. Weinstein	\$266,500	39%	\$103,935
Tim Saeger	\$260,000	39%	\$101,400
Keith Hartsfield(1)	\$77,143	39%	\$30,086
Christian Cerda(2)	\$400,000	0%	\$0

- (1) Mr. Hartsfield's bonus award is pro-rated for 2019 based on his hire date of September 3, 2019.
- (2) Mr. Cerda's employment with the Company terminated in September 2019 and, accordingly, he received no bonus award for 2019

Long-Term Incentives

Overview

In 2019, executive officers were eligible to receive a mix of time-based RSUs and PSUs that are intended to promote success by aligning employee financial interests with long-term stockholder value. Long-term incentives are awarded based on various factors primarily relating to the responsibilities of the individual officer or employee, his or her past performance, anticipated future contributions, prior grants, and competitive market and retention considerations as well as the pool of shares available for grant and Company performance. In general, our compensation and talent committee bases its decisions to grant long-term incentives on recommendations of our chief executive officer (for employees other than himself) and the compensation and talent committee's analysis of peer group and industry compensation information, with the intention of keeping the executives' overall compensation at a competitive level with our peer group companies in consumer technology and smart and high-tech industries.

Historically the equity awards we granted to our named executive officers were comprised of a mix of 50% RSUs, 25% PSUs, and 25% stock options. During 2017 and 2018, we implemented a number of changes to our program based on feedback from our investors, as summarized below.



2017 PSU Design Changes:

- Increased the emphasis on PSUs (from 25% to 50%)
- Discontinued the use of stock options (previously 25%)
- Adjusted our PSU design to use a single, three-year performance period (eliminating interim one-year goals and a “catch-up” provision”)
- Added the potential to earn above and below target (vs. an “all or nothing” design)

2018 PSU Design Changes

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

In 2019, we maintained the plan design from 2018 with no changes to it.

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

Both RSUs and PSUs are typically granted in March. RSUs vest based on continued service in equal annual installments over four years. PSUs granted in 2019 have three-year cliff vesting based on performance as well as continued service with the Company. Please note that for new hire executives the timing of the grants and mix may vary based on the timing of the hire and other potential factors as part of the recruitment of each executive.

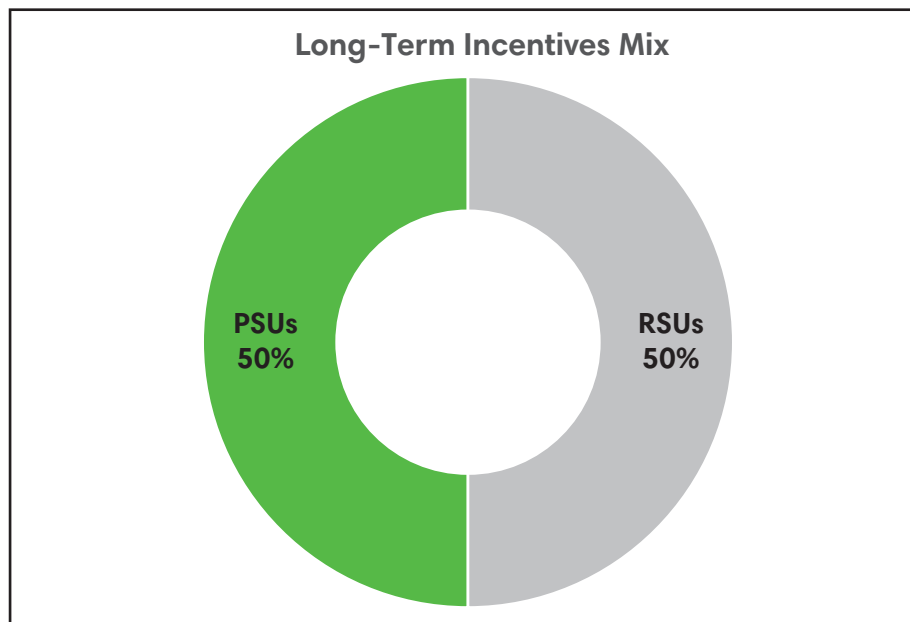
During fiscal year 2019, our compensation and talent committee approved the RSU and PSU awards set forth in the table below to each of our named executive officers.

The payout opportunity on the PSUs to be earned at the end of the three-year performance period ranges from 0% for below threshold performance to 200% of the target opportunity for achieving maximum level of performance. At threshold performance, 50% of the target amount is earned and, at target performance, 100% of the target awards is earned. Linear interpolation is used to determine the percentage of the PSUs earned where achievement is between threshold and target and between target and maximum performance levels. The number of PSUs actually earned will be determined at the end of the three-year performance period by measuring the Company’s actual 2019 to 2021 cumulative financial performance against the target performance.

	Grant Date Fair Value (\$)	RSUs (#)	PSUs (# at Threshold) (50% of Target)	PSUs (# at Target)	PSUs (# at Maximum) (200% of Target)
Colin M. Angle	5,552,768	22,720	11,360	22,720	45,440
Alison Dean	1,665,830	6,816	3,408	6,816	13,632
Glen D. Weinstein	1,221,511	4,998	2,499	4,998	9,996
Tim Saeger	1,332,469	5,452	2,726	5,452	10,904
Keith Hartsfield (1)	1,968,782	31,683			
Christian Cerda	1,776,788	7,270	3,635	7,270	14,540

- (1) Keith Hartfield, EVP, Chief Product Officer, received a time-based RSU grant upon his hire in 2019. He did not receive a PSU grant in 2019.

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



Performance Share Units

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

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

For 2019, the compensation and talent committee determined that operating income was still the optimal metric for our PSU metric. Operating income is also a key financial measure that can be reasonably forecasted over the relevant performance period. We believe using operating income for our PSUs coupled with the revenue component of our short-term incentive plan provides strong focus on, and balance between, important short- and long-term business drivers.

PSUs granted in 2019 will be measured and vested if earned at the end of the three-year performance period based upon performance over the entire three-year period.

As shown in the table below, the number of shares earned at the end of the three-year period will range from 0% to 200% of the target number of PSUs granted based on the Company's performance against a three-year cumulative operating income goal. All financial goals for the three-year cumulative PSU plans were established at the beginning of the three-year performance period. The following table outlines the threshold, target, and maximum operating income goals for the three-year performance period covering 2019 through 2021.

2019-2021 PSU Performance Cycle	Operating Income Performance (in millions)		
	Threshold	Target Range	Maximum
Cumulative Operating Income (\$M)	\$347	\$391 - \$478	\$521
PSUs Eligible for Vesting	50%	100%	200%

The below chart illustrates the payout range for operating income attainment for PSUs granted in 2019.

	2019-2021 PSUs At Threshold, Target & Maximum		
	PSUs At Threshold	PSUs At Target	PSUs Maximum
Colin M. Angle	11,360	22,720	45,440
Alison Dean	3,408	6,816	13,632
Glen D. Weinstein	2,499	4,998	9,996
Tim Saeger	2,726	5,452	10,904
Christian Cerda	3,635	7,270	14,540

PSUs granted in 2018 will be measured and vested if earned at the end of the three-year performance period based upon performance over the entire three-year period. As shown in the table below, the number of shares earned at the end of the three-year period will range from 0% to 200% of the target number of PSUs granted based on the Company's performance against a three-year cumulative operating income goal. All financial goals for the three-year cumulative PSU plans were established at the beginning of the three-year performance period. The following table outlines the threshold, target, and maximum operating income goals for the three-year performance period covering 2018 through 2020.

2018-2020 PSU Performance Cycle	Operating Income Performance (in millions)		
	Threshold	Target Range	Maximum
Cumulative	\$285	\$321 - \$392	\$428
PSUs Eligible for Vesting	50%	100%	200%

The below chart illustrates the payout range for operating income attainment for PSUs granted in 2018.

	2018-2020 PSUs At Threshold, Target & Maximum		
	PSUs At Threshold	PSUs At Target	PSUs Maximum
Colin M. Angle	14,573	29,146	58,292
Alison Dean	4,972	9,944	19,888
Glen D. Weinstein	3,429	6,858	13,716
Tim Saeger	2,571	5,143	10,286
Christian Cerda	5,486	10,972	21,944

For the PSUs granted in 2017, the number of shares earned at the end of the three-year period could have ranged from 0% to 200% of the target number of PSUs granted based on the Company's performance against three-year cumulative operating income percent and revenue goals. The following table outlines the revenue threshold and threshold, target and maximum operating income percent goals for the three-year performance period from 2017 through 2019. Actual performance achieved excludes the impact of the 2017 acquisition of the Company's distributor in Europe.

2017-2019 PSU Performance Cycle	Revenue (in millions)		Operating Income Percent			Actual Performance Achieved	Actual Payout Level Achieved
	Threshold	Actual Performance Achieved	Threshold	Target Range	Maximum		
Cumulative	\$2,384	\$3,079	8.2%	9.7% - 10.7%	12.2%	9%	77%

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

For the 2017 PSU Plan, the three-year cumulative revenue achievement was \$3,079 million, exceeding the revenue threshold of the plan. The cumulative operating income percent achievement was 9.0%, exceeding the threshold of 8.2% but falling short of the target range; therefore 77% of the PSUs granted in 2017 were deemed earned and vested. Specifically, the named-executive officers earned the following PSUs with respect to the PSUs granted in 2017:

	2017-2019 PSUs At Threshold, Target & Maximum			
	PSUs At Threshold	PSUs At Target	PSUs Maximum	Total PSUs Earned
Colin M. Angle	18,112	36,225	72,450	27,893
Alison Dean	6,250	12,500	25,000	9,625
Glen D. Weinstein	3,887	7,775	15,550	5,986
Tim Saeger	4,137	8,275	16,550	6,371
Christian Cerda (1)	6,037	12,075	24,150	0

- (1) Mr. Cerda's employment with the Company terminated in September 2019 and, accordingly, no portion of his 2017 PSUs vested.

Other Benefits and Perquisites

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

Stock Ownership Guidelines

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

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



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

Hedging/Pledging Policy

Since 2005, we have had a written insider trading policy that applies to all of our employees, including officers, and directors. The policy, among other things, prohibits holding Company securities as collateral in a margin account, any hedging transactions, short sales, and puts/calls, and pledging of Company securities as collateral for a loan unless the pledge has been approved by the compensation and talent committee of the board of directors. To date, no such approval has been requested or given.

Executive Agreements

We have entered into executive agreements with each of our named executive officers. The executive agreements provide for severance payments equal to 50% of such officer's annual base salary at the highest annualized rate in effect during the one-year period immediately prior to termination, payable in six equal monthly installments, as well as monthly premium payments for continued health, dental and vision benefits for up to six months following termination, in the event that we terminate his or her employment other than for cause, or his or her death or disability, as each term is defined in the executive agreements. In addition, these executive agreements provide that if we experience a change in control, as defined in the executive agreements, and the employment of such officer is terminated by the Company other than for cause or his or her death or disability at any time within the period beginning on the date that is 45 days prior to the date of the public announcement of the execution of a definitive agreement for a change in control and ending on the first anniversary of the effective date of the change in control, or if such officer terminates his or her employment for good reason, as defined in the executive agreements, during the one-year period following the change in control, then all unvested equity held by such officer becomes fully-vested and immediately exercisable and such officer is entitled to severance payments equal to 200% of his or her annual base salary, at the highest annualized rate in effect during the period beginning in the year prior to the effective date of the change in control and ending on the date of termination of employment, and 200% of such officer's highest target cash incentive with respect to the year prior to the year in which the change in control occurred and ending in the year in which the officer's employment is terminated, each payable in 24 equal monthly installments, as well as monthly premium payments for continued health, dental and vision benefits for up to 24 months following termination. Receipt of the severance payments and benefits under the executive agreements is subject to the executive officer's execution of a separation agreement, including a general release of claims, in a form and of a scope reasonably acceptable to the Company and compliance with any noncompetition, inventions and/or nondisclosure obligations owed to the Company. There are no tax gross-up payable under the executive agreements or otherwise.

Clawback Policy

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

Tax Deductibility of Executive Compensation

The Tax Cuts and Jobs Act of 2017, which was signed into law December 22, 2017 made a number of significant changes to Section 162(m) of the Code. Section 162(m) of the Code generally places a \$1 million limit on the amount of compensation a company can deduct in any one year for certain executive officers. While we consider tax deductibility as one factor in determining executive compensation, the compensation and talent committee also looks at other factors in making its decisions, as noted above, and retains the flexibility to award compensation that it determines to be consistent with the goals of our executive compensation program even if the awards are not deductible by us for tax purposes. Pursuant to the Tax Cut and Jobs Act, the exemption from Section 162(m)'s deduction limit for performance-based compensation has been repealed, effective for taxable years beginning after December 31, 2017, such that compensation paid to our named executive officers and certain other individuals in excess of \$1 million will not be deductible unless it qualifies for the limited transition relief applicable to certain arrangements in place as of November 2, 2017 that are not subsequently materially modified.

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

Risk Oversight of Compensation Programs

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

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

Compensation Consultant Independence

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

The compensation and talent committee retained Pay Governance as its independent executive compensation consultant for 2019. Pay Governance reports directly to the compensation and talent committee, and the compensation and talent committee may replace Pay Governance or hire additional consultants at any time. Pay Governance attends meetings of the compensation and talent committee, as requested, and communicates with the chairman of the compensation and talent committee between meetings; however, the committee makes all decisions regarding the compensation of the Company's executive officers.

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

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

- Pay Governance did not provide any services to us or our management other than service to the compensation and talent committee (including compensation benchmarking for our senior leadership team), and their services were limited to executive compensation consulting;
- Fees paid by us to Pay Governance represented less than 1.0% of Pay Governance's respective total revenue for the period January 2019 through December 2019;
- Pay Governance maintains a Conflicts Policy and an Insider Trading Policy which is provided to the compensation and talent committee with specific policies and procedures designed to ensure independence;
- None of the Pay Governance consultants on our account had any business or personal relationship with our compensation and talent committee members;
- None of the Pay Governance consultants on our account had any business or personal relationship with our executive officers; and
- None of the Pay Governance consultants on our account directly own shares of our stock.

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

Executive Compensation

The following table sets forth summary compensation information for our chief executive officer, chief financial officer, the three other most highly compensated executive officers serving as executive officer as of December 31, 2019 and one former executive officer for the fiscal years indicated:

SUMMARY COMPENSATION TABLE — 2019

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)(3)	Stock Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(4)	All Other Compensation (\$)(5)	Total (\$)
Colin M. Angle	2019	813,462	—	5,552,768	353,925	8,400	6,728,555
Chairman, Chief Executive Officer and Director	2018	742,308	—	3,987,756	945,000	8,250	5,683,314
	2017	700,000	—	4,153,559	1,099,001	8,782	5,961,343
Alison Dean	2019	496,154	—	1,665,830	156,000	8,400	2,326,384
Executive Vice President, Chief Financial Officer, Treasurer and Principal Accounting Officer	2018	472,693	—	1,360,538	478,800	8,250	2,320,281
	2017	460,000		1,433,250	541,650	8,100	2,443,000
Glen D. Weinstein	2019	405,385	—	1,221,511	103,935	8,400	1,739,231
Executive Vice President, and Chief Legal Officer	2018	380,000	—	938,312	311,220	8,250	1,637,782
	2017	380,000		891,482	357,960	8,100	1,637,542
Tim Saeger	2019	396,923	—	1,332,469	101,400	8,400	1,839,192
Executive Vice President, Chief Research & Development Officer							
Keith Hartsfield(6)	2019	121,539	250,000	1,968,782	30,086	72,643	2,443,049
Executive Vice President, Chief Product Officer							
Christian Cerda(7)	2019	378,846		1,776,788		45,750	2,201,384
Former Chief Operating Officer	2018	450,000		1,501,189	453,600	8,250	2,413,039
	2017	446,154		1,384,520	529,875	8,100	2,368,649

- (1) Represents salary earned in the fiscal years presented, which covered 52 weeks for fiscal years 2019, 2018 and 2017.
- (2) Represents the aggregate grant date fair value for stock and option awards granted in the fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017, as applicable, in accordance with Financial Accounting Standards Board, Accounting Standards Codification Topic 718 (“ASC Topic 718”) disregarding any estimates of service-based forfeitures. For PSUs, the value reported includes the value of the award at the grant date based upon the probable outcome of the performance conditions. The value of PSUs at the grant date assuming that the highest level of the performance condition will be achieved, for the fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017 (as applicable), respectively, is \$5,552,768, \$3,987,756, and \$4,153,559, for Mr. Angle; \$1,665,830, \$1,360,538, and \$1,433,250, for Ms. Dean; \$1,221,511, \$938,312, and \$891,482, for Mr. Weinstein; \$1,332,469 for Mr. Saeger; and \$1,776,788, \$1,501,189, and \$1,384,520, for Mr. Cerda. See the information appearing in note 14 to our consolidated financial statements included as part of our Annual Report on Form 10-K for the fiscal year ended December 28, 2019 for certain assumptions made in the valuation of stock and option awards.

- (3) Represents a sign on bonus paid to Mr. Hartsfield upon hire to compensate him for unvested equity left behind at prior employer.
- (4) Represents amounts paid in 2020, 2019 and 2018, respectively under the Company's SEICP for performance in the fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017, as applicable.
- (5) Includes 401(k) matching contributions for each of our named executive officers. Excludes medical, group life insurance and certain other benefits received by the named executive officers that are available generally to all of our salaried employees. Mr. Hartsfield's amount also includes \$68,997 in travel and lodging expenses, including airfare and expenses for use of our corporate apartment, related to travel between his home and the Company's office in Massachusetts. Mr. Cerda's includes a vacation payout of \$37,350, which was made upon the termination of his employment.
- (6) Mr. Hartsfield's employment commenced on September 3, 2019. The amount reported in the Salary column represents his base salary earned in fiscal 2019 from iRobot and the amount reported in the Non-Equity Incentive Plan Compensation column reflects his pro-rated bonus for fiscal 2019.
- (7) Mr. Cerda's employment with the Company terminated on September 30, 2019 and the amount reported in the Salary column represents his salary earned in fiscal 2019 through the date of termination.

2019 Pay Ratio

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

In 2019, there was no change in our employee population or employee compensation arrangements that we believe would significantly impact the pay ratio. Accordingly, for purposes of calculating the pay ratio set forth below, we used the same median employee we identified for purposes of our 2018 pay ratio. The Company employed 1,032 employees as of December 29, 2018, when we identified the median employee in 2018.

In evaluating whether to re-determine the "median employee" for 2019, we concluded that changes to the employee population and employee compensation programs would not result in a significant change to the Company's pay ratio disclosure. In particular, we considered the increase in headcount in fiscal 2019, but determined that there was an overall equal distribution of newly hired employees above and below the median during the fiscal year. Accordingly, we believe that we may continue to use the previously-determined "median employee." The Company employed 1,128 employees at the end of fiscal 2019, December 28, 2019.

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

Using the compiled data, the Company determined that the 2019 annual total compensation of our median employee as of December 29, 2018 was \$109,610 and Mr. Angle's annual total compensation for 2019 was \$6,728,555 both of which were calculated in accordance with Item 402(c) of Regulation S-K. The ratio of these amounts was 61:1.

Grants of Plan-Based Awards in 2019

The following table sets forth, for each of the named executive officers, information about grants of plan-based awards during fiscal year 2019:

GRANTS OF PLAN-BASED AWARDS — 2019

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Colin M. Angle	—	113,438	907,500	1,815,000	—	—	—	—	—
	3/8/2019	—	—	—	—	—	—	22,720	2,776,384
	3/8/2019	—	—	—	11,360	22,720	45,440	—	2,776,384
Alison Dean	—	50,000	400,000	800,000	—	—	—	—	—
	3/8/2019	—	—	—	—	—	—	6,816	832,915
	3/8/2019	—	—	—	3,408	6,816	13,632	—	832,915
Glen Weinstein	—	33,313	266,500	533,000	—	—	—	—	—
	3/8/2019	—	—	—	—	—	—	4,998	610,756
	3/8/2019	—	—	—	2,499	4,998	9,996	—	610,756
Tim Saeger	—	32,500	260,000	520,000	—	—	—	—	—
	3/8/2019	—	—	—	—	—	—	5,452	666,234
	3/8/2019	—	—	—	2,726	5,452	10,904	—	666,234
Keith Hartsfield	—	9,643	77,143	154,286	—	—	—	—	—
	9/6/2019	—	—	—	—	—	—	31,683	1,968,782
	—	—	—	—	—	—	—	—	—
Christian Cerda	—	62,500	400,000	800,000	—	—	—	—	—
	3/8/2019	—	—	—	—	—	—	7,270	888,394
	3/8/2019	—	—	—	3,635	7,270	14,540	—	888,394

- (1) This reflects the threshold, target and maximum incentive cash payout levels established under our SEICP. The actual amounts paid for fiscal year 2019 are disclosed in the “Non-Equity Incentive Plan Compensation” column of the Summary Compensation Table.
- (2) This reflects the threshold, target and maximum equity incentive payout levels associated with PSUs made pursuant to our 2018 Stock Option and Incentive Plan, which amounts will be payable in shares of our common stock, if the performance metrics are achieved under the terms of the awards.
- (3) All stock awards granted were made pursuant to our 2018 Stock Option Incentive Plan.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth, for each of the named executive officers, information about unexercised option awards and other unvested equity awards that were held as of December 28, 2019.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END — 2019

Name	Grant Date	Option Awards				Equity Incentive Plan			
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(3)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(4)	Equity Incentive Plan Awards; Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(5)	Equity Incentive Plan Awards; Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(4)
Colin M. Angle	3/8/2013	36,175	—	22.86	3/8/2020	—	—	—	—
	3/7/2014	15,475	—	43.35	3/7/2021	—	—	—	—
	6/6/2014 (2)	19,700	—	35.43	6/6/2021	—	—	—	—
	3/6/2015	23,238	—	34.30	3/6/2022	—	—	—	—
	6/5/2015	23,350	—	32.38	6/5/2022	—	—	—	—
	3/11/2016	33,762	2,251	33.14	3/11/2023	12,433	649,033	—	—
	6/10/2016	27,082	3,868	37.62	6/10/2023	—	—	—	—
	3/10/2017	—	—	—	—	18,112	945,446	—	—
	3/9/2018	—	—	—	—	21,859	1,141,040	14,573	760,711
3/8/2019	—	—	—	—	22,720	1,185,984	11,360	592,992	
Alison Dean	3/6/2015	534	—	34.30	3/6/2022	—	—	—	—
	6/5/2015	1,075	—	32.38	6/5/2022	—	—	—	—
	3/11/2016	3,472	868	33.14	3/11/2023	4,795	250,299	—	—
	6/10/2016	2,987	1,493	37.62	6/10/2023	—	—	—	—
	3/10/2017	—	—	—	—	6,250	326,250	—	—
	3/9/2018	—	—	—	—	7,458	389,308	4,972	259,538
	3/8/2019	—	—	—	—	6,816	355,795	3,408	177,898
Glen D. Weinstein	3/7/2014	2,813	—	43.35	3/7/2021	—	—	—	—
	3/6/2015	2,324	—	34.30	3/6/2022	—	—	—	—
	6/5/2015	4,675	—	32.38	6/5/2022	—	—	—	—
	3/11/2016	7,969	531	33.14	3/11/2023	2,937	153,311	—	—
	6/10/2016	6,410	915	37.62	6/10/2023	—	—	—	—
	3/10/2017	—	—	—	—	3,887	202,901	—	—
	3/9/2018	—	—	—	—	5,143	268,465	3,429	178,994
	3/8/2019	—	—	—	—	4,998	260,896	2,499	130,448
Tim Saeger	9/4/2015	18,350	—	29.60	9/4/2022	—	—	—	—
	3/11/2016	962	240	33.14	3/11/2023	1,333	69,583	—	—
	6/10/2016	831	415	37.62	6/10/2023	—	—	—	—
	3/10/2017	—	—	—	—	4,137	215,951	—	—
	3/9/2018	—	—	—	—	3,857	201,335	2,571	134,206
	3/8/2019	—	—	—	—	5,452	284,594	2,726	142,297
Keith Hartsfield	9/6/2019	—	—	—	—	31,683	1,653,853	—	—

- (1) Except as otherwise noted, stock option grants vest over a four-year period, at a rate of twenty-five percent (25%) on the first anniversary of the grant date, and the remainder in equal quarterly installments thereafter.
- (2) Stock options granted on June 6, 2014 vest at a rate of twenty-five percent (25%) on March 7, 2015, and the remainder in equal quarterly installments over the following three-year period.
- (3) RSU awards vest over a four-year period, at a rate of twenty-five percent (25%) on each anniversary of the grant date.
- (4) Amounts disclosed in this column were calculated based on the closing price of our common stock on December 27, 2019, the last business date of the fiscal year ended December 28, 2019.
- (5)
- (6) PSU awards will be earned and vest at the end of a three-year cumulative period. For additional information on the PSU awards, see the section above entitled “Compensation Discussion and Analysis — Elements of Compensation — Long-Term Incentives.”

Option Exercises and Stock Vested

The following table sets forth, for each of the named executive officers, information with respect to the exercise of stock options and the vesting of RSU awards and PSUs during the year ended December 28, 2019.

OPTION EXERCISES AND STOCK VESTED — 2019

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise(\$) (1)	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting(\$) (2)
Colin M. Angle			63,343	7,806,458
Alison Dean	5,374	677,785	23,569	2,904,599
Glen D. Weinstein			14,394	1,773,466
Tim Saeger	8,547	1,023,060	16,105	1,431,457
Keith Hartsfield				
Christian Cerda	14,089	1,153,353	26,732	3,240,589

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

Potential Benefits Upon Termination or Change in Control

Severance and Change in Control Arrangements in General

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



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

Assuming the employment of our named executive officers was terminated without cause (not in connection with a change in control) on December 28, 2019, our named executive officers would be entitled to cash payments in the amounts set forth opposite their names in the table below, subject to any deferrals required under Section 409A of the Code. Mr. Cerda has been omitted from this table because his employment with the Company terminated on September 30, 2019 and he did not receive any severance payments or benefits in connection with such termination.

	Base Salary (\$)	Continuation of Health Plan Premium Payments (\$)	Total (\$)
Colin M. Angle	412,500	15,220	427,720
Alison Dean	250,000	13,283	263,283
Glen D. Weinstein	205,000	13,283	218,283
Tim Saeger	200,000	8,008	208,008
Keith Hartsfield	200,000	15,220	215,220

Assuming the employment of our named executive officers was terminated by the Company without cause during the period beginning on the date that is 45 days prior to the date of the public announcement of the execution of a definitive agreement for a change in control and ending on the first anniversary of the effective date of the change in control, or such officers resigned with good reason during the one-year period following a change in control and that such termination or resignation occurred on December 28, 2019, our named executive officers would be entitled to cash payments in the amounts set forth opposite their names in the below table, subject to any delay in payment required under Section 409A of the Code, and acceleration of vesting as set forth in the table below. The total amount payable to each executive officer may be subject to reduction in certain circumstances if the amount would cause the executive officer to incur an excise tax under Section 4999 of the Code. The following table provides the market value (that is, the value based upon our stock price on December 27, 2019, minus the exercise price, if any) of stock options and RSUs or PSUs that would become exercisable or vested as a result of these acceleration events as of December 28, 2019.

Name	Base Salary (\$)	Bonus (\$)	Continuation of Health Plan Premium Payments (\$)	Market Value of Stock Options (\$)	Market Value of RSUs and PSUs (\$)	Total (\$)
Colin M. Angle	1,650,000	1,815,000	60,879	99,300	8,519,823	12,145,002
Alison Dean	1,000,000	800,000	53,132	38,312	2,849,024	4,470,468
Glen Weinstein	820,000	533,000	53,132	23,462	1,910,311	3,339,905
Tim Saeger	800,000	520,000	32,032	10,625	1,756,478	3,119,135
Keith Hartsfield	800,000	480,000	60,879		1,653,853	2,994,732

In connection with our efforts to attract and retain highly-qualified individuals to serve on our board of directors, we maintain a cash and equity compensation policy for our non-employee members of our board of directors. In fiscal year 2019, each non-employee member of our board of directors was entitled to the following cash compensation:

Annual retainer for Board membership	\$ 55,000
Annual retainer for lead independent director	\$ 25,000
Audit Committee	200,000
Annual retainer for committee membership	\$ 12,500
Additional retainer for committee chair	\$ 12,500
Compensation and Talent Committee	
Annual retainer for committee membership	\$ 10,000
Additional retainer for committee chair	\$ 10,000
Nominating and Corporate Governance Committee	
Annual retainer for committee membership	\$ 5,000
Additional retainer for committee chair	\$ 5,000

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

In 2019, each of our non-employee members of our board of directors was entitled to the following equity compensation:

At the end of the tenth week of the fiscal quarter in which our annual meeting of stockholders occurs, each re-elected non-employee director receives a grant of RSUs having a fair market value of \$175,000, which vests in full on the first anniversary of such grant.

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

Director Compensation

The following table provides compensation information for the fiscal year ended December 28, 2019 for each non-employee member of our board of directors. The table excludes Mr. Angle, who is a Named Executive Officer of the Company and did not receive any additional compensation for his service as director in 2019.

DIRECTOR COMPENSATION TABLE — 2019

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(3)	Total (\$)
Mohamad Ali (1)	76,606	174,994	251,600
Michael Bell	76,784	174,994	251,779
Deborah G. Ellinger	74,819	174,994	249,813
Elisha Finney	77,500	174,994	252,494
Ruey-Bin Kao	64,078	174,994	239,072
Eva Manolis (2)	29,436	174,986	204,422
Andrew Miller	85,000	174,994	259,994
Michelle V. Stacy	65,000	174,994	239,994

- (1) Mr. Ali deferred all of his 2019 cash compensation pursuant to our Non-employee Directors' Deferred Compensation Program under which he received stock units in lieu of cash.
- (2) Ms. Manolis was elected to the board of directors in July 2019 and received a stock award in September connected with her election.
- (3) Represents the grant date fair value of RSUs awarded in the fiscal year ended December 28, 2019 in accordance with ASC Topic 718 disregarding any estimates of forfeitures. The grant date fair value is the fair market value of our common stock on the date of grant multiplied by the number of shares of common stock underlying such RSU award.

The non-employee members of our board of directors who held such position on December 28, 2019 held the following aggregate number of unvested RSUs as of such date:

Name	Number of Unvested Restricted Stock Units
Mohamad Ali	1,910
Michael Bell	3,371
Deborah G. Ellinger	1,910
Elisha Finney	3,828
Ruey-Bin Kao	3,950
Eva Manolis	2,816
Andrew Miller	2,849
Michelle V. Stacy	1,910

Transactions with Related Persons

Mr. Miller has served as a member of our board of directors since September 2017 and served as the Chief Financial Officer of PTC Inc. ("PTC"), which provided engineering software and cloud services to the Company, until May 2019. In fiscal year 2019, the Company paid to PTC approximately \$513,577 in consideration for these services.

Other than the payments to PTC described above and the compensation agreements and other arrangements which are described in the “Compensation Discussion and Analysis” section of this Proxy Statement, in 2019, there was no transaction or series of similar transactions to which we were or will be a party in which the amount involved exceeded or will exceed \$120,000 and in which any director, executive officer, holder of five percent or more of any class of our capital stock or any member of their immediate family had or will have a direct or indirect material interest.

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

PROPOSAL 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee of the board of directors has retained PricewaterhouseCoopers LLP (“PwC”), independent registered public accounting firm, to serve as independent registered public accountants for our 2020 fiscal year. PwC has served as our independent registered public accounting firm since 1999. The Company is asking stockholders to ratify the selection by the audit committee of the board of directors of PwC as our independent auditors for the 2020 fiscal year. Although ratification by the stockholders is not required by law, the board of directors has determined that it is desirable to request approval of this selection by the stockholders as a matter of good corporate governance. In the event the stockholders fail to ratify the appointment of PwC, the audit committee will consider this factor when making any determinations regarding PwC.

Independence and Quality

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

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

Based on this evaluation, the members of the audit committee and the board of directors believe that PwC is independent and that it is in the best interests of the Company and its stockholders to retain PwC to serve as its independent auditors for the fiscal year 2020.

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

Pre-Approval of Audit and Non-audit Services

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

Representatives of PwC attended all of the standard audit committee meetings in 2019. We expect that a representative of PwC will attend the annual meeting, and the representative will have an opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from stockholders.

PricewaterhouseCoopers LLP Fees

The following table shows the aggregate fees for professional services rendered by PwC to us during the fiscal years ended December 28, 2019 and December 29, 2018.

	2019	2018
Audit Fees	\$ 1,379,133	\$ 1,789,328
Audit-Related Fees	19,080	5,381
Tax Fees	695,413	396,272
All Other Fees	1,800	213,879
Total	\$ 2,052,176	\$ 2,404,860

Audit Fees

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

Audit-Related Fees

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

Tax Fees

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

All Other Fees

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

Recommendation of the Board

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU
VOTE “FOR” THE RATIFICATION OF PRICEWATERHOUSECOOPERS LLP
AS IROBOT’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2020.**

PROPOSAL 3

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

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

In each year from 2015 to 2019, our nominating and corporate governance committee and our board of directors determined it was appropriate to propose the amendments described below, and included the proposal described below in our Proxy Statement for the respective annual meeting. As detailed in the table below, despite receiving the affirmative votes of a majority of holders of the outstanding shares at each respective annual meeting, in each year the proposal failed to receive the affirmative vote of holders of 75% of the outstanding shares, which is required for approval.

Our board of directors continues to believe that the amendments to the Existing Certificate described below and set forth in the Certificate of Amendment attached to this Proxy Statement as Annex A are in the best interests of the Company’s stockholders, and, in light of the strong support received at the 2015 to 2019 annual meetings, our board of directors has unanimously adopted a resolution approving and declaring the advisability of the Certificate of Amendment, which changes the voting provisions in the Existing Certificate as follows:

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

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

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

This description of the proposed amendments to our Existing Certificate is a summary and is qualified by the full text of the proposed Certificate of Amendment to our Existing Certificate, which is attached to this Proxy Statement as Annex A and is incorporated herein by reference.

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

Recommendation of the Board

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

PROPOSAL 4

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

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

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

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

In 2017, 2018 and 2019, our board of directors, after further careful consideration, unanimously adopted a resolution approving and declaring the advisability of amendments to our Existing Certificate that would immediately declassify our board of directors and provide for the annual election of all of our directors commencing at the next scheduled annual meeting, subject to obtaining approval of such amendments by our stockholders. Despite receiving the affirmative votes of a majority of holders of the outstanding shares at each respective annual meeting, in each year 2017 to 2019, the proposal failed to receive the affirmative vote of holders of 75% of the outstanding shares, which is required for approval. The table below details the voting results on proposals to declassify our board of directors since 2016:

Year	For	Against	Abstentions	Broker Non-Votes
2019	18,508,599	114,069	49,050	5,749,298
2018	14,932,946	57,771	69,144	6,363,508
2017	18,910,693	121,045	54,013	4,221,576
2016	19,752,012	318,969	220,756	202,522

Our board of directors continues to believe that the amendments to the Existing Certificate described below and set forth in the Certificate of Amendment attached to this Proxy Statement as Annex B are in the best interests of the Company's stockholders and has again unanimously adopted a resolution approving and declaring the advisability of amendments to our Existing Certificate to declassify the board of directors commencing at the 2021 annual meeting, subject to approval by the Company's stockholders. If this Proposal 4 is approved by the stockholders, the terms for all directors will end at the 2021 annual meeting, and commencing with the 2021 annual meeting, all directors will be elected for one-year terms at each subsequent annual meeting. If this Proposal 4 is approved, any director appointed by the board of directors as a result of a newly created directorship or to fill a vacancy would hold office until the next occurring annual meeting.

Article VI, Section 3 of our Existing Certificate currently provides that our directors are divided into three classes, with each class serving a three-year term. Under the proposed amendments to our Existing Certificate in this Proposal 4, Article VI, Section 3 of the Existing Certificate would be amended to eliminate the classified board structure. If the proposed amendments are approved, commencing

with the 2021 annual meeting of stockholders, all directors will stand for election for one-year terms expiring at the next succeeding annual meeting of stockholders. In all cases, each director will hold office until his or her successor is duly elected and qualified or until his or her earlier resignation or removal. Any director appointed to the board of directors to fill a vacancy following the 2021 annual meeting of stockholders will hold office for a term expiring at the next annual meeting of stockholders following such appointment. Corresponding changes related to the declassification of the board will be made to Article VI, Section 4 of the Existing Certificate pertaining to vacancies on the board of directors. Article VI, Section 5 of the Existing Certificate, which currently provides that directors may be removed by stockholders only for cause, will also be amended to allow for removal of directors without cause. If the stockholders do not approve this Proposal 4, our board of directors will remain classified and our directors will continue to be subject to the classifications set forth in our Existing Certificate.

This description of the proposed amendments to our Existing Certificate is a summary and is qualified by the full text of the proposed Certificate of Amendment to our Existing Certificate, which is attached to this Proxy Statement as Annex B and is incorporated herein by reference.

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

Recommendation of the Board

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

PROPOSAL 5

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

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

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

In 2017, 2018 and 2019, our board of directors unanimously adopted a resolution approving and declaring the advisability of an amendment to our Existing Certificate to eliminate the prohibition on stockholders' ability to call a special meeting, subject to obtaining approval of such amendments by our stockholders.

As detailed in the table below, despite receiving the affirmative votes of a majority of holders of the outstanding shares at the 2017, 2018 and 2019 annual meetings, the proposal failed to receive the affirmative vote of holders of 75% of the outstanding shares, which is the required threshold for approval of the proposal.

Year	For	Against	Abstentions	Broker Non-Votes
2019	18,450,183	119,269	102,266	5,749,298
2018	14,945,267	62,032	52,562	6,363,508
2017	18,948,123	97,937	39,691	4,221,576

Our board of directors continues to believe that the amendment to the Existing Certificate to eliminate the prohibition on stockholders' ability to call a special meeting is in the best interests of the Company's stockholders and has again unanimously adopted a resolution approving and declaring the advisability of an amendment to our Existing Certificate to remove the first sentence of Article V, Section 2, which provides that special meetings may only be called by the affirmative vote of a majority of the board of directors, subject to approval by the Company's stockholders.

If this proposal is approved by the stockholders, we will make conforming amendments to our by-laws to establish the requirements and procedures for stockholders to call special meetings (the "By-law Amendment"). The By-law Amendment will provide that stockholders, or groups of stockholders, holding the Requisite Threshold may direct the Company's Secretary to call special meetings.

The above description of the proposed amendment to our Existing Certificate is a summary and is qualified by the full text of the proposed Certificate of Amendment to our Existing Certificate, which is attached to this Proxy Statement as Annex C and is incorporated herein by reference.

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

Recommendation of the Board

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

PROPOSAL 6

APPROVAL OF AN AMENDMENT TO THE 2018 STOCK OPTION AND INCENTIVE PLAN

The board of directors believes that stock-based incentive awards can play an important role in the success of the Company by encouraging and enabling the employees, officers, non-employee directors and consultants of the Company and its subsidiaries upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. The board of directors believes that providing such persons with a direct stake in the Company assures a closer identification of the interests of such individuals with those of the Company and its stockholders, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company.

The board of directors and the Company's stockholders previously adopted the iRobot Corporation 2018 Stock Option and Incentive Plan (the "2018 Plan"). On March 24, 2020, the board of directors adopted an amendment to the 2018 Plan (the "Plan Amendment" and the 2018 Plan, as amended by the Plan Amendment, the "Amended 2018 Plan"), subject to stockholder approval, to increase the aggregate number of shares authorized for issuance under the 2018 Plan by 745,000 shares, subject to adjustment as provided for in the Amended 2018 Plan. The Plan Amendment is designed to enhance the flexibility to grant equity awards to our officers, employees, non-employee directors and consultants and to ensure that we can continue to grant equity awards to eligible recipients at levels determined to be appropriate by the board of directors and/or the compensation and talent committee. A copy of the 2018 Plan as amended by the Plan Amendment is attached as Annex D to this Proxy Statement and is incorporated herein by reference.

We are requesting that shareholders approve the proposed Plan Amendment. If this proposal is approved by our stockholders at the 2020 Annual Meeting, the Plan Amendment providing for the additional 745,000 shares will become effective on the date of the 2020 Annual Meeting. If stockholders do not approve this proposal, the proposed 745,000 additional shares will not become available for issuance under the 2018 Plan. The 2018 Plan will otherwise remain in effect in accordance with its terms. In such event, the board of directors will consider whether to adopt alternative arrangements based on its assessment of our needs. We believe that the proposed share pool increase to the 2018 Plan pursuant to the Plan Amendment is reasonable, appropriate, and in the best interests of our stockholders.

As of March 25, 2020, there were stock options to acquire 285,638 shares of common stock outstanding under our equity compensation plans, with a weighted average exercise price of \$36.63 and a weighted average remaining term of 2.54 years. In addition, as of March 25, 2020, there were 918,722 unvested full value awards with time-based vesting and 255,996 unvested full value awards with performance vesting outstanding at target under our equity compensation plans. Other than the foregoing, no awards under our equity compensation plans were outstanding as of March 25, 2020. As of March 25, 2020, there were 930,947 shares of common stock available for awards under our equity compensation plans.

Summary of Material Features of the Amended 2018 Plan

The material features of the Amended 2018 Plan are:

- The maximum number of shares of common stock to be issued under the Amended 2018 Plan is 2,495,000;

- The award of stock options (both incentive and non-qualified options), stock appreciation rights, restricted stock, restricted stock units, unrestricted stock, cash-based awards, and dividend equivalent rights and is permitted;
- Shares tendered or held back for taxes will not be added back to the reserved pool under the Amended 2018 Plan. Upon the exercise of a stock appreciation right that is settled in shares of common stock, the full number of shares underlying the award will be charged to the reserved pool. Additionally, shares we reacquire on the open market will not be added to the reserved pool under the Amended 2018 Plan;
- Stock options and stock appreciation rights will not be repriced in any manner without stockholder approval;
- The value of all awards awarded under the Amended 2018 Plan and all other cash compensation paid by us to any non-employee director in any calendar year may not exceed \$750,000 and no more than 50,000 shares of common stock may be issued pursuant to awards under the Amended 2018 Plan to non-employee directors in any calendar year;
- Minimum vesting of one year required for all equity awards, other than a limited number of excepted awards under the Amended 2018 Plan;
- Any dividends or dividend equivalents payable with respect to any equity award are subject to the same vesting provisions as the underlying award;
- Any material amendment to the Amended 2018 Plan is subject to approval by our stockholders; and
- The term of the Amended 2018 Plan will expire on March 23, 2028.

Based solely on the closing price of our common stock as reported by Nasdaq on March 25, 2020 and the maximum number of shares that would have been available for awards as of such date under the Amended 2018 Plan had it been in effect on such date, the maximum aggregate market value of the common stock that could potentially be issued under the Amended 2018 Plan is \$112,674,200. The shares of common stock underlying any awards that are forfeited, canceled or otherwise terminated, other than by exercise, under the Amended 2018 Plan or the iRobot Corporation 2015 Stock Option and Incentive Plan (the “2015 Plan”) will be added back to the shares of common stock available for issuance under the Amended 2018 Plan. Shares tendered or held back upon exercise of a stock option or settlement of an award under the Amended 2018 Plan to cover the exercise price or tax withholding and (ii) shares subject to a stock appreciation right that are not issued in connection with the stock settlement of the stock appreciation right upon exercise thereof, will not be added back to the shares of common stock available for issuance under the Amended 2018 Plan. In addition, shares of common stock repurchased on the open market will not be added back to the shares of common stock available for issuance under the Amended 2018 Plan.

Rationale for Share Increase

The Plan Amendment is critical to our ongoing effort to build stockholder value. Equity incentive awards are an important component of our executive and non-executive employees’ compensation. Our compensation and talent committee and the board of directors believe that we must continue to offer a competitive equity compensation program in order to attract, retain and motivate the talented and qualified employees necessary for our continued growth and success.

We manage our long-term stockholder dilution by limiting the number of equity incentive awards granted annually. The compensation and talent committee carefully monitors our annual net burn rate, total dilution and equity expense in order to maximize stockholder value by granting only the number of

equity incentive awards that it believes are necessary and appropriate to attract, reward and retain our employees. Our compensation philosophy reflects broad-based eligibility for equity incentive awards for high performing employees. By doing so, we link the interests of those employees with those of our stockholders and motivate our employees to act as owners of the business.

Burn Rate

The following table sets forth information regarding historical awards granted and earned for the 2017 through 2019 fiscal year period, and the corresponding burn rate, which is defined as the number of shares subject to equity-based awards granted in a year divided by the weighted average number of shares of common stock outstanding for that year, for each of the last three fiscal years:

Share Element	2017	2018	2019
Stock Options Granted	10,975	—	—
Time-Based Full-Value Awards Granted	396,164	307,614	407,325
Performance-Based Full-Value Awards Granted	105,650	91,538	70,827
Performance-Based Full-Value Awards Vested	24,792	56,259	78,943
Total Awards Granted	512,789	399,152	478,152
Weighted average common shares outstanding during the fiscal year	27,611,325	27,692,343	28,096,864
Annual Burn Rate	1.86%	1.44%	1.70%
Three-Year Average Burn Rate		1.67%	

The compensation and talent committee determined the size of the increase to the reserved pool under the Plan Amendment based on projected equity awards to anticipated new hires, projected annual equity awards to existing employees and an assessment of the magnitude of increase that our institutional investors and the firms that advise them would likely find acceptable. We anticipate that if our request to increase the share reserve is approved by our stockholders, it will be sufficient to provide equity incentives to attract, retain, and motivate employees for a period of three years or less following the effective date of the Plan Amendment.

Summary of the Amended 2018 Plan

The following description of certain features of the Amended 2018 Plan is intended to be a summary only. The summary is qualified in its entirety by the full text of the 2018 Plan, which was filed as an exhibit to the Company's Registration Statement on Form S-8 filed with the SEC on June 7, 2018 and is incorporated herein by reference, and the Plan Amendment, which is attached hereto as Annex D.

Administration. The Amended 2018 Plan will be administered by the compensation and talent committee. The compensation and talent committee has full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the Amended 2018 Plan. The compensation and talent committee may delegate to our chief executive officer or another executive officer or a committee comprised of the chief executive officer and another officer or officers of the Company the authority to grant awards to employees who are not subject to the reporting and other provisions of Section 16 of the Exchange Act and not members of the delegated committee, subject to certain limitations and guidelines.



Eligibility; Plan Limits. All full-time and part-time officers, employees, non-employee directors and consultants are eligible to participate in the Amended 2018 Plan, subject to the discretion of the administrator. As of March 25, 2020, approximately 1,161 individuals would have been eligible to participate in the Amended 2018 Plan had it been effective on such date, which includes six executive officers, 1,147 employees who are not executive officers, and eight non-employee directors. There are certain limits on the number of awards that may be granted under the Amended 2018 Plan. For example, no more than 2,495,000 shares of common stock may be granted in the form of incentive stock options.

Director Compensation Limit. The Amended 2018 Plan provides that the value of all awards awarded under the Amended 2018 Plan and all other cash compensation paid by the Company to any non-employee director in any calendar year shall not exceed \$750,000 and no more than 50,000 shares of common stock may be issued pursuant to awards under the Amended 2018 Plan to any non-employee director in any calendar year.

Minimum Vesting Period. The minimum vesting period for each equity award granted under the Amended 2018 Plan must be at least one year, provided (1) that up to 5% of the shares authorized for issuance under the Amended 2018 Plan may be utilized for unrestricted stock awards or other equity awards with a minimum vesting period of less than one year and (2) annual awards to non-employee directors that occur in connection with the Company's annual meeting of stockholders may vest on the date of the Company's next annual meeting of stockholders but in no event shall the vesting period for such awards be less than 50 weeks. In addition, the administrator may grant equity awards that vest within one year (i) if such awards are granted as substitute awards in replacement of other awards (or awards previously granted by an entity being acquired (or assets of which are being acquired)) that were scheduled to vest within one year or (ii) if such awards are being granted in connection with an elective deferral of cash compensation that, absent a deferral election, otherwise would have been paid to the grantee within the one year.

Stock Options. The Amended 2018 Plan permits the granting of (1) options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Code and (2) options that do not so qualify. Options granted under the Amended 2018 Plan will be non-qualified options if they fail to qualify as incentive options or exceed the annual limit on incentive stock options. Incentive stock options may only be granted to employees of the Company and its subsidiaries. Non-qualified options may be granted to any persons eligible to receive incentive options and to non-employee directors and consultants. The option exercise price of each option will be determined by the compensation and talent committee but may not be less than 100% of the fair market value of the common stock on the date of grant. Fair market value for this purpose will be the last reported sale price of the shares of common stock on Nasdaq on the date immediately preceding the grant date. The exercise price of an option may not be reduced after the date of the option grant, other than to appropriately reflect changes in our capital structure.

The term of each option will be fixed by the compensation and talent committee and may not exceed ten years from the date of grant. The compensation and talent committee will determine at what time or times each option may be exercised. Options may be made exercisable in installments and the exercisability of options may be accelerated by the compensation and talent committee. In general, unless otherwise permitted by the compensation and talent committee, no option granted under the Amended 2018 Plan is transferable by the optionee other than by will or by the laws of descent and distribution or pursuant to a domestic relations order, and options may be exercised during the optionee's lifetime only by the optionee, or by the optionee's legal representative or guardian in the case of the optionee's incapacity.

Upon exercise of options, the option exercise price must be paid in full either in cash, by certified or bank check or other instrument acceptable to the compensation and talent committee or by delivery (or attestation to the ownership) of shares of common stock that are beneficially owned by the optionee and that are not subject to risk of forfeiture. Subject to applicable law, the exercise price may also be delivered to the Company by a broker pursuant to irrevocable instructions to the broker from the optionee. In addition, the compensation and talent committee may permit non-qualified options to be exercised using a net exercise feature which reduces the number of shares issued to the optionee by the number of shares with a fair market value equal to the exercise price.

To qualify as incentive options, options must meet additional federal tax requirements, including a \$100,000 limit on the value of shares subject to incentive options that first become exercisable by a participant in any one calendar year.

Stock Appreciation Rights. The compensation and talent committee may award stock appreciation rights subject to such conditions and restrictions as the compensation and talent committee may determine. Stock appreciation rights entitle the recipient to cash or shares of common stock equal to the value of the appreciation in the stock price over the exercise price. The exercise price is the fair market value of the common stock on the date of grant. The term of a stock appreciation right may not exceed ten years.

Restricted Stock. The compensation and talent committee may award shares of common stock to participants subject to such conditions and restrictions as the compensation and talent committee may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with us through a specified restricted period. During the vesting period, restricted stock awards may be credited with dividend equivalent rights (but dividend equivalents payable with respect to restricted stock awards shall not be paid unless and until the applicable performance goals are attained and/or the continued employment periods are completed).

Restricted Stock Units. The compensation and talent committee may award restricted stock units to participants. Restricted stock units are ultimately payable in the form of cash or shares of common stock subject to such conditions and restrictions as the compensation and talent committee may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with the Company through a specified vesting period. In the compensation and talent committee's sole discretion, it may permit a participant to make an advance election to receive a portion of his or her future cash compensation otherwise due in the form of a restricted stock unit award, subject to the participant's compliance with the procedures established by the compensation and talent committee and requirements of Section 409A of the Code. During the deferral period, the deferred stock awards may be credited with dividend equivalent rights.

Unrestricted Stock Awards. The compensation and talent committee may also grant shares of common stock which are free from any restrictions under the Amended 2018 Plan. Unrestricted stock may be granted to any participant in recognition of past services or other valid consideration and may be issued in lieu of cash compensation due to such participant.

Dividend Equivalent Rights. The compensation and talent committee may grant dividend equivalent rights to participants, which entitle the recipient to receive credits for dividends that would be paid if the recipient had held specified shares of common stock. Dividend equivalent rights granted as a component of another award (other than a stock option or stock appreciation right) may be paid only if the related award becomes vested. Dividend equivalent rights may not be granted as a component of a stock option or stock appreciation right award. Dividend equivalent rights may be settled in cash, shares of common stock or a combination thereof, in a single installment or installments, as specified in the award.



Cash-Based Awards. The compensation and talent committee may grant cash bonuses under the Amended 2018 Plan to participants. The cash bonuses may be subject to the achievement of certain performance goals.

Change of Control Provisions. The Amended 2018 Plan provides that upon the effectiveness of a "sale event," as defined in the Amended 2018 Plan, all awards will terminate in connection with a sale event unless they are assumed, substituted, or continued by the successor entity. To the extent the parties to the sale event do not provide for awards under the Amended 2018 Plan to be assumed, substituted or continued by the successor entity, awards of stock options and stock appreciation rights will become exercisable prior to their termination. In addition, the Company may make or provide for payment, in cash or in kind, to participants holding options and stock appreciation rights equal to the difference between the per share cash consideration and the exercise price of the options or stock appreciation rights. The compensation and talent committee shall also have the option to make or provide for a payment, in cash or in kind, to grantees holding other awards in an amount equal to the per share cash consideration multiplied by the number of vested shares under such awards. Unless otherwise determined by our board of directors, any repurchase rights or other rights of the Company that relate to an award will continue to apply to consideration (including cash) that has been substituted, assumed, amended or paid in connection with a sale event.

Adjustments for Stock Dividends, Stock Splits, Etc. The Amended 2018 Plan requires the compensation and talent committee to make appropriate adjustments to the number of shares of common stock that are subject to the Amended 2018 Plan, to certain limits in the Amended 2018 Plan, and to any outstanding awards to reflect stock dividends, stock splits, extraordinary cash dividends and similar events.

Tax Withholding. Participants in the Amended 2018 Plan are responsible for the payment of any federal, state or local taxes that the Company is required by law to withhold upon the exercise of options or stock appreciation rights or vesting of other awards. Subject to approval by the compensation and talent committee, participants may elect to have their tax withholding obligations satisfied by authorizing the Company to withhold shares of common stock to be issued pursuant to exercise or vesting. The compensation and talent committee may also require awards to be subject to mandatory share withholding up to the required withholding amount.

Amendments and Termination. The board of directors may at any time amend or discontinue the Amended 2018 Plan and the compensation and talent committee may at any time amend or cancel any outstanding award for the purpose of satisfying changes in the law or for any other lawful purpose. However, no such action may adversely affect any rights under any outstanding award without the holder's consent. To the extent required under Nasdaq rules, any amendments that materially change the terms of the Amended 2018 Plan will be subject to approval by our stockholders. Amendments shall also be subject to approval by our stockholders if and to the extent determined by the compensation and talent committee to be required by the Code to preserve the qualified status of incentive options.

Effective Date of Plan. The 2018 Plan was originally approved by our board of directors on March 26, 2018, and approved by our stockholders on May 23, 2018. The Plan Amendment was approved by the board of directors on March 24, 2020. Awards of incentive options may be granted under the Amended 2018 Plan until March 23, 2028. No other awards may be granted under the Amended 2018 Plan after the date that is ten years from the date of stockholder approval of the Plan Amendment.

New Plan Benefits

Because the grant of awards under the Amended 2018 Plan is within the discretion of the compensation and talent committee, the Company cannot determine the dollar value or number of shares of common stock that will in the future be received by or allocated to any participant in the Amended 2018 Plan. Accordingly, in lieu of providing information regarding benefits that will be received under the Amended 2018 Plan, the following table provides information concerning the benefits that were received by the following persons and groups during 2019: each named executive officer; all current executive officers, as a group; all current directors who are not executive officers, as a group; and all current employees who are not executive officers, as a group.

Name and Position	Options		Stock Awards	
	Average Exercise Price (\$)	Number of Awards (#)	Dollar Value (\$)(1)	Number of Awards
Colin M. Angle , <i>Chairman, Chief Executive Officer and Director</i>	—	—	5,552,768	45,440
Alison Dean , <i>Executive Vice President, Chief Financial Officer, Treasurer and Principal Accounting Officer</i>	—	—	1,665,830	13,632
Glen D. Weinstein , <i>Executive Vice President and Chief Legal Officer</i>	—	—	1,221,511	9,996
Tim Saeger , <i>Executive Vice President, Chief Research & Development Officer</i>	—	—	1,332,469	10,904
Keith Hartsfield , <i>Executive Vice President, Chief Product Officer</i>	—	—	1,968,782	31,683
Christian Cerda , <i>Former Chief Operating Officer</i>	—	—	1,776,788	14,540
All current executive officers, as a group	—	—	12,740,712	119,833
All current directors who are not executive officers, as a group	—	—	1,399,946	16,186
All current employees who are not executive officers, as a group	—	—	23,118,968	307,654

- (1) The valuation of stock awards is based on the grant date fair value computed in accordance with ASC Topic 718 disregarding any estimates of forfeitures. The grant date fair value is the fair market value of our common stock on the date of grant multiplied by the number of shares of common stock underlying such stock award.

Tax Aspects under the Code

The following is a summary of the principal federal income tax consequences of certain transactions under the Amended 2018 Plan. It does not describe all federal tax consequences under the Amended 2018 Plan, nor does it describe state or local tax consequences.

Incentive Options. No taxable income is generally realized by the optionee upon the grant or exercise of an incentive option. If shares of common stock issued to an optionee pursuant to the exercise of an incentive option are sold or transferred after two years from the date of grant and after one year from the date of exercise, then (i) upon sale of such shares, any amount realized in excess of the option price (the amount paid for the shares) will be taxed to the optionee as a long-term capital gain, and any loss sustained will be a long-term capital loss, and (ii) the Company will not be entitled to any deduction for federal income tax purposes. The exercise of an incentive option will give rise to an item of tax preference that may result in alternative minimum tax liability for the optionee.

If shares of common stock acquired upon the exercise of an incentive option are disposed of prior to the expiration of the two-year and one-year holding periods described above (a “disqualifying disposition”), generally (i) the optionee will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares of common stock at exercise (or, if less, the amount realized on a sale of such shares of common stock) over the option price thereof, and (ii) we will be entitled to deduct such amount. Special rules will apply where all or a portion of the exercise price of the incentive option is paid by tendering shares of common stock.

If an incentive option is exercised at a time when it no longer qualifies for the tax treatment described above, the option is treated as a non-qualified option. Generally, an incentive option will not be eligible for the tax treatment described above if it is exercised more than three months following termination of employment (or one year in the case of termination of employment by reason of disability). In the case of termination of employment by reason of death, the three-month rule does not apply.

Non-Qualified Options. No income is realized by the optionee at the time a non-qualified option is granted. Generally (i) at exercise, ordinary income is realized by the optionee in an amount equal to the difference between the option price and the fair market value of the shares of common stock on the date of exercise, and we receive a tax deduction for the same amount, and (ii) at disposition, appreciation or depreciation after the date of exercise is treated as either short-term or long-term capital gain or loss depending on how long the shares of common stock have been held. Special rules will apply where all or a portion of the exercise price of the non-qualified option is paid by tendering shares of common stock. Upon exercise, the optionee will also be subject to Social Security taxes on the excess of the fair market value over the exercise price of the option.

Other Awards. The Company generally will be entitled to a tax deduction in connection with other awards under the Amended 2018 Stock Plan in an amount equal to the ordinary income realized by the participant at the time the participant recognizes such income. Participants typically are subject to income tax and recognize such tax at the time that an award is exercised, vests or becomes non-forfeitable, unless the award provides for a further deferral.

Parachute Payments. The vesting of any portion of an award that is accelerated due to the occurrence of a change in control (such as a sale event) may cause a portion of the payments with respect to such accelerated awards to be treated as “parachute payments” as defined in the Code. Any such parachute payments may be non-deductible to the Company, in whole or in part, and may subject the recipient to a non-deductible 20% federal excise tax on all or a portion of such payment (in addition to other taxes ordinarily payable).

Limitation on Deductions. Under Section 162(m) of the Code, the Company’s deduction for awards under the 2018 Stock Plan may be limited to the extent that any “covered employee” (as defined in Section 162(m) of the Code) receives compensation in excess of \$1 million a year.

Equity Compensation Plan Information

The following table provides information as of December 28, 2019 regarding shares of common stock that may be issued under our equity compensation plans, consisting of the iRobot Corporation 2005 Stock Option and Incentive Plan, as amended, the 2015 Plan, the 2018 Plan and our 2017 Employee Stock Purchase Plan (the “ESPP”). We have no equity compensation plans that were not approved by securityholders.

Plan Category	Number of securities to be issued upon exercise of outstanding options, units and rights (a)	Weighted average exercise price of outstanding options, units and rights (b)	Number of securities remaining available for future issuance under equity compensation plan (excluding securities referenced in column (a))(c)
Equity compensation plans approved by security holders	1,358,371 (1)	\$35.08	1,293,482 (2)
Equity compensation plans not approved by security holders			
Total	1,358,371	\$35.08	1,293,482

- (1) Includes 322,908 shares of common stock issuable upon the exercise of outstanding options, 819,232 shares of common stock issuable upon the vesting of RSUs, and 216,231 shares of common stock issuable upon the vesting of PSUs if specified performance metrics are achieved.
- (2) As of December 28, 2019, there were no shares available for grants under the 2005 Stock Option and Incentive Plan, as amended, the Evolution Robotics, Inc. 2007 Stock Plan or the 2015 Stock Option and Incentive Plan, 1,293,482 shares available under the 2018 Plan and 570,962 shares available under the ESPP.

Recommendation of the Board

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL OF THE AMENDMENT TO THE IROBOT CORPORATION 2018 STOCK OPTION AND INCENTIVE PLAN

PROPOSAL 7**NON-BINDING ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

Pursuant to Section 14A of the Exchange Act, we are providing our stockholders with the opportunity to vote on a non-binding advisory resolution approving the named executive officers' compensation described herein. This proposal, known as a "say-on-pay" proposal, gives the Company's stockholders the opportunity to express their views on our named executive officer's compensation. At our 2017 annual meeting of stockholders, our stockholders voted, on a non-binding, advisory basis, for the Company to hold future say-on-pay votes on an annual basis. In accordance with the advisory vote by our stockholders, we hold a non-binding, advisory vote on the compensation of our named executive officers every year.

This vote is not intended to address any specific item of compensation or the compensation of any particular officer, but rather the overall compensation of our named executive officers and our compensation philosophy, policies and practices, as discussed in this Proxy Statement. Accordingly, we are asking our stockholders to vote "FOR" the following resolution at our annual meeting of stockholders:

"RESOLVED, that the Company's stockholders approve, on a non-binding, advisory basis, the compensation of the Company's named executive officers, as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K, including in the Compensation Discussion and Analysis, compensation tables and related narrative discussion."

Before you vote, we recommend that you read the "Compensation Discussion and Analysis" and "Summary Of Recent And Proposed Changes To Corporate Governance And Executive Compensation – Executive Compensation" sections of this Proxy Statement for additional details on the Company's executive compensation programs and philosophy.

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

Recommendation of the Board

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL, ON A NON-BINDING, ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of the Company's common stock as of March 6, 2020: (i) by each person who is known by the Company to beneficially own more than 5% of the outstanding shares of common stock; (ii) by each director or nominee of the Company; (iii) by each named executive officer of the Company; and (iv) by all directors and executive officers of the Company as a group. Unless otherwise noted below, the address of each person listed on the table is c/o iRobot Corporation, 8 Crosby Drive, Bedford, Massachusetts 01730.

Name of Beneficial Owner	Shares Beneficially Owned(1)	Percentage of Shares Beneficially Owned(2)
BlackRock, Inc.(3) 55 East 52nd Street New York, NY 10055	4,483,134	15.79%
PRIMECap Management Company(4) 177 E. Colorado Blvd., 11 th Floor Pasadena, CA 91105	3,987,700	14.05%
The Vanguard Group, Inc.(5) 100 Vanguard Blvd., Malvern, PA 19355	2,898,948	10.21%
Credit Suisse AG(6) Uetlibergstrasse 231 P.O. Box 900 CH 8070 Zurich, Switzerland	1,557,334	5.49%
Pictet Asset Management SA(7) 60 Route des Acacias 1211 Geneva 73 Switzerland	1,461,071	5.15%
Colin M. Angle(8)	568,398	2.00%
Alison Dean(9)	55,699	*
Christian Cerda	7,933	*
Keith Hartsfield	—	*
Tim Saeger(10)	37,906	*
Glen Weinstein(11)	73,031	*
Mohamad Ali	15,049	*
Michael Bell	6,176	*
Deborah Ellinger	16,726	*
Elisha Finney(12)	6,100	*
Ruey-Bin Kao	510	*
Eva Manolis	—	*
Andrew Miller	3,203	*
Michelle Stacy(13)	14,650	*
All executive officers, directors and nominees as a group (13 individuals)(14)	827,096	2.91%

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

- (1) Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to shares. Unless otherwise indicated below, to the knowledge of the Company, all persons listed below have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law. Pursuant to the rules of the SEC, the number of shares of common stock deemed outstanding includes (i) shares issuable pursuant to options held by the respective person or group that are currently exercisable or may be exercised within 60 days of March 6, 2020 and (ii) shares issuable pursuant to restricted stock units held by the respective person or group that vest within 60 days of March 6, 2020.
- (2) Applicable percentage of ownership as of March 6, 2020 is based upon 28,388,646 shares of common stock outstanding.
- (3) BlackRock, Inc. has sole voting power with respect to 4,416,063 shares and sole dispositive power with respect to 4,483,134 shares. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055. This information has been obtained from a Schedule 13G/A filed by BlackRock, Inc. with the SEC on February 4, 2020.
- (4) PRIMECAP Management Company has sole voting power with respect to 3,987,700 shares and sole dispositive power with respect to 3,987,700 shares. The address of PRIMECAP Management Company is 177 E. Colorado Blvd, 11th Floor, Pasadena, CA 91105. This information has been obtained from a Schedule 13G/A filed by PRIMECAP Management Company with the SEC on February 12, 2020.
- (5) The Vanguard Group, Inc. has sole voting power with respect to 57,650 shares, shared voting power with respect to 7,217 shares, sole dispositive power with respect to 2,837,286 shares and shared dispositive power with respect to 61,662 shares. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 54,445 shares as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 10,422 shares as a result of its serving as investment manager of Australian investment offerings. The address of each reporting entity is 100 Vanguard Boulevard, Malvern, PA 19355. This information has been obtained from a Schedule 13G/A filed by The Vanguard Group, Inc. with the SEC on February 12, 2020.
- (6) Credit Suisse AG has shared voting power with respect to 1,557,334 shares and shared dispositive power with respect to 1,557,334 shares. The address of Credit Suisse AG is Uetlibergstrasse 231, P.O. Box 900, CH 8070, Zurich, Switzerland. This information has been obtained from a Schedule 13G filed by Credit Suisse AG with the SEC on February 13, 2020.
- (7) Pictet Asset Management SA has sole voting power with respect to 1,461,071 shares and sole dispositive power with respect to 1,461,071 shares. The address of Pictet Asset Management SA is 60 Route des Acacias, 1211 Geneva 73, Switzerland. This information has been obtained from a Schedule 13G filed by Pictet Asset Management SA with the SEC on January 29, 2020.
- (8) Includes 146,792 shares issuable upon exercise of stock options and 34,456 shares issuable upon vesting of restricted stock units.
- (9) Includes 9,682 shares issuable upon exercise of stock options and 12,110 shares issuable upon vesting of restricted stock units.
- (10) Includes 20,590 shares issuable upon exercise of stock options and 6,051 shares issuable upon vesting of restricted stock units.
- (11) Includes 25,179 shares issuable upon exercise of stock options and 7,846 shares issuable upon vesting of restricted stock units.
- (12) Includes 959 shares issuable upon vesting of restricted stock units.
- (13) Includes 4,998 shares held in a grantor-retained annuity trust for the benefit of Ms. Stacy during the annuity term of the trust and for the benefit of her children thereafter.
- (14) Includes 205,437 shares issuable upon exercise of stock options and 67,590 shares issuable upon vesting of restricted stock units.

ADDITIONAL INFORMATION

Other Matters

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

Householding of Proxy Materials

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

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

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

STOCKHOLDER PROPOSALS

Proposals of stockholders intended for inclusion in the Proxy Statement to be furnished to all stockholders entitled to vote at our 2021 annual meeting of stockholders, pursuant to Rule 14a-8 promulgated under the Exchange Act by the SEC, must be received at the Company’s principal executive offices not later than December 7, 2020. Stockholders who meet the applicable eligibility requirements under the proxy access provision of our by-laws and wish to include nominees for our board of directors in the Company’s Proxy Statement for the 2021 annual meeting, or stockholders who wish to make a proposal at the 2021 annual meeting (other than a proposal made pursuant to Rule 14a-8 or pursuant to the proxy access provision of our by-laws), must in each case notify us between January 20, 2021 and February 19, 2021. If a stockholder who wishes to present a proposal fails to notify us by February 19, 2021 and such proposal is brought before the 2021 annual meeting, then under the SEC’s proxy rules, the proxies solicited by management with respect to the 2021 annual meeting will confer discretionary voting authority with respect to the stockholder’s proposal on the persons selected by management to vote the proxies. If a stockholder makes a timely notification, the proxies may still exercise discretionary voting authority under circumstances consistent with the SEC’s proxy rules. In order to curtail controversy as to the date on which we received a proposal, it is

suggested that proponents submit their proposals by Certified Mail, Return Receipt Requested, to iRobot Corporation, 8 Crosby Drive, Bedford, Massachusetts 01730, Attention: Secretary.

EXPENSES AND SOLICITATION

The Company will pay all costs of soliciting these proxies. In addition, some of our officers and employees may solicit proxies by telephone or in person. We will reimburse brokers for the expenses they incur in forwarding the proxy materials to you. The Company has retained Georgeson LLC to assist us with solicitation for a minimum fee of \$11,000, plus reimbursement for out-of-pocket expenses.

Exhibit A

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

	For the twelve months ended	
	December 28, 2019	December 29, 2018
GAAP Net Income	\$ 85,300	\$ 87,992
Interest income, net	(2,546)	(944)
Income tax expense	13,533	20,630
Depreciation	24,387	16,965
Amortization of acquired intangible assets	12,772	19,609
EBITDA	133,446	144,252
Stock-based compensation	23,744	25,804
Net merger, acquisition and divestiture expense	466	138
IP litigation expense, net	2,218	3,556
Adjusted EBITDA	\$ 159,874	\$ 173,750
Adjusted EBITDA as a % of revenue	13.2%	15.9%

Use of Non-GAAP Financial Measures

In addition to disclosing financial results in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, we consider and use non-GAAP financial measures as supplemental measures to internally evaluate and analyze financial results. We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and enable comparison of our financial results with other public companies, many of which present similar non-GAAP financial measures.

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

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PROPOSED AMENDMENTS TO OUR CERTIFICATE OF INCORPORATION

The following are proposed changes to our amended and restated certificate of incorporation as described in Proposal 3.

ANNEX A

CERTIFICATE OF AMENDMENT TO

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

iROBOT CORPORATION

iRobot Corporation (the “Corporation”), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the “DGCL”), does hereby certify:

1. Pursuant to Section 242 of the DGCL, this Certificate of Amendment to Amended and Restated Certificate of Incorporation (this “Amendment”) amends the provisions of the Amended and Restated Certificate of Incorporation of the Corporation (the “Certificate”).

2. This Amendment has been approved and duly adopted by the Corporation’s Board of Directors and stockholders in accordance with the provisions of Section 242 of the DGCL.

3. The Certificate is hereby amended as follows:

A. In Article VI, Section 5, the phrase “holders of 75% or more” is hereby deleted and replaced with the word “majority”.

B. Article VIII, Section 2 is hereby amended and restated in its entirety to read as set forth below:

“Amendment by Stockholders. The By-laws of the Corporation may be amended or repealed at any annual meeting of stockholders, or special meeting of stockholders called for such purpose as provided in the By-laws, by the affirmative vote of the majority of the votes cast by the stockholders entitled to vote on such amendment or repeal, voting together as a single class (with “abstentions”, “broker non-votes” and “withheld” votes not counted as a vote either “for” or “against” such amendment or repeal).”

C. Article IX is hereby amended and restated in its entirety to read as set forth below:

"AMENDMENT OF CERTIFICATE OF INCORPORATION

The Corporation reserves the right to amend or repeal this Certificate in the manner now or hereafter prescribed by statute and this Certificate, and all rights conferred upon stockholders herein are granted subject to this reservation. Whenever any vote of the holders of voting stock is required to amend or repeal any provision of this Certificate, and in addition to any other vote of holders of voting stock that is required by this Certificate or by law, such amendment or repeal shall require the affirmative vote of the majority of the outstanding shares entitled to vote on such amendment or repeal, and the affirmative vote of the majority of the outstanding shares of each class entitled to vote thereon as a class, at a duly constituted meeting of stockholders called expressly for such purpose."

PROPOSED AMENDMENTS TO OUR CERTIFICATE OF INCORPORATION

The following are proposed changes to our amended and restated certificate of incorporation as described in Proposal 4.

ANNEX B CERTIFICATE OF AMENDMENT TO AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF iROBOT CORPORATION

iRobot Corporation (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "DGCL"), does hereby certify:

1. Pursuant to Section 242 of the DGCL, this Certificate of Amendment to Amended and Restated Certificate of Incorporation (this "Amendment") amends the provisions of the Amended and Restated Certificate of Incorporation of the Corporation (the "Certificate").
2. This Amendment has been approved and duly adopted by the Corporation's Board of Directors and stockholders in accordance with the provisions of Section 242 of the DGCL.
3. The Certificate is hereby amended as follows:

Article VI, Sections 3, 4 and 5 are hereby amended and restated in their entirety to read as set forth below:

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

Subject to the rights, if any, of the holders of any series of Undesignated Preferred Stock, at the annual meeting of stockholders of the Corporation that is held in calendar year 2021 and at each annual meeting of stockholders of the Corporation thereafter, all Directors shall be elected to hold office for a one-year term expiring at the next annual meeting of stockholders of the Corporation. Notwithstanding the foregoing, Directors shall hold office until their successors are duly elected and qualified or until their earlier resignation, death or removal.

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

4. Vacancies. Subject to the rights, if any, of the holders of any series of Undesignated Preferred Stock to elect Directors and to fill vacancies in the Board of Directors relating thereto, any and all vacancies in the Board of Directors, however occurring, including, without limitation, by reason of an increase in size of the Board of Directors, or the death, resignation, disqualification or removal of a Director, shall be filled solely and exclusively by the affirmative vote of a majority of the remaining Directors then in office, even if less than a quorum of the Board of Directors, and not by the stockholders. Any Director appointed in accordance with the preceding sentence shall hold office for a term expiring at the next annual meeting of stockholders of the Corporation held after such appointment and until such Director's successor shall have been duly elected and qualified or until his or her earlier resignation, death or removal. In the event of a vacancy in the Board of Directors, the remaining Directors, except as otherwise provided by law, shall exercise the powers of the full Board of Directors until the vacancy is filled.

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

PROPOSED AMENDMENTS TO OUR CERTIFICATE OF INCORPORATION

The following are proposed changes to our amended and restated certificate of incorporation as described in Proposal 5.

ANNEX C

CERTIFICATE OF AMENDMENT TO

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

iROBOT CORPORATION

iRobot Corporation (the “Corporation”), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the “DGCL”), does hereby certify:

1. Pursuant to Section 242 of the DGCL, this Certificate of Amendment to Amended and Restated Certificate of Incorporation (this “Amendment”) amends the provisions of the Amended and Restated Certificate of Incorporation of the Corporation (the “Certificate”).

2. This Amendment has been approved and duly adopted by the Corporation’s Board of Directors and stockholders in accordance with the provisions of Section 242 of the DGCL.

3. The Certificate is hereby amended as follows:

Article V, Section 2 is hereby amended and restated in its entirety to read as set forth below:

“2. Special Meetings. Only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders of the Corporation.”

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ANNEX D
AMENDMENT
TO THE
IROBOT CORPORATION
2018 STOCK OPTION AND INCENTIVE PLAN

WHEREAS, iRobot Corporation (the “Company”) maintains the iRobot Corporation 2018 Stock Option and Incentive Plan (the “Plan”), which was previously adopted by the Board of Directors on March 26, 2019 and approved by the stockholders of the Company on May 23, 2018;

WHEREAS, the Board of Directors of the Company believes that the number of shares of common stock of the Company (“Common Stock”) remaining available for issuance under the Plan has become insufficient for the Company’s anticipated future needs under the Plan;

WHEREAS, Section 16 of the Plan provides that the Board of Directors of the Company may amend the Plan at any time, subject to certain conditions set forth therein; and

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company to amend the Plan, subject to stockholder approval, to increase both the aggregate number of shares of Common Stock available for issuance under the Plan, and the number of shares that may be issued in the form of Incentive Stock Options (as defined in the Plan) from 1,750,000 shares to 2,495,000 shares.

NOW, THEREFORE:

1. **Increase in Shares.** Section 3(a) of the Plan is hereby amended by deleting it in its entirety and replacing it with the following:

“The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 2,495,000 shares, subject to adjustment as provided in this Section 3. For purposes of this limitation, the shares of Stock underlying any awards under the Plan or the Company’s 2015 Stock Option and Incentive Plan that are forfeited, canceled or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan. Notwithstanding the foregoing, the following shares shall not be added to the shares authorized for grant under the Plan: (i) shares tendered or held back upon exercise of an Option or settlement of an Award to cover the exercise price or tax withholding, and (ii) shares subject to a Stock Appreciation Right that are not issued in connection with the stock settlement of the Stock Appreciation Right upon exercise thereof. In the event the Company repurchases shares of Stock on the open market, such shares shall not be added to the shares of Stock available for issuance under the Plan. Subject to such overall limitations, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award; provided, however, that no more than 2,495,000 shares of the Stock may be issued in the form of Incentive Stock Options. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company.”

2. **Effective Date of Amendment.** This Amendment to the Plan shall become effective upon the date that it is approved by the Company’s stockholders in accordance with applicable laws and regulations.

3. **Other Provisions.** Except as set forth above, all other provisions of the Plan shall remain unchanged.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

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

For the fiscal year ended December 28, 2019

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

The aggregate market value of the Common Stock held by nonaffiliates of the registrant was approximately \$2.5 billion based on the last reported sale of the Common Stock on The Nasdaq Global Select Market on June 28, 2019, the last business day of the registrant's most recently completed second fiscal quarter.

As of January 31, 2020, there were 28,352,390 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file a definitive Proxy Statement pursuant to Regulation 14A within 120 days of the end of the fiscal year ended December 28, 2019. Portions of such Proxy Statement are incorporated by reference into Part III of this Form 10-K.

iROBOT CORPORATION
ANNUAL REPORT ON FORM 10-K
Year Ended December 28, 2019

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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 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, NorthStar, Create, iAdapt, Aware, Home Base, Looj, Braava, Braava jet, AeroForce, Better Together, 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 both inside and outside the home. Our consumer robots help people find smarter ways to clean and accomplish more in their daily lives. iRobot's portfolio of solutions features proprietary technologies for the connected home and advanced concepts in cleaning, mapping and navigation, human-robot interaction, and physical solutions. Leveraging this portfolio, our engineers are building an ecosystem of robots to empower the smart home. For more than 25 years, we have been a pioneer in the robotics and consumer products industries.

Since our founding in 1990, we have developed expertise in the disciplines necessary to design, build, sell and support durable, high-performance and cost-effective robots through the close integration of software, electronics and hardware. Our core technologies serve as reusable building blocks that we adapt and expand to create next-generation robotic platforms. We believe that this approach accelerates the time to market, while also reducing the costs and risks associated with product development. Our significant expertise in consumer needs, robot design, engineering, and smart home technologies and trends positions us to capitalize on the growth we expect in the market for robot-based consumer products. Since the introduction of the Roomba robotic vacuum cleaner ("RVC") in 2002, we have sold more than 30 million consumer robots worldwide to become a global, market-leading consumer robotics innovator with a strong presence in major geographic regions worldwide.

During 2017, we expanded our global operations with the acquisition of two of our major distributors in Japan and Europe. In April 2017, we acquired the iRobot-related distribution business of Sales On Demand Corporation ("SODC"), based in Tokyo, Japan for approximately \$16.6 million in cash. In October 2017, we acquired our largest European distributor, Robopolis SAS ("Robopolis"), a French company, for a final purchase price of \$169.4 million in cash, net of acquired cash of \$38.0 million. These acquisitions provided us more direct control of 75% of our global revenue through a direct presence in countries such as Austria, Belgium, France, Germany, Japan, the Netherlands, Portugal and Spain. Following the completion of the SODC and Robopolis acquisitions, we integrated these organizations into our company, and continue to take steps to consolidate various systems that we believe will further streamline and automate key processes.

In 2019, iRobot sold more than \$1.2 billion in consumer robots while navigating more challenging market conditions marked by intensified price competition in EMEA and the United States, and more moderate RVC growth in the United States due in part to the direct and indirect impacts of higher tariffs on RVCs made in and imported from China. Our commitment to innovation and funding critical research and development projects continued to yield tangible results through new product launches and new and enhanced features and functionality. In addition to launching the Roomba i7 and i7+ in major international markets during 2019, we introduced our deepest cleaning RVCs, the Roomba s9 and s9+, and the Braava jet m6, our advanced robotic mop. We also took steps to commercialize our robotic lawn mower during 2019. Other highlights in 2019 included the commencement of production at a new Roomba manufacturing facility in Malaysia, the implementation of new pricing and promotional tactics aimed at restoring U.S. RVC growth and defending our leadership position in EMEA, and the acquisition of Root Robotics, Inc. ("Root Robotics"), which enhances our commitment to Science, Technology, Engineering and Math ("STEM") through new educational robots.

Our total revenue for 2019 was \$1,214.0 million, which represents an 11.1% increase from revenue of \$1,092.6 million for 2018. Domestic revenue grew \$42.6 million, or 7.6%, and international revenue increased by \$78.8 million, or 14.8%, primarily as a result of sales of new products that have been launched since the second half of 2018.

Strategy

In 2002, iRobot created the home robot cleaning category with the introduction of its Roomba vacuuming robot. Today, we are a global enterprise that has sold more than 30 million consumer robots worldwide, including more than nine million connected robots. Our long-term strategy is to grow RVC category leadership by increasing the penetration of Roomba in existing markets worldwide, diversify beyond RVCs with our Braava robot mop and Terra robot mower, and continue to develop and launch new products into current and new markets. As our customer base grows, iRobot is creating an ecosystem of intelligent, connected robots with increasingly powerful new features and better performance that are designed for integration with other connected devices that empower the smart home.

To successfully execute our plan for 2020, including driving revenue growth, further diversifying our product portfolio, and positioning ourselves for improved profitability in 2021 and beyond, we plan to execute against the following priorities:

- Continue expanding Roomba’s global household penetration:
 - Deliver on our product and digital roadmaps that can further differentiate Roomba and elevate the user experience, in part by leveraging our substantial and ongoing investment in software;
 - Fuel near-term growth and defend RVC market share in the United States and abroad through a combination of pricing, promotion and marketing initiatives; and
 - Evolve our go-to-market capabilities and increase direct sales to customers through our HOME App and on irobot.com by leveraging our large, growing and engaged base of customers worldwide.
- Pursue product diversification and build position within the smart home ecosystem:
 - Drive adoption of Braava through both traditional promotional and marketing initiatives as well as through new marketing programs that capitalize on the large and growing installed base of Roomba customers;
 - Enhance Terra’s capabilities along with developing and advancing the go-to-market and sales plans that will enable us to commercialize this robot;
 - Establish the necessary partnerships and technology alliances that will enable our products to help consumers enjoy greater benefits from the smart home; and
 - Support the growth of iRobot’s educational robot product offerings as an extension of our STEM efforts and ongoing commitment to making robotic technology more accessible to educators, students and parents.
- Improve long-term operational profitability:
 - Continuously cost-optimize the sourcing and integration of key product components and sub-assemblies, and increasingly automate the manufacturing process as part of our efforts to lower production costs;
 - Mitigate exposure to tariffs on products imported from China through a dual-track strategy of pursuing an exemption to those tariffs and ramping production volumes in Malaysia; and
 - Control spending while continuing to make investments in areas that we believe are critical to long-term success.

Technology

Since introducing the Roomba in 2002, we have continuously pursued innovation and introduced a wide of 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 and diversified our product portfolio. Over the past several years, we have focused on research and development initiatives aimed at advancing overall cleaning efficacy and performance, strengthening our robots’ mapping and navigation capabilities, enabling our Roomba and Braava robots to work together, improving user interaction via cloud connectivity and app development, and facilitating integration between our products and other connected devices as part of a smart home ecosystem.

We plan to continue to leverage opportunities, enabled by our growing connected product portfolio, to invest in developing technologies and interfaces for our products to provide a convenient, personalized, feature-rich and effective user experience. 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 improve the effectiveness of our support teams, informs our product roadmaps and facilitates integration with other connected devices in the smart home. iRobot plans to continue to identify additional ways to advance the smart home experience by enabling a broader understanding of the home’s space, enabled through Roomba’s spatial awareness of the home.

Across our expanding range of consumer robots, we are dedicated to developing market-leading robotic solutions that provide compelling value to consumers worldwide. We believe that from our customers’ perspective, the core value of our

robots is the ability to efficiently and effectively perform a physical mission - the task for which the robot was initially purchased. In addition, we focus on adding new features and functionality that allow our robots to perform longer, without customer interaction, making them fit more seamlessly into our customers' lifestyles and easier to use.

Products

We sell various products designed for use inside and outside of the home. We believe our home robot cleaning products deliver compelling and unique value to customers by delivering a better way to clean that frees people from repetitive, time consuming home cleaning tasks. To ensure the continued acceptance of our robots, we plan to continue to invest in the digital, data and physical products necessary to further improve the robots' autonomy to complete missions, and enhance the robots' performance and ease of use so that the robots fit seamlessly into the lifestyle of their owners. During 2019, we took important steps to deliver robots that can work together to vacuum and mop at the direction of the user. We also delivered new digital features that provide for a more personalized and more efficient cleaning experience, including recommendations for maintenance and cleaning schedules, specified room cleaning missions versus cleaning entire floors, and recharging just enough to complete the mission. In addition, we continued to enhance the mapping and spatial awareness capabilities of our consumer cleaning robots, which we believe is critical for improving the smart home experience by enabling a broader range of connected devices in the home to work more seamlessly together. Our products consist of the following robot families:

Roomba

We currently offer multiple Roomba floor vacuuming robots at varying price points ranging from approximately \$250 to \$1,099 based upon features and performance characteristics. The Roomba family of robotic vacuum cleaners encompass the following product series:

- 600 Series: The Roomba 600 series robots offer a three-stage cleaning system that thoroughly vacuums every section of the floor multiple times, as well as a brush design that enables the robot to handle fibers like hair, pet fur, lint and carpet fuzz. We offer versions of the 600 Series with and without WiFi connectivity.
- e5 Series: Introduced in September 2018, the e5 is an affordable, highly featured product with WiFi connectivity. The e5 Series offers iRobot's Dirt Detect technology, dual multi-surface brushes, and a high efficiency filter to handle pet allergens. The e5 Series' navigation technology helps ensure that the robot thoroughly vacuums every section of the floor multiple times.
- 900 Series: The Roomba 900 series robots help keep floors cleaner throughout the entire home with intelligent visual navigation, recharge and resume capability, and clean map reporting via the iRobot HOME App to show where the Roomba cleaned and provide other performance data such as cleaning duration and coverage area.
- i7 Series: Introduced in September 2018, the i7 Series brought a new level of intelligence and automation to robotic vacuum cleaners with the ability to learn, map and adapt to a home's floor plan and 10 times more suction power than the 600 Series. The Roomba i7+ includes all the features of i7 plus the ability for the robot to empty its own bin into the Clean Base with Automatic Dirt Disposal. This brings a level of automation that allows users to forget about vacuuming for weeks at a time.
- s9 Series: Introduced in May 2019, the s9 Series represents the most powerful, deepest cleaning Roomba to date with 40 times more suction power than the 600 Series, advanced sensors to automatically increase suction on rugs or carpets, new brushes that further improve the robot's ability to clean corners and along walls, and sophisticated navigation and mapping capabilities for efficient, customized room cleaning. The Roomba s9+ includes all of the features of the s9 plus the Clean Base with Automatic Dirt Disposal, which uses an anti-allergen system that traps pollen and mold allergens and prevents them from escaping the robot or the Clean Base Charging Station.

Braava

We currently offer the Braava family of automatic floor mopping robots designed exclusively for hard-surface floors at price points ranging from \$199 to \$499. The Braava robots automatically dust and damp mop hard-surface floors using popular cleaning cloths or our specially designed reusable microfiber cloths and include a special reservoir that dispenses liquid throughout the cleaning cycle to keep the cloth damp. The Braava family of floor mopping robots encompass the following product series:

- 200 Series: The Braava jet 200 series robot mop navigates under and around objects and furniture, reaches into corners and uses Precision Jet Spray and a vibrating clean head to remove dirt and stains.
- 300 Series: With the ability to operate in separate mop or sweep modes, the Braava jet 300 series robot mop offers greater coverage than the 200 Series and is compatible with a wide range of iRobot and third-party cleaning cloths.
- m Series: Introduced in May 2019, the Braava jet m Series is the most advanced Braava robot mop yet, with Roomba-like features and functionality, including a dedicated charging station and the same navigation and mapping technology found in the most advanced Roombas with extensive coverage and strong dirt and stain

removal capability. Leveraging ImprintLink technology allows the Braava jet m Series and Roomba 900, i7, and s9 robots to automatically clean in sequence - vacuuming and then mopping.

Terra

We are in the process of bringing a new, highly differentiated robotic lawn mower product to the consumer marketplace. Unlike current robotic lawn mowers that rely on dedicated boundary wires to keep the lawn mower confined to a designated area, the Terra t7 is being designed with a state-of-the-art mapping and navigation system that provides greater flexibility to determine where it will mow as well as avoid obstacles and cut in efficient, straight lines. We conducted beta trials in 2019 in both Germany and the United States and we plan to use the feedback gained during those trials to further enhance Terra's capabilities and advance the go-to-market and sales activities necessary to support limited online sales over the coming quarters, followed by an expected larger scale commercial launch in key regional markets.

Root

With the acquisition of Root Robotics in April 2019, we also offer a robot designed to help children learn how to code. The addition of the Root Robotics team helps broaden the impact of our STEM efforts and reinforces our commitment to making robotic technology more accessible to educators, students and parents. The Root coding robot, priced at \$199, is designed to make coding easy and natural to learn. Using the engaging Root Coding App, kids of any age can learn coding fundamentals while they play, explore, and create.

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. In 2019, we began a Smart Home Partner Program that enables select third parties to partner closely with iRobot in using certain data available in iRobot's Home Knowledge Cloud to deliver enhanced product features and customer value. 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. Additionally, we are advancing technology alliances with other smart home device companies that will enable our respective products to be integrated more tightly and thereby work together more seamlessly.

Sales and Distribution Channels

We sell our consumer products through distributor and retail sales channels, as well as our on-line store. For the fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017, sales to non-U.S. customers accounted for 50.3%, 48.7%, and 48.8% of total revenue, respectively. For the fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017, the Company generated 21.3%, 17.3% and 13.5% of total revenue from one of its retailers (Amazon), respectively.

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

Our retail and distributor networks are our primary distribution channels for our products. We have established valuable databases and customer lists that allow us to target directly those consumers most likely to purchase a new robot or upgrade. With Wi-Fi connectivity implemented across Roomba 675 and higher models, iRobot can more directly provide customer support via the iRobot HOME App. In addition, connectivity enables us to provide direct marketing material and push new features/fixes to robots in the field. We believe that we maintain a close connection with our customers in each of our markets, which provides an enhanced position from which to improve our distribution and product offerings.

Customer Service and Support

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

Marketing and Brand

We market our consumer robots to end-user customers through our extensive network of retail partners with the support of our sales and marketing teams as well as in collaborations with in-country distributors. In addition, we sell directly to consumers through iRobot's e-commerce channels around the world. For consumers seeking information about our products, the iRobot website showcases our brand, allows consumers to learn more about our 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 and interest in iRobot's product portfolio, most notably Roomba robot vacuums and Braava robot mops as well as, to a lesser extent, Terra robot lawn mowers. Our sales and marketing expenses represented 19.1%, 19.3% and 18.3% of our total revenue in 2019, 2018 and 2017, respectively. We expect to continue to invest in national advertising, consumer and industry trade shows, direct marketing and public relations to drive consumer demand and further build brand awareness. With over nine million connected robots in the field, we continue to explore marketing opportunities that enable us to leverage this large, global and growing installed base of consumers.

Marketing highlights in 2019 included supporting the launches of the Roomba s9/s9+ and Braava jet m6 in most major markets worldwide, the international introduction of the Roomba i7/i7+ and Terra t7 beta trials in Germany and the United States. In addition, we continued to execute critical marketing, public relations and consumer service efforts that complement our traditional demand generation activities in ways that sought to 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.

In April 2017, we acquired SODC, launching new iRobot offices in Japan. In October 2017, we acquired our largest European distributor, Robopolis, launching new iRobot offices in seven countries, including Austria, Belgium, France, Germany, Netherlands, Portugal and Spain. These acquisitions enabled us to assume greater control and consistency in our approach to all market activities including sales, marketing, branding, channel relationships and customer service. As a result, since completing these acquisitions, we have continued to successfully grow our international revenue and broaden our relationships with on-line and regional retailers in key markets outside of the United States.

Manufacturing

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

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

We outsource the manufacturing of our consumer products to four contract manufacturers with plants in Southern China. In late 2019, we added additional manufacturing capacity in Malaysia with one of our existing contract manufacturers and we anticipate that a second contract manufacturer will be qualified for production in Malaysia in 2020. We expect that manufacturing volumes in Malaysia will ramp up in 2020, including potential production of an additional Roomba model. We believe that manufacturing our products in Malaysia will help mitigate our exposure to current and prospective tariffs on products imported from China. We believe that we have taken steps to diversify our manufacturing so that overall volumes are relatively well balanced across our four contract manufacturers and a substantial majority of volume is dual sourced. Our production processes give us the capacity to produce up to 25,000 robots a day, helping us to meet demand for peak seasons.

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

Research and Development

We believe that our future success depends upon our ability to continue to develop new products and product accessories, and enhancements to and applications for our existing products. For the years ended December 28, 2019, December 29, 2018 and December 30, 2017, our research and development expenses were \$141.6 million, \$140.6 million and \$113.1 million, or 11.7%, 12.9% and 12.8% of revenue, respectively. We intend to continue our investment in research and development to respond to and anticipate customer needs, and to enable us to introduce new products over the next few years that will continue to address our existing and adjacent market sectors.

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

Competition

The market for robots is highly competitive, rapidly evolving and subject to changing technologies, shifting customer needs and expectations and the likely increased introduction of new products. A number of established companies have developed 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 to dedicated robot vacuum and robot mop products, certain robot cleaning products offered by competitors combine the functionality of robot vacuums and mops into a single product.

While we believe many of our customers purchase our Roomba floor vacuuming robots and Braava mopping robots as a supplement to, rather than a replacement for, their traditional vacuum cleaners and wet floor cleaning methods, we do compete in some cases with providers of traditional cleaning products. We expect that the primary competition for our Terra robot mower will be providers of traditional human-operated lawn mowers and lawn care services.

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, customer support, brand and reputation.

Our ability to remain competitive will depend to a great extent upon our ongoing performance in the areas of product development and customer support, particularly as it relates to delivering exceptional value to customers. 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. The Company currently holds a significant number of patents and has filed numerous additional patent applications. As of December 28, 2019, we held 501 U.S. patents, more than 1,000 foreign patents, additional design registrations, and have more than 1,500 patent applications pending worldwide. While our U.S. patents will begin to expire in 2022, no single intellectual property right is solely responsible for protecting our products. We will continue to file and prosecute patent (or design registration, as applicable) applications when and where appropriate to attempt to protect our rights in our proprietary technologies. We also encourage our employees to continue to invent and develop new technologies so as to maintain our competitiveness in the marketplace. It is possible that our current patents, or patents which we may later acquire, may be successfully challenged or invalidated in whole or in part. It is also possible that we may not obtain issued patents for our pending patent applications or other inventions we seek to protect. In that regard, we sometimes permit certain intellectual property to lapse or go abandoned under appropriate circumstances. It is also possible that we may not develop proprietary products or technologies in the future that are patentable, or that any patent issued to us may not provide us with any competitive advantages, or that the patents of others will harm or altogether preclude our ability to do business.

Our registered U.S. trademarks include iRobot and its stylized logo, Roomba, Clean Base, NorthStar, Create, iAdapt, Aware, Home Base, Looj, Braava, Braava jet, AeroForce, Better Together, Mirra, Root, Terra, vSLAM and Virtual Wall. Our marks iRobot, Roomba, Braava, Braava jet, Root, 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 5 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.

Previously, in 2017, we initiated a multi-party litigation at the U.S. International Trade Commission ("ITC") as well as in federal district court in Massachusetts based on claims of patent infringement. In November 2018, the ITC issued a Notice of Final Determination confirming that U.S. Patent No. 9,038,233 is valid and infringed, and that the infringing products for bObsweep, Inc., bObsweep USA, Hoover, and Shenzhen Silver Star Intelligent Technology Co., Ltd. should be barred from importation into the United States. Prior to the issuance of the Final Determination, iRobot entered into confidential settlements with Shenzhen Zhiyi Technology Co. Ltd. d/b/a iLife, Micro-Star International, Black & Decker, and Matsutec.

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 increased demand around the December holiday season. In 2019, 2018 and 2017, our second-half consumer product revenue represented 59.0%, 59.4% and 60.2% of our annual consumer product revenue, respectively. We have also experienced higher selling and marketing expenses in the second half of the year compared to the first half of the year due to increase marketing campaigns to support seasonal holiday demand. In 2019, 2018 and 2017, our selling and marketing expense in the second half of the year represented 58.9%, 63.3% and 61.3% 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, such as Terra, 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.

Employees

As of December 28, 2019, we had 1,128 full-time employees. Approximately 31% of our employees are based outside of the United States. None of our employees in the United States are represented by a labor union. In certain foreign subsidiaries, labor unions or workers' councils represent some of our employees. We believe that we have a good relationship with our employees.

Prior Line of Business

In 2016, we sold our defense and security business and exited the remote presence business, as part of a strategic initiative to capitalize on the substantial opportunities available to us within consumer robot markets.

Available Information

We were incorporated in California in August 1990 under the name IS Robotics, Inc. and reincorporated as IS Robotics Corporation in Massachusetts in June 1994. We reincorporated in Delaware as iRobot Corporation in December 2000. We conduct operations and maintain a number of subsidiaries in the United States and abroad, including operations in Austria, Belgium, China, France, Germany, Hong Kong, Japan, Netherlands, Portugal, Spain, and the United Kingdom. We also maintain iRobot Securities Corporation, a Massachusetts securities corporation, to invest our cash balances on a short-term basis. Our website address is www.irobot.com. 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. Alternatively, these reports may be accessed at the SEC's website at www.sec.gov.

ITEM 1A. RISK FACTORS

We operate in a rapidly changing environment that involves a number of risks, some of which are beyond our control. This discussion highlights some of the risks which may affect future operating results. These are the risks and uncertainties we believe are most important for you to consider. Additional risks and uncertainties not presently known to us, which we currently deem immaterial or which are similar to those faced by other companies in our industry or business in general, may also impair our business operations. If any of the following risks or uncertainties actually occurs, our business, financial condition and operating results would likely suffer.

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

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

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

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

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

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

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

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

A number of companies have developed or are developing robots that will compete directly with our product offerings. Many current and potential competitors 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 may further drive down the average selling price in the marketplace for floor cleaning products. Moreover, while we believe many of our customers purchase our floor vacuuming robots as a supplement to, rather than a replacement for, their traditional vacuum cleaners, we also compete with providers of traditional vacuum cleaners.

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

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

Some of our competitors 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.

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 or to develop new products 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.

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

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

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

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

We depend on 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, where we expect to ramp up production in 2020. 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.

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

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

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

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

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

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

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

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

We 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 Roomba products, as well as additional products in development, collect, store, process, and use certain customer data, which subjects us to governmental regulation and other legal obligations related to privacy, information security, and data protection, and any security breaches or our actual or perceived failure to comply with such legal obligations could harm our business. We collect, store, process, and use personal information and other user data, and we rely on third parties that are not directly under our control to do so as well. If our security measures, some of which are managed by third parties, are breached or fail, unauthorized persons may be able to obtain access to or acquire sensitive user data, which may expose us to a risk of loss, litigation, or regulatory proceedings. Depending on the nature of the information compromised, in the event of a data breach or other unauthorized access to or acquisition of our user data, we may also have obligations to notify users about the incident, and we may need to provide some form of remedy, such as a subscription to a credit monitoring service, for the individuals affected by the incident. In addition, the regulatory environment surrounding information security and privacy is increasingly demanding, with frequent imposition of new and changing requirements. For example, the European Union's ("EU") General Data Protection Regulation ("GDPR"), which became effective in May 2018, and the California Consumer Privacy Act, which became effective in January 2020, 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 it is expected that China will do so as well. If China or another country in which we have customers were to adopt a data localization law, we could be required to expand our data storage facilities there or build new ones in order to comply. The expenditure this would require, as well as costs of compliance generally, could harm our financial condition.

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

As part of our business strategy, we have recently acquired, and we intend to continue to consider additional acquisitions of, companies, technologies and products that we believe could accelerate our ability to compete in our core markets or allow us to enter new markets. For example, in April 2017, we acquired the iRobot-related distribution business of Sales On Demand Corporation ("SODC"), a privately-held corporation based in Tokyo, Japan, and in October 2017, we acquired Robopolis SAS ("Robopolis"), a privately-held corporation distributing iRobot products from offices in seven European countries. In April 2019, iRobot acquired Root Robotics, Inc. ("Root Robotics"), a privately-held corporation designing and selling an educational robot platform for STEM education.

Acquisitions and combinations are accompanied by a number of risks, including the difficulty of integrating the operations and personnel of the acquired companies, the potential disruption of our ongoing business, the potential distraction of

management, potential difficulty in managing and maintaining key customer relationships, expenses related to the acquisition and potential unknown liabilities associated with acquired businesses. Any inability to integrate completed acquisitions or combinations in an efficient and timely manner could have an adverse impact on our results of operations. In addition, we may not be able to recognize any expected synergies or benefits in connection with our acquisitions of SODC, Robopolis, Root Robotics or any future acquisitions or combinations. If we are not successful in completing acquisitions or combinations that we may pursue in the future, we may incur substantial expenses and devote significant management time and resources without a successful result. In addition, future acquisitions could require use of substantial portions of our available cash, or result in dilutive issuances of securities or an increase in our levels of debt.

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

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

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

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

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

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 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.

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

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

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.

Significant developments from the recent and potential changes 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. 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. 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. The increased tariffs are a contributing cause for lowering our margin on products sold, and we expect a reduced margin going forward due to continuing tariffs. It remains unclear what the U.S. or foreign governments will or will not do with respect to tariffs, international trade agreements and policies on a short-term or long-term basis. We cannot predict future trade policy or the terms of any renegotiated trade agreements and their impacts on our business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to 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, the Company has begun relocating a meaningful portion of its 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 December 28, 2019, December 29, 2018 and December 30, 2017 generated approximately 50.3%, 48.7% and 48.8%, respectively, of our total revenue from sales to customers outside of the United States, we are subject to a number of additional risks including foreign currency fluctuations. These risks are magnified with our expanding global presence as a result of our acquisitions of SODC and Robopolis. 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. Given the increasing number of foreign laws to which we are subject and the high level of complexity of these laws, there is a risk that some provisions may be inadvertently breached by us or by our subsidiaries, for example through fraudulent or negligent behavior of individual employees, our failure to comply with certain formal documentation requirements, or otherwise. If we incur liability for noncompliance under these laws or regulations, we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain products or services, which would negatively affect our business, financial condition, and operating results. In addition, any negative publicity directed to us as a result of lawsuits, regulatory proceedings, and legislative proposals could harm our brand or otherwise impact the growth of our business. Any costs incurred as a result of compliance efforts or other liabilities under these laws or regulations could harm our business and operating results.

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

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

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

We derive, and expect to continue to derive, a significant portion of our revenue from international sales in various European and Far East markets, and Canada, particularly following our acquisitions of SODC and Robopolis. For the fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017, sales to non-U.S. customers accounted for 50.3%, 48.7% and 48.8% 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 ultimate effects of Brexit will depend, in part, on any agreements the United Kingdom makes to retain access to the EU markets, and vice versa, either during a transitional period or more permanently. Brexit also may result in significant changes in the British regulatory environment, which could increase our compliance costs. We may find it more difficult to conduct business in the United Kingdom and the EU, as Brexit may 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, in December 2019, a strain of coronavirus was reported to have surfaced in Wuhan, China, which may disrupt our supply chain and manufacturers, resulting in a disruption in manufacturing our products as further discussed above; see "*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.*" Further, the emergence of the coronavirus has resulted in travel bans and restrictions, and suspension of travel within China and between China and other countries, which may disrupt our new product development if our employees cannot

safely travel to China for prototype builds or production start. At this point, the extent to which the coronavirus may impact our results is uncertain.

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.

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. 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.

We are subject to a variety of securities laws and regulations; any shareholder litigation concerning our compliance with such laws could be costly and time consuming and, if disposed unfavorably to us, could materially affect our financial condition or results of operations.

A purported class action complaint was filed on October 24, 2019 in the U.S. District Court for the Southern District of New York, alleging that we and certain of our directors and officers violated Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 thereunder by making false and misleading statements and omissions concerning our acquisitions of Sales on Demand Corporation and Robopolis SAS and our subsequent financial performance. The complaint seeks, among other things, unspecified compensatory damages, including interest, in connection with our allegedly inflated stock price, attorneys' fees and costs, and unspecified equitable/injunctive relief. In addition, on December 20, 2019, January 9 and 22, 2020, and February 10, 2020, additional lawsuits were filed against us and certain of our directors and officers with similar allegations. An adverse determination in the securities class action lawsuit or other lawsuits could have a material adverse effect on us.

We believe that the allegations contained in these complaints are without merit and intend to defend the cases vigorously. Whether or not the plaintiff's claims in these lawsuits are successful, this type of litigation is often expensive and diverts management's attention and resources, and may cause harm to our public reputation, which could adversely affect the operation of our business. If we are ultimately required to pay significant defense costs, damages or settlement amounts, such payments could adversely affect our operations and financial condition.

We may also be the target of similar litigation in the future. Any future litigation could result in substantial costs and divert our management's attention and resources, which could cause serious harm to our business, operating results and financial condition. We maintain liability insurance, however, if any costs or expenses associated with this or any other litigation exceed our insurance coverage, we may be forced to bear some or all of these costs and expenses directly, which could be substantial.

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

From time to time, we are audited by various federal, state, local and foreign authorities regarding income tax matters. Significant judgment is required to determine our provision for income taxes and our liabilities for federal, state, local and foreign taxes. Although we believe our approach to determining the appropriate tax treatment is supportable and in accordance with relevant authoritative guidance it is possible that a tax authority will take a final tax position that is materially different than that which is reflected in our income tax provision. Such differences could have a material adverse effect on our income tax provision or benefit, in the reporting period in which such determination is made and, consequently, on our results of operations, financial position and/or cash flows for such period.

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

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

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

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

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

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

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

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

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

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

We spend significant amounts on advertising and other marketing campaigns, such as television, print advertising, and social media, as well as increased promotional activities, to acquire new customers, and we expect our marketing expenses to increase in the future as we continue to spend significant amounts to increase awareness of our consumer robot products. For the years ended December 28, 2019, December 29, 2018 and December 30, 2017, sales and marketing expenses were \$231.5 million, \$210.4 million and \$162.1 million, respectively, representing approximately 19.1%, 19.3%, and 18.3% 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 develops. If customers do not perceive our products to be of high quality, our brand and reputation could be harmed, which could adversely impact our financial results. In addition, brand promotion efforts may not yield significant revenue or increased revenue sufficient to offset the additional expenses incurred in building our brand. Maintaining, protecting, and enhancing our brand may require us to make substantial investments, and these investments may not be successful. If we fail to successfully maintain, promote, and position our brand and protect our reputation, or if we incur significant expenses in this effort, our business, financial condition and operating results may be adversely affected.

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.

On October 24, 2019, purported Company shareholder Miramar Firefighters' Pension Fund filed a putative class action in the U.S. District Court for the Southern District of New York against the Company and certain of its directors and officers, captioned *Miramar Firefighters' Pension Fund v. iRobot Corporation, et al.*, No. 1:19-cv-09837. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 10b-5 thereunder based on allegedly false and misleading statements and omissions concerning the Company's acquisitions of Sales on Demand Corporation and Robopolis SAS and the Company's subsequent financial performance. The complaint seeks, among other things, unspecified compensatory damages, including interest, in connection with the Company's allegedly inflated stock price, attorneys' fees and costs, and unspecified equitable/injunctive relief. This case has been transferred to the U.S. District Court for the District of Massachusetts. A similar case captioned *Campbell v. iRobot Corporation, et al.*, No. 1:19-cv-12483 was also filed in the U.S. District Court for the Southern District of New York and subsequently transferred to the U.S. District Court for the District of Massachusetts. On January 24, 2020, the Court consolidated the Miramar and Campbell cases and appointed a lead plaintiff and lead plaintiff's Counsel.

On December 20, 2019, purported Company shareholders David Katz and Thomas Wightman, derivatively on behalf of iRobot Corporation, filed a complaint in the U.S. District Court for Southern District of New York against the Company and certain of its directors and officers, captioned *David Katz and Thomas Wightman, on behalf of iRobot Corporation v. iRobot Corporation, et al.*, No. 1:19-cv-11692. The complaint alleges breaches of fiduciary duties, unjust enrichment, violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 thereunder based on allegedly false and misleading statements and omissions concerning the Company's acquisitions of Sales on Demand Corporation and Robopolis SAS and the Company's subsequent financial performance. The complaint seeks, among other things, unspecified compensatory damages, including interest, in connection with the Company's allegedly inflated stock price, attorneys' fees and costs, and unspecified equitable/injunctive relief. This case has been transferred to the U.S. District Court for the District of Massachusetts.

On January 9, 2020, purported Company shareholder Robert Truman, derivatively on behalf of iRobot Corporation, filed a complaint in the U.S. District Court for the District of Massachusetts against the Company and certain of its directors and officers, captioned *Robert Truman, on behalf of iRobot Corporation v. iRobot Corporation, et al.*, No. 1:20-cv-10034. The complaint alleges breaches of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and violations of Sections 10(b), 14(a) and 20(a) of the Exchange Act and Rule 10b-5 thereunder based on allegedly false and misleading statements and omissions concerning the Company's acquisitions of Sales on Demand Corporation and Robopolis SAS and the Company's subsequent financial performance. The complaint seeks, among other things, unspecified compensatory damages, including interest, in connection with the Company's allegedly inflated stock price, attorneys' fees and costs, and unspecified equitable/injunctive relief.

On January 22, 2020, purported Company shareholder Alexa Ruhfass, derivatively on behalf of iRobot Corporation, filed a complaint in the U.S. District Court for the District of Massachusetts against the Company and certain of its directors and officers, captioned *Alexa Ruhfass, on behalf of iRobot Corporation v. iRobot Corporation, et al.*, No. 1:20-cv-10133. The complaint alleges breaches of fiduciary duties, unjust enrichment, waste of corporate assets, and violations of Sections 14(a) and 20(a) of the Exchange Act and Rule 10b-5 thereunder based on allegedly false and misleading statements and omissions concerning the Company's acquisitions of Sales on Demand Corporation and Robopolis SAS and the Company's subsequent financial performance. The complaint seeks, among other things, unspecified compensatory damages, including interest, in connection with the Company's allegedly inflated stock price, attorneys' fees and costs, and unspecified equitable/injunctive relief.

On February 10, 2020, purported Company shareholder William Tasco, derivatively on behalf of iRobot Corporation, filed a complaint in the U.S. District Court for the District of Massachusetts against the Company and certain of its directors and officers, captioned William Tasco, derivatively on behalf of iRobot Corporation v. iRobot Corporation, et al., No. 1:20-cv-10253. The complaint alleges breaches of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and violations of Sections 10(b), 14(a) and 20(a) of the Exchange Act and Rule 10b-5 thereunder based on allegedly false and misleading statements and omissions concerning the Company's acquisitions of Sales on Demand Corporation and Robopolis SAS and the Company's subsequent financial performance. The complaint seeks, among other things, unspecified compensatory damages, including interest, in connection with the Company's allegedly inflated stock price, attorneys' fees and costs, and unspecified equitable/injunctive relief.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not Applicable.

PART II

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

Our common stock is listed on The Nasdaq Global Select Market under the symbol "IRBT." As of January 31, 2020, there were approximately 28,352,390 shares of our common stock outstanding held by approximately 166 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. SELECTED FINANCIAL DATA

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

	Year Ended				
	December 28, 2019	December 29, 2018	December 30, 2017	December 31, 2016	January 2, 2016
(In thousands, except earnings per share amounts)					
Consolidated Statements of Income:					
Total revenue	\$ 1,214,010	\$ 1,092,584	\$ 883,911	\$ 660,604	\$ 616,778
Gross profit	543,927	555,428	433,159	319,315	288,926
Operating income	86,618	105,822	72,690	57,557	60,618
Income tax expense	13,533	20,630	25,402	19,422	18,841
Net income	85,300	87,992	50,964	41,939	44,130
Net Income Per Share:					
Basic	\$ 3.04	\$ 3.18	\$ 1.85	\$ 1.51	\$ 1.49
Diluted	\$ 2.97	\$ 3.07	\$ 1.77	\$ 1.48	\$ 1.47
Shares Used In Per Share Calculations:					
Basic	28,097	27,692	27,611	27,698	29,550
Diluted	28,735	28,640	28,753	28,292	30,107
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 239,392	\$ 130,373	\$ 128,635	\$ 214,523	\$ 179,915
Short term investments	17,032	31,605	37,225	39,930	33,124
Total assets	920,753	766,961	691,522	507,912	521,743
Total liabilities	268,684	231,639	221,195	118,956	104,332
Total stockholders' equity	652,069	535,322	470,327	388,956	417,411

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, our consumer robots, our competition, our strategy, our market position, market acceptance of our products, seasonal factors, the impact of our acquisitions of SODC and Robopolis, revenue recognition, our profits, growth of our revenues, composition of our revenues, our cost of revenues, units shipped, average selling prices, 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, and liquidity, constitute forward-looking statements and are made under these safe harbor provisions. Some of the forward-looking statements can be identified by the use of forward-looking terms such as "believes," "expects," "may," "will," "should," "could," "seek," "intends," "plans," "estimates," "anticipates," or other comparable terms. Forward-looking statements involve inherent risks and uncertainties, which could cause actual results to differ materially from those in the forward-looking statements. We urge you to consider the risks and uncertainties discussed in greater detail under the heading "Risk Factors" in evaluating our forward-looking statements. We have no plans to update our forward-looking statements to reflect events or circumstances after the date of this report. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made.

Overview

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

Since our founding in 1990, we have developed expertise in the disciplines necessary to design, build, sell and support durable, high-performance and cost-effective robots through the close integration of software, electronics and hardware. Our core technologies serve as reusable building blocks that we adapt and expand to create next-generation robotic platforms. We believe that this approach accelerates the time to market, while also reducing the costs and risks associated with product development. Our significant expertise in consumer needs, robot design, engineering, and smart home technologies and trends positions us to capitalize on the growth we expect in the market for robot-based consumer products. Since the introduction of the Roomba robotic vacuum cleaner ("RVC") in 2002, we have sold more than 30 million consumer robots worldwide to become a global, market-leading consumer robotics innovator with a strong presence in major geographic regions worldwide.

During 2017, we expanded our global operations with the acquisition of two of our major distributors in Japan and Europe. In April 2017, we acquired the iRobot-related distribution business of Sales On Demand Corporation ("SODC"), based in Tokyo, Japan for approximately \$16.6 million in cash. In October 2017, we acquired our largest European distributor, Robopolis SAS ("Robopolis"), a French company, for a final purchase price of \$169.4 million in cash, net of acquired cash of \$38.0 million. These acquisitions provided us more direct control of 75% of our global revenue through a direct presence in countries such as Austria, Belgium, France, Germany, Japan, the Netherlands, Portugal and Spain. Following the completion of the SODC and Robopolis acquisitions, we integrated these organizations into our company, and continue to take steps to consolidate various systems that we believe will further streamline and automate key processes.

In 2019, iRobot sold more than \$1.2 billion in consumer robots while navigating more challenging market conditions marked by intensified price competition in EMEA and the United States, and more moderate RVC growth in the United States due in part to the direct and indirect impacts of higher tariffs on RVCs made in and imported from China. Our commitment to innovation and funding critical research and development projects continued to yield tangible results through new product launches and new and enhanced features and functionality. In addition to launching the Roomba i7 and i7+ in major international markets during 2019, we introduced our deepest cleaning RVCs, the Roomba s9 and s9+, and the Braava jet m6, our advanced robotic mop. We also took steps to commercialize our robotic lawn mower during 2019. Other highlights in 2019 included the commencement of production at a new Roomba manufacturing facility in Malaysia, the implementation of new

pricing and promotional tactics aimed at restoring U.S. RVC growth and defending our leadership position in EMEA, and the acquisition of Root Robotics, Inc. ("Root Robotics"), which enhances our commitment to Science, Technology, Engineering and Math ("STEM") through new educational robots.

Our total revenue for 2019 was \$1,214.0 million, which represents an 11.1% increase from revenue of \$1,092.6 million for 2018. Domestic revenue grew \$42.6 million, or 7.6%, and international revenue increased by \$78.8 million, or 14.8%, primarily as a result of sales of new products that have been launched since the second half of 2018.

Fiscal Periods

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

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in the consolidated financial statements. These estimates and judgments, include but are not limited to, revenue recognition including performance obligations, variable consideration and other obligations such as product returns and incentives; warranty costs; valuation of goodwill and acquired intangible assets; valuation of financial instruments; accounting for business combinations; evaluating loss contingencies; accounting for stock-based compensation including performance-based assessments; and accounting for income taxes and related valuation allowances. We base these estimates and judgments on historical experience, market participant fair value considerations, projected future cash flows and various other factors that we believe are reasonable under the circumstances. Actual results may differ from our estimates.

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

Revenue Recognition

We primarily derive our revenue from product sales. We sell products directly to consumers through on-line stores and indirectly through resellers and distributors. Revenue is recognized upon transfer of control of promised products or services to customers, generally as title and risk of loss pass, in an amount that reflects the consideration we expect to receive in exchange for those products or services. Revenue is recognized only to the extent that it is probable that a significant reversal of revenue will not occur. Taxes collected from customers, which are subsequently remitted to governmental authorities, are excluded from revenue. Shipping and handling expenses are considered fulfillment activities and are expensed as incurred.

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

Prior to the adoption of ASU No. 2014-09, "Revenue from Contracts with Customers," ("ASC 606") on December 31, 2017, the beginning of fiscal year 2018, the revenue allocated to the Cloud Services was deferred and recognized on a straight-line basis over the expected life of the robot. On December 31, 2017, we adopted ASC 606 using the modified retrospective method applied to those contracts that were not completed as of the adoption date. Upon the adoption of ASC 606, we concluded that, on a quantitative and qualitative basis, the Cloud Services did not constitute a material performance obligation for the then existing products and, as such, these services were not considered a separate performance obligation that required allocation of transaction price. Under the modified retrospective method, we recognized the cumulative effect of the adoption and recorded a net increase of \$1.0 million to the beginning retained earnings as of December 31, 2017.

During the third quarter of 2018, we launched Roomba i7 and i7+ which brought a new level of intelligence and automation to robotic vacuum cleaners with the ability to learn, map and adapt to a home's floor plan. We have concluded that beginning with this launch, the Cloud Services related to these new products are a material performance obligation. For contracts that contain multiple performance obligations, the transaction price is allocated to each performance obligation based on a relative standalone selling price ("SSP"). The SSP reflects our best estimate of what the selling prices of elements would be if they were sold regularly on a standalone basis. Revenue allocated to the robots is recognized at a point in time when

control is transferred. Revenue allocated to the Cloud Services is deferred and recognized on a straight-line basis over the estimated period the software upgrades and services are expected to be provided.

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

We provide limited rights of returns for direct-to-consumer sales generated through our on-line stores as well as certain resellers and distributors. In addition, we may provide other credits or incentives, including price protection, which are accounted for as variable consideration when estimating the amount of revenue to recognize. Where appropriate, these estimates take into consideration relevant factors such as our historical experience, current contractual requirements, specific known market events and trends and forecasted inventory level in the channels. Overall, these reserves reflect our best estimates, and the actual amounts of consideration ultimately received may differ from our estimates. Returns and credits are estimated at contract inception and updated at the end of each reporting period as additional information becomes available. As of December 28, 2019, we had reserves for product returns of \$55.2 million and other credits and incentives of \$134.0 million. As of December 29, 2018, we had reserves for product returns of \$53.9 million and other credits and incentives of \$97.7 million.

Business Combinations

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

Inventory

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

Warranty

We typically provide a one-year or two-year warranty against defects in materials and workmanship and will either repair the goods, provide replacement products or refund amounts to the customer for defective product. We record estimated warranty costs based on historical experience, at the time revenue is recognized. Actual results could differ from these estimates, which could cause increases or decreases to the warranty reserves in future periods.

Goodwill and Other Long-Lived Assets

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

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

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

market prices and assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

The impairment assessment of goodwill and other long-lived assets involves significant estimates and assumptions, which may be unpredictable and inherently uncertain. These estimates and assumptions include identification of reporting units and asset groups, long-term growth rates, profitability, estimated useful lives, comparable market multiples, and discount rates. Any changes in these assumptions could impact the result of the impairment assessment. There was no impairment of goodwill or other long-lived assets during fiscal 2019, 2018 and 2017.

Stock-Based Compensation

We account for stock-based compensation through recognition of the fair value of the stock-based compensation as a charge against earnings. The fair value of employee stock options is estimated at the grant date using the Black-Scholes option-pricing model. The fair value for time-based restricted stock units and performance-based restricted stock units is based on the closing share price of our common stock on the date of grant. For performance-based restricted stock units, the compensation cost is recognized based on the number of units expected to vest upon the achievement of the performance conditions. We recognize stock-based compensation as an expense on a straight-line basis, over the requisite service period. We account for forfeitures as they occur, rather than applying an estimated forfeiture rate.

Accounting for Income Taxes

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis using enacted tax rates in effect in the years in which those temporary differences are expected to be recovered or settled in each jurisdiction. A valuation allowance is provided if, based upon the weight of available evidence, it is more likely than not that the related benefits will not be realized. We regularly review the deferred tax assets for recoverability considering historical profitability, projected future taxable income, future reversals of existing taxable temporary differences, as well as feasible tax planning strategies in each jurisdiction. As of December 28, 2019, December 29, 2018 and December 30, 2017, we had a valuation allowance of \$3.8 million, \$1.1 million and \$0.8 million, respectively, for certain deferred tax assets for which we believe do not meet the "more likely than not" criteria for recognition.

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

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). Effective for our 2018 tax year, the Act reduces the statutory federal corporate tax rate from 35% to 21% and implements certain additional provisions including the Global Intangible Low-Taxed Income inclusion and the Foreign-Derived Intangible Income deduction. Upon the enactment of the Act in December 2017, we recorded a one-time provisional income tax provision of \$11.9 million in the fourth quarter of 2017, which included a provisional amount of \$8.9 million related to the remeasurement of certain deferred tax assets and liabilities based on the tax rates at which they are expected to reverse in the future and \$3.0 million related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings. On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. In accordance with SAB 118, during the fourth quarter of 2018, we finalized our analysis of the income tax effects of the Act and determined no material adjustments to the provisional amounts recorded were required.

Overview of Results of Operations

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

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Revenue	\$ 1,214,010	\$ 1,092,584	\$ 883,911
Cost of revenue:			
Cost of product revenue	658,362	518,612	438,114
Amortization of acquired intangible assets	11,721	18,544	12,638
Total cost of revenue	670,083	537,156	450,752
Gross profit	543,927	555,428	433,159
Operating expenses:			
Research and development	141,607	140,629	113,149
Selling and marketing	231,548	210,411	162,110
General and administrative	83,103	97,501	84,771
Amortization of acquired intangible assets	1,051	1,065	439
Total operating expenses	457,309	449,606	360,469
Operating income	86,618	105,822	72,690
Other income, net	12,215	2,800	3,676
Income before income taxes	98,833	108,622	76,366
Income tax expense	13,533	20,630	25,402
Net income	\$ 85,300	\$ 87,992	\$ 50,964

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

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Revenue	100.0%	100.0%	100.0%
Cost of revenue:			
Cost of product revenue	54.2	47.5	49.6
Amortization of acquired intangible assets	1.0	1.7	1.4
Total cost of revenue	55.2	49.2	51.0
Gross margin	44.8	50.8	49.0
Operating expenses:			
Research and development	11.7	12.9	12.8
Selling and marketing	19.1	19.3	18.3
General and administrative	6.8	8.9	9.6
Amortization of acquired intangible assets	0.1	0.1	0.1
Total operating expenses	37.7	41.2	40.8
Operating income	7.1	9.6	8.2
Other income, net	1.0	0.3	0.5
Income before income taxes	8.1	9.9	8.7
Income tax expense	1.1	1.9	2.9
Net income	7.0%	8.0%	5.8%

Comparison of Years Ended December 28, 2019, December 29, 2018 and December 30, 2017

Revenue

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

The following table shows revenue for fiscal years 2019, 2018 and 2017 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2019 vs. 2018	\$ Change 2018 vs. 2017
	December 28, 2019	December 29, 2018	December 30, 2017		
Revenue	\$ 1,214,010	\$ 1,092,584	\$ 883,911	\$ 121,426	\$ 208,673

Year ended December 28, 2019 as compared to the year ended December 29, 2018

Revenue increased 11.1% to \$1,214.0 million in fiscal 2019 from \$1,092.6 million in fiscal 2018. The \$121.4 million increase in revenue was driven by an increase in average selling price of 5.4%. The increase in average selling price was primarily driven by the launch of our new products during the second half of fiscal 2018 and throughout 2019. Total robots shipped in fiscal 2019 increased 10.0% to approximately 5.0 million units compared to approximately 4.5 million units in fiscal 2018. In fiscal 2019, domestic revenue increased \$42.6 million, or 7.6%, and international revenue increased \$78.8 million, or 14.8%, compared to fiscal 2018. The international revenue growth was driven primarily by increases in revenue from Japan and revenue from EMEA of 21% and 15%, respectively, compared to fiscal 2018.

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

Revenue increased 23.6% to \$1,092.6 million in fiscal 2018 from \$883.9 million in fiscal 2017. The \$208.7 million increase in revenue was driven by a 21.6% increase in units shipped, primarily related to growth of sales of our Roomba 900 and 600 series robots, and a 6.5% increase in average selling price, partially due to the acquisition of Robopolis. Total robots shipped in fiscal 2018 were approximately 4.5 million units compared to approximately 3.7 million units in fiscal 2017. In fiscal 2018, domestic revenue increased \$108.4 million, or 24.0%, and international revenue increased \$100.2 million, or 23.2%, compared to fiscal 2017.

Cost of Product Revenue

Cost of product revenue includes the cost of materials, labor and overhead costs that go into the manufacture of our products. Overhead primarily includes costs such as freight, import duties, depreciation, warranty, tools and quality assurance costs. Material costs, which are our most significant cost items, can fluctuate materially on a periodic basis, although many components have been historically stable. There can be no assurance that our costs of materials will not increase. Contract manufacturer labor costs also comprise a significant portion of our cost of materials. We outsource the manufacture of our robots to contract manufacturers in Southern China and added manufacturing capacity in Malaysia during November 2019. 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. 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 2019, 2018 and 2017 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2019 vs. 2018	\$ Change 2018 vs. 2017
	December 28, 2019	December 29, 2018	December 30, 2017		
Cost of product revenue	\$ 658,362	\$ 518,612	\$ 438,114	\$ 139,750	\$ 80,498
As a percentage of revenue	54.2%	47.5%	49.6%		

Year ended December 28, 2019 as compared to the year ended December 29, 2018

Cost of product revenue increased \$139.8 million, or 26.9%, to \$658.4 million in fiscal 2019, compared to \$518.6 million in fiscal 2018. The increase is primarily due to the 11.1% increase in revenue and higher tariffs on our Roomba products imported into the United States from China. Effective September 24, 2018, tariffs on our Roomba products were set at 10%, and effective May 10, 2019, tariffs further increased to 25%.

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

Cost of product revenue increased \$80.5 million, or 18.4%, to \$518.6 million in fiscal 2018, compared to \$438.1 million in fiscal 2017. The increase is primarily due to the 23.6% increase in revenue, partially offset by improvements in product cost.

Gross Profit

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

The following table shows gross profit for fiscal years 2019, 2018 and 2017 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2019 vs. 2018	\$ Change 2018 vs. 2017
	December 28, 2019	December 29, 2018	December 30, 2017		
Gross profit	\$ 543,927	\$ 555,428	\$ 433,159	\$ (11,501)	\$ 122,269
Gross margin	44.8%	50.8%	49.0%		

Year ended December 28, 2019 as compared to the year ended December 29, 2018

Gross profit decreased \$11.5 million, or 2.1%, to \$543.9 million (44.8% of revenue) in fiscal 2019 from \$555.4 million (50.8% of revenue) in fiscal 2018. The decrease in gross margin was primarily related to increased promotional activity and pricing reductions for certain products as well as the increased tariffs on our Roomba products imported to the United States from China. We expect the impact of pricing and promotional activity and higher tariffs on our products to continue to constrain our gross margin in 2020.

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

Gross profit increased \$122.3 million, or 28.2%, to \$555.4 million (50.8% of revenue) in fiscal 2018 from \$433.2 million (49.0% of revenue) in fiscal 2017. The increase in gross margin was primarily driven by favorable product and region mix as well as the increase in average selling price resulting from our acquisition of Robopolis.

Research and Development

Research and development expenses consist primarily of:

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

We have significantly expanded our research and development capabilities and expect to continue to expand these capabilities in the future. We are committed to consistently maintaining the level of innovative design and development of new products as we strive to enhance our ability to serve our existing consumer markets as well as new markets for robots. We anticipate that in 2020 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 2019, 2018 and 2017 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2019 vs. 2018	\$ Change 2018 vs. 2017
	December 28, 2019	December 29, 2018	December 30, 2017		
Research and development	\$ 141,607	\$ 140,629	\$ 113,149	\$ 978	\$ 27,480
As a percentage of revenue	11.7%	12.9%	12.8%		

Year ended December 28, 2019 as compared to the year ended December 29, 2018

Research and development expenses increased \$1.0 million, or 0.7%, to \$141.6 million (11.7% of revenue) in fiscal 2019 from \$140.6 million (12.9% of revenue) in fiscal 2018. This increase is primarily due to an increase in people-related costs of \$8.3 million resulting from increased headcount, partially offset by lower program-related costs of \$7.4 million and other efforts to control costs during fiscal 2019.

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

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

Selling and Marketing

Our selling and marketing expenses consist primarily of:

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

We anticipate that in 2020, selling and marketing expenses will increase in absolute dollars but remain relatively consistent as a percentage of revenue as we launch new products and digital features, evolve our go-to-market activities to drive direct-to-consumer sales and continue to build awareness of our products.

The following table shows selling and marketing costs for fiscal years 2019, 2018 and 2017 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2019 vs. 2018	\$ Change 2018 vs. 2017
	December 28, 2019	December 29, 2018	December 30, 2017		
Selling and marketing	\$ 231,548	\$ 210,411	\$ 162,110	\$ 21,137	\$ 48,301
As a percentage of revenue	19.1%	19.3%	18.3%		

Year ended December 28, 2019 as compared to the year ended December 29, 2018

Selling and marketing expenses increased by \$21.1 million, or 10.0%, to \$231.5 million (19.1% of revenue) in fiscal 2019 from \$210.4 million (19.3% of revenue) in fiscal 2018. This increase is primarily attributable to an increase in marketing investments of \$13.7 million to support our new product launches and certain promotional and advertising campaigns in all regions as well as higher people-related costs of \$6.0 million. These increases were partially offset by lower incentive compensation and efforts to control overall sales and marketing costs.

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

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

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 2019, 2018 and 2017 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2019 vs. 2018	\$ Change 2018 vs. 2017
	December 28, 2019	December 29, 2018	December 30, 2017		
General and administrative	\$ 83,103	\$ 97,501	\$ 84,771	\$ (14,398)	\$ 12,730
As a percentage of revenue	6.8%	8.9%	9.6%		

Year ended December 28, 2019 as compared to the year ended December 29, 2018

General and administrative expenses decreased by \$14.4 million, or 14.8%, to \$83.1 million (6.8% of revenue) in fiscal 2019 from \$97.5 million (8.9% of revenue) in fiscal 2018. This decrease is primarily attributable to lower short-term and long-term incentive compensation costs of \$8.2 million and a decrease in legal costs of \$4.1 million after favorable determination of a previously-disclosed intellectual property litigation suit in the fourth quarter of 2018.

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

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

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 2019, 2018 and 2017 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2019 vs. 2018	\$ Change 2018 vs. 2017
	December 28, 2019	December 29, 2018	December 30, 2017		
Cost of revenue	\$ 11,721	\$ 18,544	\$ 12,638	\$ (6,823)	\$ 5,906
Operating expense	1,051	1,065	439	(14)	626
Total amortization expense	\$ 12,772	\$ 19,609	\$ 13,077	\$ (6,837)	\$ 6,532
As a percentage of revenue	1.1%	1.8%	1.5%		

The decrease in amortization of acquired intangible assets during fiscal 2019, as compared to fiscal 2018, was primarily related to the reacquired distribution rights intangible assets which are being amortized on an accelerated basis. The increase in amortization of acquired intangible assets during fiscal 2018, as compared to fiscal 2017, was related to acquired intangible assets from our acquisitions of SODC and Robopolis in 2017.

Other Income, Net

Other income, net includes interest income, interest expense, foreign currency gains (losses) as well as gains (losses) from strategic investments. The following table shows other income, net for fiscal years 2019, 2018 and 2017 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2019 vs. 2018	\$ Change 2018 vs. 2017
	December 28, 2019	December 29, 2018	December 30, 2017		
Other income, net	\$ 12,215	\$ 2,800	\$ 3,676	\$ 9,415	\$ (876)
As a percentage of revenue	1.0%	0.3%	0.5%		

Other income, net, amounted to \$12.2 million, \$2.8 million and \$3.7 million for fiscal 2019, 2018 and 2017, respectively. During fiscal 2019, other income, net, included an \$8.4 million gain on sale of an equity investment. During fiscal 2017, other income, net, included a \$2.2 million gain on business acquisition related to our acquisition of SODC, which represents the excess of the fair value of the net assets acquired over the purchase price.

Income Tax Provision

The following table shows income tax provision for fiscal years 2019, 2018 and 2017 (dollars in thousands):

	Fiscal Year Ended			\$ Change 2019 vs. 2018	\$ Change 2018 vs. 2017
	December 28, 2019	December 29, 2018	December 30, 2017		
Income tax provision	\$ 13,533	\$ 20,630	\$ 25,402	\$ (7,097)	\$ (4,772)
As a percentage of pre-tax income	13.7%	19.0%	33.3%		

Year ended December 28, 2019 as compared to the year ended December 29, 2018

We recorded an income tax provision of \$13.5 million and \$20.6 million for fiscal 2019 and fiscal 2018, respectively. The \$13.5 million provision for fiscal 2019 resulted in an effective income tax rate of 13.7%. The \$20.6 million provision for fiscal 2018 resulted in an effective income tax rate of 19.0%.

Our effective income tax rate of 13.7% for fiscal 2019 differed from the federal statutory tax rate of 21% primarily due to the recognition of tax benefits related to stock-based compensation. The decrease in the effective income tax rate of 13.7% for fiscal 2019 as compared to 19.0% for fiscal 2018 is primarily due to a discrete tax charge associated with a restructuring of the EMEA business and impacts from the remeasurement of certain deferred tax charges in fiscal 2018.

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

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

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

Liquidity and Capital Resources

At December 28, 2019, our principal sources of liquidity were cash and cash equivalents totaling \$239.4 million, short-term investments of \$17.0 million and accounts receivable of \$146.2 million. Our working capital, which represents our total current assets less total current liabilities, was \$391.7 million as of December 28, 2019, compared to \$300.7 million as of December 29, 2018.

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. 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 December 28, 2019, December 29, 2018 and December 30, 2017, we spent \$35.3 million, \$32.4 million and \$23.4 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 provided by operating activities

Year ended December 28, 2019 as compared to the year ended December 29, 2018

Net cash provided by our operations for the fiscal year ended December 28, 2019 was \$130.1 million, of which the principal components were our net income of \$85.3 million and non-cash charges of \$48.6 million, partially offset by changes in working capital. The changes in working capital include decreases in accounts receivable of \$13.1 million and inventory of \$7.3 million, partially offset by a decrease in accounts payable and accrued liabilities of \$20.9 million.

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

Net cash provided by our operations for the fiscal year ended December 29, 2018 was \$71.7 million, of which the principal components were our net income of \$88.0 million and non-cash charges of \$53.4 million, partially offset by changes in working capital. The changes in working capital include an increase in inventory of \$58.5 million and accounts receivable of \$23.9 million, partially offset by an \$18.9 million increase in accounts payable and accrued liabilities primarily due to growth in our inventory.

Cash used in investing activities

Year ended December 28, 2019 as compared to the year ended December 29, 2018

Net cash used in investing activities for the fiscal year ended December 28, 2019 was \$20.9 million. During the year ended December 28, 2019, we invested \$35.3 million in the purchase of property and equipment, including machinery and tooling for new products as well as expansion to a new manufacturing facility in Malaysia. In addition, we made strategic investments of \$5.4 million and paid \$2.8 million for a business acquisition. This was partially offset by proceeds of \$12.9 million we received from the sales and maturities of marketable securities and \$9.8 million upon the sale of an equity investment.

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

Net cash used in investing activities for the fiscal year ended December 29, 2018 was \$26.4 million. During the year ended December 29, 2018, we invested \$32.4 million in the purchase of property and equipment, including machinery and tooling for new products. We also purchased \$6.4 million of marketable securities and made strategic investments of \$4.2 million. This was partially offset by proceeds of \$14.0 million we received from the sales and maturities of marketable securities and proceeds from equity investments of \$0.9 million.

Cash provided by (used in) financing activities

Year ended December 28, 2019 as compared to the year ended December 29, 2018

Net cash used in financing activities for the fiscal year ended December 28, 2019 was \$0.1 million. During the year ended December 28, 2019, we received \$7.1 million from employee stock plans and paid \$7.3 million upon vesting of restricted stock where 59,260 shares were retained by us to cover employee tax withholdings.

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

Net cash used in investing activities for the fiscal year ended December 29, 2018 was \$43.2 million. During the year ended December 29, 2018, we completed our stock repurchase program and repurchased 798,794 shares of our common stock for an aggregate purchase price of \$50.0 million and paid \$3.5 million upon vesting of restricted stock where 50,884 shares were retained by us to cover employee tax withholdings. This was offset by proceeds of \$10.4 million from employee stock plans.

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 December 28, 2019, 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 the credit facility accrues, at our election, at either (1) LIBOR plus a margin, currently equal to 1.0%, based on our ratio of indebtedness to Adjusted EBITDA (the "Eurodollar Rate"), or (2) the lender's base rate. The lender's base rate is equal to the highest of (1) the federal funds rate plus 0.5%, (2) the lender's prime rate or (3) the Eurodollar Rate plus 1.0%. In the event that LIBOR is discontinued as expected in 2021, 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 December 28, 2019, 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 December 28, 2019, we had letters of credit outstanding of \$0.5 million under our letter of credit facility.

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 220.0 million Japanese Yen. As of December 28, 2019, 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, funds provided by operating activities and our existing revolving credit facility. 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, cash provided by operating activities, and funds available through our revolving line of credit will be sufficient to meet our working capital and capital expenditure needs over at least the next twelve months. In the event that our revenue plan does not meet our expectations, we may eliminate or curtail expenditures to mitigate the impact on our working capital. Our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our marketing and sales activities, the timing and extent of spending to support product development efforts, the timing of introductions of new products and enhancements to existing products, the acquisition of new capabilities or technologies, and the continuing market acceptance of our products and services. Moreover, to the extent that existing cash and cash equivalents, short-term investments, cash from operations, and cash from short-term borrowing are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing. As part of our business strategy, we may consider additional acquisitions of companies, technologies and products, which could also require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

Contractual Obligations

We generally do not enter into binding purchase commitments. Our principal commitments consist of obligations under our credit facility, leases for office space and minimum contractual obligations. Other obligations consist primarily of subscription services. The following table describes our commitments to settle contractual obligations in cash as of December 28, 2019 (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	\$ 8,936	\$ 15,855	\$ 13,453	\$ 34,957	\$	73,201
Minimum contractual payments	2,381	1,213	—	—		3,594
Other obligations	3,316	4,296	432	—		8,044
Total	\$ 14,633	\$ 21,364	\$ 13,885	\$ 34,957	\$	84,839

At December 28, 2019, we had outstanding purchase orders aggregating approximately \$124.4 million. The purchase orders, the majority of which are with our contract manufacturers for the purchase of inventory in the normal course of business, are for manufacturing and non-manufacturing related goods and services, and are generally cancelable without penalty. In circumstances where we determine that we have financial exposure associated with any of these commitments, we record a liability in the period in which that exposure is identified.

Off-Balance Sheet Arrangements

As of December 28, 2019, we had no off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

Recently Adopted Accounting Pronouncements

See Note 2 to the accompanying consolidated financial statements for a description of recently adopted accounting standards.

Recently Issued Accounting Pronouncements

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

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

Exchange Rate Sensitivity

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

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

We regularly monitor the forecast of non-U.S. dollar revenue and expenses and the level of non-U.S. dollar monetary asset and liability balances to determine if any actions, including possibly entering into foreign currency contracts, should be taken to minimize the impact of fluctuating exchange rates on our results of operations. Periodically, we enter into forward exchange contracts to hedge against foreign currency fluctuations. These contracts may or may not be designated as cash flow hedges for accounting purposes. We use cash flow hedges primarily to reduce the effects of foreign exchange rate changes on sales in Euros and Japanese Yen. At December 28, 2019 and December 29, 2018, we had outstanding cash flow hedges with a total notional value of \$424.6 million and \$366.7 million, respectively.

We also enter into economic hedges that are not designated as hedges from an accounting standpoint to reduce or eliminate the effects of foreign exchange rate changes typically related to short term trade receivables and payables. These contracts have maturities of ten months or less. At December 28, 2019 and December 29, 2018, we had outstanding economic hedges with a total notional value of \$58.4 million and \$56.0 million, respectively.

At December 28, 2019, 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 \$48.4 million.

Interest Rate Sensitivity

At December 28, 2019, we had unrestricted cash and cash equivalents of \$239.4 million and short term investments of \$17.0 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 intend to maintain our portfolio of cash equivalents in a variety of securities, commercial paper, money market funds, debt securities and certificates of deposit. Due to the short-term nature of these investments, we believe we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. As of December 28, 2019, 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
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
iRobot Corporation:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of iRobot Corporation and its subsidiaries (the "Company") as of December 28, 2019 and December 29, 2018, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 28, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 28, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 28, 2019 and December 29, 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 28, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 28, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

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 records an allowance for product returns based on specific terms and conditions included in the customer agreements, historical experience and management's expectation of future returns. The Company provides limited rights of returns for direct-to-consumer sales generated through its on-line stores and certain resellers and distributors. Returns and credits are estimated at contract inception and updated at the end of each reporting period as additional information becomes available. As of December 28, 2019, the Company had reserves for product returns of \$55.2 million.

The principal considerations for our determination that performing procedures relating to the allowance for product returns is a critical audit matter are there was significant judgment by management in developing the allowance for product returns, including management's expectation of future returns. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to the allowance for product returns, including 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) testing the completeness and accuracy of the underlying historical sales and returns data used by management to develop the allowance for product returns, and (iii) evaluating the reasonableness of historical returns experience by customer by product line and management's expectation of future returns.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
February 13, 2020

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

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

	December 28, 2019	December 29, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 239,392	\$ 130,373
Short term investments	17,032	31,605
Accounts receivable, net	146,161	162,166
Inventory	157,347	164,633
Other current assets	34,285	25,660
Total current assets	594,217	514,437
Property and equipment, net	75,988	57,026
Operating lease right-of-use assets	47,478	—
Deferred tax assets	41,791	36,979
Goodwill	118,732	118,896
Intangible assets, net	12,352	24,273
Other assets	30,195	15,350
Total assets	\$ 920,753	\$ 766,961
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 116,185	\$ 136,742
Accrued expenses	81,768	71,259
Deferred revenue and customer advances	4,549	5,756
Total current liabilities	202,502	213,757
Operating lease liabilities	54,928	—
Deferred tax liabilities	912	4,005
Other long-term liabilities	10,342	13,877
Total long-term liabilities	66,182	17,882
Total liabilities	268,684	231,639
Commitments and contingencies (Note 15)		
Preferred stock, 5,000 shares authorized and none outstanding	—	—
Common stock, \$0.01 par value; 100,000 shares authorized; 28,352 and 27,788 shares issued and outstanding, respectively	284	278
Additional paid-in capital	196,455	172,771
Retained earnings	452,321	367,021
Accumulated other comprehensive income (loss)	3,009	(4,748)
Total stockholders' equity	652,069	535,322
Total liabilities and stockholders' equity	\$ 920,753	\$ 766,961

See accompanying Notes to Consolidated Financial Statements

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

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Revenue	\$ 1,214,010	\$ 1,092,584	\$ 883,911
Cost of revenue:			
Cost of product revenue	658,362	518,612	438,114
Amortization of acquired intangible assets	11,721	18,544	12,638
Total cost of revenue	670,083	537,156	450,752
Gross profit	543,927	555,428	433,159
Operating expenses:			
Research and development	141,607	140,629	113,149
Selling and marketing	231,548	210,411	162,110
General and administrative	83,103	97,501	84,771
Amortization of acquired intangible assets	1,051	1,065	439
Total operating expenses	457,309	449,606	360,469
Operating income	86,618	105,822	72,690
Other income, net	12,215	2,800	3,676
Income before income taxes	98,833	108,622	76,366
Income tax expense	13,533	20,630	25,402
Net income	\$ 85,300	\$ 87,992	\$ 50,964
Net income per share:			
Basic	\$ 3.04	\$ 3.18	\$ 1.85
Diluted	\$ 2.97	\$ 3.07	\$ 1.77
Number of shares used in per share calculations:			
Basic	28,097	27,692	27,611
Diluted	28,735	28,640	28,753

See accompanying Notes to Consolidated Financial Statements

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Net income	\$ 85,300	\$ 87,992	\$ 50,964
Other comprehensive income (loss):			
Net foreign currency translation adjustments	(3,435)	(5,896)	1,994
Net unrealized gains (losses) on cash flow hedges, net of tax	12,363	(327)	490
Net gains on cash flow hedge reclassified into earnings, net of tax	(1,418)	(499)	(295)
Net unrealized gains (losses) on marketable securities, net of tax	247	(18)	(46)
Total comprehensive income	\$ 93,057	\$ 81,252	\$ 53,107

See accompanying Notes to Consolidated Financial Statements

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity
	Shares	Value				
Balance at December 31, 2016	27,238	\$ 272	\$ 161,885	\$ 226,950	\$ (151)	\$ 388,956
Issuance of common stock under employee stock plans	367	4	10,569			10,573
Conversion of deferred compensation	15	—	—			—
Vesting of restricted stock units	376	4	(4)			—
Stock-based compensation			19,751			19,751
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(51)	(1)	(2,982)			(2,983)
Other comprehensive income					2,143	2,143
Directors' deferred compensation			65			65
Cumulative effect of a change in accounting principle related to stock-based compensation			783	75		858
Net income				50,964		50,964
Balance at December 30, 2017	27,945	\$ 279	\$ 190,067	\$ 277,989	\$ 1,992	\$ 470,327
Issuance of common stock under employee stock plans	285	3	10,363			10,366
Vesting of restricted stock units	408	4	(4)			—
Stock-based compensation			25,804			25,804
Stock withheld to cover tax withholdings requirements upon restricted stock vesting	(51)	—	(3,532)			(3,532)
Other comprehensive loss					(6,740)	(6,740)
Directors' deferred compensation			65			65
Cumulative effect of a change in accounting principle related to adoption of ASC 606				1,040		1,040
Stock repurchases	(799)	(8)	(49,992)			(50,000)
Net income				87,992		87,992
Balance at December 29, 2018	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
Balance at December 28, 2019	28,352	\$ 284	\$ 196,455	\$ 452,321	\$ 3,009	\$ 652,069

See accompanying Notes to Consolidated Financial Statements

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Cash flows from operating activities:			
Net income	\$ 85,300	\$ 87,992	\$ 50,964
Adjustments to reconcile net income to net cash provided by operating activities, net of the effects of acquisitions:			
Depreciation and amortization	37,159	36,574	25,499
Gain on sale of equity investment	(8,439)	—	—
Gain on business acquisition	—	—	(2,243)
Stock-based compensation	23,744	25,804	19,751
Deferred income taxes, net	(11,118)	(10,848)	(999)
Other	7,267	1,837	864
Changes in operating assets and liabilities — (use) source			
Accounts receivable	13,064	(23,920)	(53,251)
Inventory	7,307	(58,546)	(1,470)
Other assets	(3,310)	(8,533)	(10,562)
Accounts payable	(20,536)	22,470	17,457
Accrued expenses and other liabilities	(386)	(1,145)	30,305
Net cash provided by operating activities	130,052	71,685	76,315
Cash flows from investing activities:			
Additions of property and equipment	(35,337)	(32,422)	(23,371)
Change in other assets	(5,436)	(2,363)	(1,542)
Proceeds from sale of equity investments	9,787	856	1,267
Cash paid for business acquisitions, net of cash acquired	(2,817)	—	(148,765)
Purchases of investments	—	(6,438)	(10,578)
Sales and maturities of investments	12,880	14,000	13,066
Net cash used in investing activities	(20,923)	(26,367)	(169,923)
Cash flows from financing activities:			
Proceeds from employee stock plans	7,147	10,366	10,573
Income tax withholding payment associated with restricted stock vesting	(7,277)	(3,532)	(2,983)
Stock repurchases	—	(50,000)	—
Net cash (used in) provided by financing activities	(130)	(43,166)	7,590
Effect of exchange rate changes on cash and cash equivalents	20	(414)	130
Net increase (decrease) in cash and cash equivalents	109,019	1,738	(85,888)
Cash and cash equivalents, at beginning of period	130,373	128,635	214,523
Cash and cash equivalents, at end of period	\$ 239,392	\$ 130,373	\$ 128,635
Supplemental disclosure of cash flow information			
Cash paid for income taxes	\$ 22,582	\$ 39,517	\$ 25,879

See accompanying Notes to Consolidated Financial Statements

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of the Business

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Foreign Currency Translation

The accompanying consolidated financial statements include those of iRobot and its subsidiaries, after elimination of all intercompany balances and transactions. iRobot has prepared the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In addition, certain prior year amounts have been reclassified to conform to the current year presentation.

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

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.

Use of Estimates

The preparation of these financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses. These estimates and judgments, include but are not limited to, revenue recognition, including performance obligations, variable consideration and other obligations such as product returns and incentives; warranty costs; valuation of goodwill and acquired intangible assets; valuation of financial instruments; accounting for business combinations; evaluating loss contingencies; accounting for stock-based compensation including performance-based assessments; and accounting for income taxes and related valuation allowances. The Company bases these estimates and judgments on historical experience, market participant fair value considerations, projected future cash flows and various other factors that the Company believes are reasonable under the circumstances. Actual results may differ from the Company's estimates.

Business Combinations

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

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturity of three months or less at the time of purchase to be cash and cash equivalents. The Company invests its excess cash primarily in money market funds or demand deposit accounts of major financial institutions. Accordingly, its cash and cash equivalents are subject to minimal credit and market risk. At December 28, 2019 and December 29, 2018, cash and cash equivalents totaled \$239.4 million and \$130.4 million, respectively. These cash and cash equivalents are carried at cost, which approximates fair value.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Short Term Investments

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

	December 28, 2019		December 29, 2018	
	Cost	Fair Market Value	Cost	Fair Market Value
Corporate and government bonds	\$ 17,016	\$ 17,032	\$ 30,035	\$ 29,605
Convertible note	—	—	2,000	2,000
Total short term investments	\$ 17,016	\$ 17,032	\$ 32,035	\$ 31,605

As of December 28, 2019, the Company's investments had maturity dates ranging from February 2020 to March 2021. The Company invests primarily in investment grade securities and limits the amount of investment in any single issuer.

Accounts receivable allowances

Allowance for product returns: The Company records an allowance for product returns 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.

Allowance for doubtful accounts: The Company records an allowance for doubtful accounts for the estimated amount of accounts receivable that may not be collected based on an assessment of the potential risk of loss associated with delinquent accounts. The allowance including the activity within the allowance was immaterial for fiscal years 2019, 2018 and 2017. The balance at December 28, 2019 was \$1.0 million.

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

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
<i>Allowance for product returns</i>			
Balance at beginning of period	\$ 53,920	\$ 42,693	\$ 27,673
Acquired balance	—	—	6,088
Provision	71,575	68,476	54,981
Deduction	(68,217)	(56,164)	(43,831)
Other adjustments	(2,087)	(1,085)	(2,218)
Balance at end of period	\$ 55,191	\$ 53,920	\$ 42,693
<i>Allowance for other credits and incentives</i>			
Balance at beginning of period	\$ 97,737	\$ 61,359	\$ 23,658
Acquired balance	—	—	11,932
Adjustment related to adoption of ASC 606	—	1,192	—
Provision	287,891	198,371	110,605
Deduction	(247,775)	(161,672)	(81,269)
Other adjustments	(3,807)	(1,513)	(3,567)
Balance at end of period	\$ 134,046	\$ 97,737	\$ 61,359

Inventory

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

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Warranty

The Company typically provides a one-year or two-year warranty against defects in materials and workmanship and will either repair the goods, provide replacement products or refund amounts to the customer for defective product. The Company records estimated warranty costs based on historical experience, at the time revenue is recognized. Actual results could differ from these estimates, which could cause increases or decreases to the warranty reserves in future periods.

Property and Equipment

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

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

Goodwill and Other Long-Lived Assets

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

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

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

The impairment assessment of goodwill and other long-lived assets involves significant estimates and assumptions, which may be unpredictable and inherently uncertain. These estimates and assumptions include identification of reporting units and asset groups, long-term growth rates, profitability, estimated useful lives, comparable market multiples, and discount rates. Any changes in these assumptions could impact the result of the impairment assessment. There was no impairment of goodwill or other long-lived assets during fiscal 2019, 2018 and 2017.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other Assets

The Company holds non-marketable equity securities as part of its strategic investments portfolio. The Company classifies the majority of these securities as equity securities without readily determinable fair values and measures these investments at cost, less any impairment, adjusted for observable price changes. These investments are valued using significant unobservable inputs or data in an inactive market and the valuation requires the Company's judgment due to the absence of market prices and inherent lack of liquidity. The estimated fair value is based on quantitative and qualitative factors including, but not limited to, subsequent financing activities by the investee and projected discounted cash flows. At December 28, 2019 and December 29, 2018, other assets consisted primarily of equity securities without readily determinable fair values and an equity method investment totaling \$21.0 million and \$15.1 million, respectively. On October 17, 2019, the Company disposed of one of its non-marketable equity securities, resulting in a gain of \$8.4 million which was recorded in other income, net. In January 2020, Teladoc Health, Inc. announced that it had entered into a definitive agreement to acquire InTouch Health, one of the Company's strategic investees, with an expected closing date of no later than June 30, 2020. The Company expects to record a gain in other income, net at closing.

Financial Instruments and Hedging Activities

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

Fair Value Measurements

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

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

Stock-Based Compensation

The Company accounts for stock-based compensation through recognition of the fair value of the stock-based compensation as a charge against earnings. The fair value of employee stock options is estimated at the grant date using the Black-Scholes option-pricing model. The fair value for time-based restricted stock units and performance-based restricted stock units is based on the closing share price of the Company's common stock on the date of grant. For performance-based restricted stock units, the compensation cost is recognized based on the number of units expected to vest upon the achievement of the performance conditions. The Company recognizes stock-based compensation as an expense on a straight-line basis, over the requisite service period. The Company accounts for forfeitures as they occur, rather than applying an estimated forfeiture rate.

Research and Development

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

Advertising Expense

The Company expenses advertising costs as they are incurred. During the years ended December 28, 2019, December 29, 2018 and December 30, 2017 advertising expense totaled \$125.0 million, \$114.0 million and \$91.8 million, respectively, and are recorded within the selling and marketing expenses in its consolidated statements of income.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Income Taxes

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis using enacted tax rates in effect in the years in which those temporary differences are expected to be recovered or settled in each jurisdiction. A valuation allowance is provided if, based upon the weight of available evidence, it is more likely than not that the related benefits will not be realized. The Company regularly reviews the deferred tax assets for recoverability considering historical profitability, projected future taxable income, future reversals of existing taxable temporary differences, as well as feasible tax planning strategies in each jurisdiction. As of December 28, 2019, December 29, 2018 and December 30, 2017, the Company had a valuation allowance of \$3.8 million, \$1.1 million and \$0.8 million, respectively, for certain deferred tax assets for which the Company believes do not meet the "more likely than not" criteria for recognition.

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

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). Effective for the Company's 2018 tax year, the Act reduces the statutory federal corporate tax rate from 35% to 21% and implements certain additional provisions including the Global Intangible Low-Taxed Income inclusion and the Foreign-Derived Intangible Income deduction. Upon the enactment of the Act in December 2017, the Company recorded a one-time provisional income tax provision of \$11.9 million in the fourth quarter of 2017 which included a provisional amount of \$8.9 million related to the remeasurement of certain deferred tax assets and liabilities based on the tax rates at which they are expected to reverse in the future and \$3.0 million related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings. On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. In accordance with SAB 118, during the fourth quarter of 2018, the Company finalized its analysis of the income tax effects of the Act and there were no material adjustments to the provisional amounts recorded.

Concentration of Credit Risk and Significant Customers

Financial instruments which potentially expose the Company to concentrations of credit risk consist of accounts receivable and cash and cash equivalents. Management believes its credit policies are prudent and reflect normal industry terms and business risk. At December 28, 2019 and December 29, 2018, two customers accounted for a total of 26.6% and 23.1% of the Company's accounts receivable balance, respectively. For the fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017, the Company generated 21.3%, 17.3% and 13.5%, respectively, of total revenue from one of its retailers (Amazon).

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

Net Income Per Share

Basic income per share is calculated using the Company's weighted-average outstanding common shares. Diluted income per share is calculated using the Company's weighted-average outstanding common shares including the dilutive effect of stock awards as determined under the treasury stock method. The following table presents the calculation of both basic and diluted net income per share:

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Net income	\$ 85,300	\$ 87,992	\$ 50,964
Weighted-average shares outstanding	28,097	27,692	27,611
Dilutive effect of employee stock plans	638	948	1,142
Diluted weighted-average shares outstanding	28,735	28,640	28,753
Basic income per share	\$ 3.04	\$ 3.18	\$ 1.85
Diluted income per share	\$ 2.97	\$ 3.07	\$ 1.77

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Restricted stock units and stock options representing approximately 0.2 million, 0.0 million and 0.0 million shares of common stock for the fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017, respectively, were excluded from the computation of diluted earnings per share as their effect would have been antidilutive.

Recently Adopted Accounting Standards

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-07, "Compensation - Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting (Topic 718)." The amendments in ASU No. 2018-07 expand the scope of Topic 718 to include share-based payments issued to nonemployees for goods or services. The amendments in this ASU are effective for annual periods beginning after December 15, 2018 and interim periods within those annual periods, with early adoption permitted. The Company adopted this standard effective December 30, 2018 which did not have a material impact on the Company's consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02 "Leases." This ASU and subsequently issued amendments require lessees to recognize the assets and liabilities on their balance sheet for the rights and obligations created by most leases and continue to recognize expenses on their income statements over the lease term. The standard also requires disclosures designed to give financial statement users information on the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU No. 2018-11, "Leases (Topic 842): Targeted Improvements," which provide an alternative transition method that entities can elect when adopting the new standard. Under this alternative transition method, a company is permitted to use its effective date as the date of initial application without restating comparative period financial statements. The Company adopted the standard effective December 30, 2018 using the alternative transition method which resulted in the recognition of operating lease right-of-use assets and operating lease liabilities of approximately \$52.8 million and \$67.3 million, respectively. The Company's consolidated financial statements as of and for the year ended December 28, 2019 are presented under the new standard, while the comparative fiscal years presented are not adjusted and continue to be reported in accordance with the historical accounting policy. See Note 4, "Leases," for the required disclosures related to the impact of adopting this standard and a discussion of the Company's updated policies related to lease accounting.

Recently Issued Accounting Standards

In December 2019, the FASB issued 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 intends to adopt the ASU effective January 3, 2021, and is currently evaluating the impact to the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, "Intangibles - Goodwill and Other Internal-Use Software." The new standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The amendments to this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. Implementation should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company intends to adopt the ASU using the prospective method effective December 29, 2019, and does not expect the new standard will have a material impact on its consolidated financial statements.

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

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments," which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments. This may result in the earlier recognition of allowances for losses. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. The Company intends to adopt the ASU effective December 29, 2019. The Company does not believe the new standard will have a material impact on its consolidated financial statements.

iROBOT CORPORATION

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

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

Prior to the adoption of ASU No. 2014-09, "Revenue from Contracts with Customers," ("ASC 606") on December 31, 2017, the beginning of fiscal year 2018, the revenue allocated to the Cloud Services was deferred and recognized on a straight-line basis over the expected life of the connected robot. On December 31, 2017, the Company adopted ASC 606 using the modified retrospective method applied to those contracts that were not completed as of the adoption date. Upon ASC 606, the Company concluded that, on a quantitative and qualitative basis, the Cloud Services did not constitute a material performance obligation for the then existing products and, as such, these services were not considered a separate performance obligation that required allocation of transaction price. Under the modified retrospective method, the Company recognized the cumulative effect of the adoption and recorded a net increase of \$1.0 million to the beginning retained earnings as of December 31, 2017.

During the third quarter of 2018, the Company launched Roomba i7 and i7+ which brought a new level of intelligence and automation to robotic vacuum cleaners with the ability to learn, map and adapt to a home's floor plan. The Company has concluded that beginning with this launch, the Cloud Services related to these new products are a material performance obligation. For contracts that contain multiple performance obligations, the transaction price is allocated to each performance obligation based on a relative standalone selling price ("SSP"). The SSP reflects the Company's best estimate of what the selling prices of elements would be if they were sold regularly on a standalone basis. Revenue allocated to the robots is recognized at a point in time when control is transferred. Revenue allocated to the Cloud Services is deferred and recognized on a straight-line basis over the estimated period the software upgrades and services are expected to be provided. For contracts with a duration of greater than one year, the transaction price allocated to performance obligations that are unsatisfied as of December 28, 2019 and December 29, 2018 are not material. 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."

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 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 contract inception and updated at the end of each reporting period as additional information becomes available. As of December 28, 2019, the Company has reserves for product returns of \$55.2 million and other credits and incentives of \$134.0 million. As of December 29, 2018, the Company had reserves for product returns of \$53.9 million and other credits and incentives of \$97.7 million. Revenue recognized during the years ended December 28, 2019 and December 29, 2018 related to performance obligations satisfied in a prior period was not material.

Disaggregation of Revenue

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

	December 28, 2019		December 29, 2018	
United States	\$	603,618	\$	560,995
EMEA		357,760		311,659
Other		252,632		219,930
Total revenue	\$	1,214,010	\$	1,092,584

Contract Balances

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

	December 28 2019		December 29, 2018	
Accounts receivable, net	\$	146,161	\$	162,166
Contract liabilities		6,991		5,756

The Company invoices customers based upon contractual billing schedules, and accounts receivable are recorded when the right to consideration becomes unconditional. Contract liabilities primarily relate to prepayments received from customers in advance of product shipments. The change in the opening and closing balances of the Company's contract assets and contract liabilities primarily results from the timing difference between the Company's performance and the customer's payment. During the years ended December 28, 2019 and December 29, 2018, the Company recognized \$5.8 million and \$6.7 million, respectively, of the contract liability balance as revenue upon transfer of the products to customers.

Practical Expedients and Exemptions

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

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

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

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. 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. The Company's leases typically include rental escalation clauses, renewal options and/or termination options that are factored into the determination of lease payments when appropriate. The Company does not separate lease and nonlease components of contracts and excludes all variable lease payments from the measurement of right-of-use assets and lease liabilities. The Company's variable lease

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

payments generally include usage based nonlease components. The Company's lease agreements do not contain any residual value guarantees or restrictive covenants. 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 existing leases do not provide a readily determinable implicit rate. Therefore, the Company estimates its incremental borrowing rate to discount the lease payments based on information available at December 30, 2018 (date of initial application) or the lease commencement date for new leases post adoption. At December 28, 2019, the Company's weighted average discount rate was 3.61%, while the weighted average remaining lease term was 9.21 years.

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

	December 28, 2019	
Operating lease cost	\$	8,777
Variable lease cost		4,096
Total lease cost	\$	12,873

Rental expense under operating leases for fiscal years 2018 and 2017 amounted to \$12.9 million and \$8.9 million, respectively.

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

	December 28, 2019	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	9,540
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$	53,227

Maturities of operating lease liabilities were as follows as of December 28, 2019 (in thousands):

2020	\$	8,936
2021		8,263
2022		7,592
2023		7,145
2024		6,308
Thereafter		34,957
Total minimum lease payments	\$	73,201
Less: imputed interest		11,430
Present value of future minimum lease payments	\$	61,771
Less: current portion of operating lease liabilities (Note 9)		6,843
Long-term lease liabilities	\$	54,928

Financial Statement Impact of Adopting ASC 842

The Company adopted ASC 842 effective December 30, 2018 using the alternative transition method. Under this alternative transition method, a company is permitted to use its effective date as the date of initial application without restating comparative period financial statements. The Company elected the package of practical expedients permitted under the transition guidance, which allowed the Company to carryforward its historical assessments of (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. In addition, the Company elected the practical expedient to use hindsight in determining lease term. The adoption of the new standard resulted in the recognition of right-of-use assets and lease liabilities of approximately \$52.8 million and \$67.3 million, respectively. The standard did not materially impact the Company's consolidated income or cash flows.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. Business Combinations

Acquisition of Robopolis

In October 2017, the Company closed the acquisition of its largest European distributor, Robopolis SAS, a French company ("Robopolis"). The acquisition will better enable the Company to maintain its leadership position and grow its business in several Western European countries through direct control of pre- and post-sales market activities including sales, marketing, branding, channel relationships and customer service. The purchase price was \$169.4 million in cash, net of acquired cash of \$38.0 million. The acquisition was a stock purchase. The results of operations for this acquisition have been included in the Company's operating results since the acquisition date.

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

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

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

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

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

Acquisition of Sales On Demand Corporation

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

of income. The Company believes that the gain on business acquisition was due to the transaction not being subjected to a competitive bidding process and the purchase price being determined based on the net book value of the net assets acquired.

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

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

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

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

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

Pro Forma Results (Unaudited)

The following table shows unaudited pro forma results of operations as if the Company had acquired Robopolis on January 1, 2017 (in thousands, except per share amounts):

	Fiscal Year Ended
	December 30, 2017
Revenue	\$ 901,612
Net income	51,887
Net income per share:	
Basic income per share	\$ 1.88
Diluted income per share	\$ 1.80

The Company has not furnished pro forma financial information relating to its acquisition of SODC in 2017 and an immaterial acquisition during the fiscal year 2019, because such information is not material, individually or in the aggregate, to

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

its financial results. The unaudited pro forma results of operations are not necessarily indicative of the actual results that would have occurred had the transactions taken place at the beginning of the periods indicated.

6. Inventory

Inventory consists of the following (in thousands):

	December 28, 2019	December 29, 2018
Raw materials	\$ 2,825	\$ 2,992
Finished goods	154,522	161,641
	<u>\$ 157,347</u>	<u>\$ 164,633</u>

7. Property and Equipment

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

	December 28, 2019	December 29, 2018
Computer and equipment	\$ 13,588	\$ 12,339
Furniture and fixtures	6,494	5,231
Machinery and tooling	79,213	60,281
Leasehold improvements	39,538	28,701
Business applications software	17,933	15,638
Subtotal	156,766	122,190
Less: accumulated depreciation	80,778	65,164
Property and equipment, net	<u>\$ 75,988</u>	<u>\$ 57,026</u>

As of December 28, 2019 and December 29, 2018, the net book value of capitalized internal-use software costs was \$6.8 million and \$4.7 million, respectively, which are included within business applications software.

Depreciation expense for the years ended December 28, 2019, December 29, 2018 and December 30, 2017 was \$24.4 million, \$17.0 million, and \$12.3 million, respectively, which included amortization expense of \$1.5 million, \$1.2 million and \$1.5 million, respectively, for capitalized internal-use software.

8. Goodwill and other intangible assets

The following table summarizes the activity in the carrying amount of goodwill for fiscal years 2019 and 2018 (in thousands):

Balance as of December 30, 2017	\$	121,440
Purchase accounting adjustments		830
Effect of foreign currency translation		(3,374)
Balance as of December 29, 2018		118,896
Acquisition		2,050
Effect of foreign currency translation		(2,214)
Balance as of December 28, 2019	<u>\$</u>	<u>118,732</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Intangible assets consisted of the following (in thousands):

	December 28, 2019			December 29, 2018		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Completed technology	\$ 28,100	\$ 24,605	\$ 3,495	\$ 26,900	\$ 21,607	\$ 5,293
Tradename	100	100	—	100	100	—
Customer relationships	11,095	2,302	8,793	11,291	1,365	9,926
Reacquired distribution rights	31,680	31,680	—	32,499	23,598	8,901
Non-competition agreements	256	192	64	263	110	153
Total	<u>\$ 71,231</u>	<u>\$ 58,879</u>	<u>\$ 12,352</u>	<u>\$ 71,053</u>	<u>\$ 46,780</u>	<u>\$ 24,273</u>

Amortization expense related to acquired intangible assets was \$12.8 million, \$19.6 million and \$13.1 million for the fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017, 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
2020	\$ 1,140	\$ 1,000	\$ 2,140
2021	1,140	781	1,921
2022	915	781	1,696
2023	240	781	1,021
2024	60	781	841
Thereafter	—	4,733	4,733
Total	<u>\$ 3,495</u>	<u>\$ 8,857</u>	<u>\$ 12,352</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

9. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	December 28, 2019	December 29, 2018
Accrued warranty	\$ 13,856	\$ 11,964
Accrued other compensation	13,331	10,518
Accrued bonus	12,541	21,226
Accrued sales and other indirect taxes payable	12,440	11,397
Accrued direct fulfillment costs	10,582	5,372
Current portion of operating lease liabilities	6,843	—
Accrued federal and state income taxes	3,378	1,936
Accrued other	8,797	8,846
	<u>\$ 81,768</u>	<u>\$ 71,259</u>

10. Working Capital Facility

Credit Facility

In June 2018, the Company entered into an agreement with Bank of America, N.A., increasing the amount of its unsecured revolving line of credit from \$75.0 million to \$150.0 million and extending the term of the credit facility to June 2023. As of December 28, 2019, 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 or (3) the Eurodollar Rate plus 1.0%. In the event that LIBOR is discontinued as expected in 2021, the Company expects the interest rates for the 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 to 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, the Company's stock, and consolidate or merge with other entities. In addition, the Company is required to meet certain financial covenants customary with this type of agreement, including maintaining a maximum ratio of indebtedness to Adjusted EBITDA and a minimum specified interest coverage ratio.

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 December 28, 2019, 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 December 28, 2019, the Company had letters of credit outstanding of \$0.5 million under the letter of credit facility.

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 220.0 million Japanese Yen. As of December 28, 2019, the Company had no outstanding balance under the guarantee line of credit.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. 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 thirty-seven months or less. At December 28, 2019 and December 29, 2018, the Company had outstanding cash flow hedges with a total notional value of \$424.6 million and \$366.7 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 ten months or less. At December 28, 2019 and December 29, 2018, the Company had outstanding economic hedges with a total notional value of \$58.4 million and \$56.0 million, respectively.

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

	Classification	Fair Value	
		December 28, 2019	December 29, 2018
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts	Other current assets	\$ 1,855	\$ 551
Foreign currency forward contracts	Accrued expenses	297	—
Derivatives designated as cash flow hedges:			
Foreign currency forward contracts	Other current assets	\$ 4,347	\$ 53
Foreign currency forward contracts	Other assets	9,112	172
Foreign currency forward contracts	Accrued expenses	47	335
Foreign currency forward contracts	Long-term liabilities	414	795

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

	Classification	Fiscal year ended	
		December 28, 2019	December 29, 2018
Gain (loss) recognized in income	Other income, net	\$ 89	\$ 1,568

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	
	December 28, 2019	December 29, 2018
Foreign currency forward contracts	\$ 16,483	\$ (686)

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Gain (loss) recognized in earnings on cash flow hedging instruments			
	December 28, 2019		December 29, 2018	
	Revenue	Cost of revenue	Revenue	Cost of revenue
Consolidated statements of income in which the effects of cash flow hedging instruments are recorded	\$ 1,214,010	\$ 670,083	\$ 1,092,584	\$ 537,156
Gain or (loss) on cash flow hedging relationships:				
Foreign currency forward contracts:				
Amount of gain (loss) reclassified from AOCI into earnings	\$ 1,889	\$ —	\$ 948	\$ (386)

12. 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 December 28, 2019		
	Level 1	Level 2 (1)	Level 3 (2)
	Assets:		
Corporate and government bonds, \$17,016 at cost (3)	\$ —	\$ 17,032	\$ —
Derivative instruments (Note 11)	—	15,314	—
Total assets measured at fair value	\$ —	\$ 32,346	\$ —
Liabilities:			
Derivative instruments (Note 11)	\$ —	\$ 758	\$ —
Total liabilities measured at fair value	\$ —	\$ 758	\$ —

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 December 29, 2018		
	Level 1	Level 2 (1)	Level 3 (2)
	Assets:		
Money market funds	\$ 3,730	\$ —	\$ —
Corporate and government bonds, \$30,035 at cost	—	29,605	—
Convertible note	—	—	2,000
Derivative instruments (Note 11)	—	776	—
Total assets measured at fair value	\$ 3,730	\$ 30,381	\$ 2,000
Liabilities:			
Derivative instruments (Note 11)	\$ —	\$ 1,130	\$ —
Total liabilities measured at fair value	\$ —	\$ 1,130	\$ —

(1) Level 2 fair value estimates are based on observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- (2) Level 3 fair value estimates are based on inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques, including option pricing and discounted cash flow models. Unobservable inputs used in the models are significant to the fair values of the assets and liabilities.
- (3) As of December 28, 2019, the Company's investments had maturity dates ranging from February 2020 to March 2021.

The following table provides a summary of changes in fair value of our Level 3 investment for the twelve months ended December 28, 2019 (in thousands):

Balance as of December 29, 2018	\$	2,000
Conversion of convertible note		(2,000)
Balance as of December 28, 2019	\$	—

13. Stockholders' Equity

Preferred Stock

The Company has authorized 5,000,000 shares of undesignated preferred stock with a par value of \$0.01 per share. None of the preferred shares were issued and outstanding at December 28, 2019 and December 29, 2018.

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

On February 27, 2018, the Company's board of directors approved a stock repurchase program authorizing up to \$50.0 million in share repurchases. This share repurchase program commenced on March 28, 2018 with an expiration date of December 28, 2018. As of June 30, 2018, the Company completed the repurchase program and repurchased 798,794 shares of common stock totaling \$50.0 million.

14. 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 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. 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. Eligibility for incentive stock options is limited to those individuals whose employment status would qualify them for the tax treatment associated with incentive stock options in accordance with the Internal Revenue Code. As of December 28, 2019, there were 1,293,482 shares available for future grant under the 2018 Plan. The Company recognized \$23.7 million, \$25.8 million and \$19.8 million of stock-based compensation expense during the fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017, respectively.

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

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Cost of revenue	\$ 1,486	\$ 1,407	\$ 1,082
Research and development	9,186	7,494	5,009
Selling and marketing	3,323	2,842	2,571
General and administrative	9,749	14,061	11,089
Total	\$ 23,744	\$ 25,804	\$ 19,751

Stock Options

Options granted under the Plans are exercisable in full at any time subsequent to vesting, generally vest over four years, and expire five years or ten years from the date of grant or, if earlier, 90 days from employee termination. The exercise price of stock options is typically equal to the Company's closing stock price on the date of grant.

As of December 28, 2019, the unamortized compensation costs associated with stock options was \$0.4 million with a weighted-average remaining recognition period of 0.61 years.

The following table summarizes stock option activity for fiscal years 2019, 2018 and 2017:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value(1)
Outstanding at December 31, 2016	1,088,174	\$ 32.27		
Granted	10,975	57.33		
Exercised	(367,267)	28.79		
Canceled	(18,928)	36.72		
Outstanding at December 30, 2017	712,954	\$ 34.34		
Granted	—	—		
Exercised	(239,830)	33.40		
Canceled	(10,863)	46.20		
Outstanding at December 29, 2018	462,261	\$ 34.55		
Granted	—	—		
Exercised	(127,024)	32.95		
Canceled	(12,329)	37.03		
Outstanding at December 28, 2019	322,908	\$ 35.08	2.47 years	\$5.65 million
Vested and expected to vest at December 28, 2019	322,908	\$ 35.08	2.47 years	\$5.65 million
Exercisable as of December 28, 2019	293,159	\$ 34.30	2.35 years	\$5.32 million

(1) The aggregate intrinsic value on the table above represents the difference between the Company's closing stock price on December 28, 2019 of \$50.20 and the exercise price of the underlying in-the-money option.

During fiscal years 2019, 2018, and 2017, the total intrinsic value of stock options exercised was \$8.9 million, \$14.9 million, and \$21.8 million, respectively.

Time-based Restricted Stock Units

Time-based restricted stock units entitle the holder to a specific number of shares of common stock upon vesting, typically over a four year period. As of December 28, 2019, the unamortized compensation costs associated with restricted stock units was \$49.2 million with a weighted-average remaining recognition period of 2.53 years.

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The following table summarizes the time-based restricted stock unit activity for fiscal years 2019, 2018 and 2017:

	Number of Shares Underlying Restricted Stock	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2016	935,179	\$ 35.07
Granted	396,164	72.63
Vested	(351,543)	33.73
Forfeited	(41,347)	39.52
Outstanding at December 30, 2017	938,453	\$ 51.24
Granted	307,614	81.55
Vested	(351,816)	47.30
Forfeited	(38,362)	60.62
Outstanding at December 29, 2018	855,889	\$ 63.32
Granted	407,325	79.91
Vested	(358,119)	54.89
Forfeited	(85,863)	76.85
Outstanding at December 28, 2019	819,232	\$ 73.83

The aggregate intrinsic value of outstanding time-based restricted stock units at December 28, 2019 was \$42.8 million based on the Company's closing stock price on December 28, 2019 of \$50.20, with a weighted average remaining contractual term of 1.52 years.

Performance-Based Restricted Stock Units

The Company grants performance-based restricted stock units ("PSUs") to certain of its employees. The PSUs have performance metrics based on financial performance of the Company measured at the end of a three year performance period. For the 2017 grant year, the performance metric for these awards is based on revenue, operating income and/or operating income percent, with a threshold requirement for a minimum amount of revenue growth. Starting in 2018, the Company has removed revenue as a performance metric in the PSU plan design and changed the payout metric from three-year cumulative operating income as a percentage of annual revenue to three-year cumulative operating income in dollars. The number of shares actually earned at the end of the three-year period will range from 0% to 200% of the target number of PSUs granted based on the Company's performance against the performance conditions.

The unamortized fair value as of December 28, 2019 associated with performance based restricted stock units was \$1.7 million with a weighted-average remaining recognition period of 1.04 years.

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The following table summarizes the performance-based restricted stock unit activity for fiscal years 2019, 2018 and 2017:

	Number of Shares Underlying PSU	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2016	163,911	\$ 35.03
Granted	105,650	57.33
Vested	(24,792)	43.35
Forfeited	(2,708)	39.71
Outstanding at December 30, 2017	242,061	\$ 43.97
Granted	91,538	68.41
Vested	(56,259)	34.30
Forfeited	(3,221)	45.71
Outstanding at December 29, 2018	274,119	\$ 54.10
Granted	70,827	122.20
Vested	(78,943)	33.33
Forfeited	(49,772)	78.29
Outstanding at December 28, 2019	216,231	\$ 78.42

The aggregate intrinsic value of outstanding PSUs was \$11.3 million based on the Company's closing stock price on December 28, 2019 of \$50.20 with a weighted average remaining contractual term of 1.04 years.

Employee Stock Purchase Plan

In May 2017, the Company's stockholders approved the 2017 Employee Stock Purchase Plan ("ESPP"). Eligible employees may purchase the Company's common stock through payroll deductions at a price equal to 85% of the lower of the fair market values of the stock as of the beginning or the end of six-month offering periods beginning November 15 and May 15 of each year. An employee's payroll deductions under the ESPP are limited to 15% of the employee's compensation, up to \$4,000 each period, for the purchase of common stock not to exceed 1,000 shares per offering period. As of December 28, 2019, there were 570,962 shares reserved for future issuance under the ESPP. The Company recognized \$1.1 million, \$1.0 million, and \$0.1 million of stock-based compensation expense during the fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017, respectively.

15. 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. For the following litigation matters, a liability is not probable or the amount cannot be reasonably estimated and therefore accruals have not been made.

On October 24, 2019, purported Company shareholder Miramar Firefighters' Pension Fund filed a putative class action in the U.S. District Court for the Southern District of New York against the Company and certain of its directors and officers, captioned Miramar Firefighters' Pension Fund v. iRobot Corporation, et al., No. 1:19-cv-09837. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 10b-5 thereunder based on allegedly false and misleading statements and omissions concerning the Company's acquisitions of Sales on Demand Corporation and Robopolis SAS and the Company's subsequent financial performance. The complaint seeks, among other things, unspecified compensatory damages, including interest, in connection with the Company's allegedly inflated stock price, attorneys' fees and costs, and unspecified equitable/injunctive relief. This case has been transferred to the U.S. District Court for the District of Massachusetts. A similar case captioned Campbell v. iRobot Corporation, et al., No. 1:19-cv-12483 was also filed in the U.S. District Court for the Southern District of New York and subsequently transferred to the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

U.S. District Court for the District of Massachusetts. On January 24, 2020, the Court consolidated the Miramar and Campbell cases and appointed a lead plaintiff and lead plaintiff's Counsel.

On December 20, 2019, purported Company shareholders David Katz and Thomas Wightman, derivatively on behalf of iRobot Corporation, filed a complaint in the U.S. District Court for Southern District of New York against the Company and certain of its directors and officers, captioned David Katz and Thomas Wightman, on behalf of iRobot Corporation v. iRobot Corporation, et al., No. 1:19-cv-11692. The complaint alleges breaches of fiduciary duties, unjust enrichment, violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 thereunder based on allegedly false and misleading statements and omissions concerning the Company's acquisitions of Sales on Demand Corporation and Robopolis SAS and the Company's subsequent financial performance. The complaint seeks, among other things, unspecified compensatory damages, including interest, in connection with the Company's allegedly inflated stock price, attorneys' fees and costs, and unspecified equitable/injunctive relief. This case has been transferred to the U.S. District Court for the District of Massachusetts.

On January 9, 2020, purported Company shareholder Robert Truman, derivatively on behalf of iRobot Corporation, filed a complaint in the U.S. District Court for the District of Massachusetts against the Company and certain of its directors and officers, captioned Robert Truman, on behalf of iRobot Corporation v. iRobot Corporation, et al., No. 1:20-cv-10034. The complaint alleges breaches of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and violations of Sections 10(b), 14(a) and 20(a) of the Exchange Act and Rule 10b-5 thereunder based on allegedly false and misleading statements and omissions concerning the Company's acquisitions of Sales on Demand Corporation and Robopolis SAS and the Company's subsequent financial performance. The complaint seeks, among other things, unspecified compensatory damages, including interest, in connection with the Company's allegedly inflated stock price, attorneys' fees and costs, and unspecified equitable/injunctive relief.

On January 22, 2020, purported Company shareholder Alexa Ruhfass, derivatively on behalf of iRobot Corporation, filed a complaint in the U.S. District Court for the District of Massachusetts against the Company and certain of its directors and officers, captioned Alexa Ruhfass, on behalf of iRobot Corporation v. iRobot Corporation, et al., No. 1:20-cv-10133. The complaint alleges breaches of fiduciary duties, unjust enrichment, waste of corporate assets, and violations of Sections 14(a) and 20(a) of the Exchange Act and Rule 10b-5 thereunder based on allegedly false and misleading statements and omissions concerning the Company's acquisitions of Sales on Demand Corporation and Robopolis SAS and the Company's subsequent financial performance. The complaint seeks, among other things, unspecified compensatory damages, including interest, in connection with the Company's allegedly inflated stock price, attorneys' fees and costs, and unspecified equitable/injunctive relief.

On February 10, 2020, purported Company shareholder William Tasco, derivatively on behalf of iRobot Corporation, filed a complaint in the U.S. District Court for the District of Massachusetts against the Company and certain of its directors and officers, captioned William Tasco, derivatively on behalf of iRobot Corporation v. iRobot Corporation, et al., No. 1:20-cv-10253. The complaint alleges breaches of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and violations of Sections 10(b), 14(a) and 20(a) of the Exchange Act and Rule 10b-5 thereunder based on allegedly false and misleading statements and omissions concerning the Company's acquisitions of Sales on Demand Corporation and Robopolis SAS and the Company's subsequent financial performance. The complaint seeks, among other things, unspecified compensatory damages, including interest, in connection with the Company's allegedly inflated stock price, attorneys' fees and costs, and unspecified equitable/injunctive relief.

Outstanding Purchase Orders

At December 28, 2019, we had outstanding purchase orders aggregating approximately \$124.4 million. The purchase orders, the majority of which are with our contract manufacturers for the purchase of inventory in the normal course of business, are for manufacturing and non-manufacturing related goods and services, and are generally cancelable without penalty. In circumstances where we determine that we have financial exposure associated with any of these commitments, we record a liability in the period in which that exposure is identified.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Guarantees and Indemnification Obligations

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to these agreements, the Company indemnifies and agrees to reimburse the indemnified party for losses incurred by the indemnified party, generally the Company's customers, in connection with any patent, copyright, trade secret or other proprietary right infringement claim by any third party. The term of these indemnification agreements is generally perpetual any time after execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal. Accordingly, the Company has no liabilities recorded for these agreements as of December 28, 2019 and December 29, 2018, respectively.

Warranty

The Company provides warranties on most products and has established a reserve for warranty obligations based on estimated warranty costs. The reserve is included as part of accrued expenses (Note 9) in the accompanying consolidated balance sheets.

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

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Balance at beginning of period	\$ 11,964	\$ 11,264	\$ 8,464
Liability assumed (1)	—	—	2,186
Provision	14,091	10,798	8,591
Warranty usage	(12,199)	(10,098)	(7,977)
Balance at end of period	<u>\$ 13,856</u>	<u>\$ 11,964</u>	<u>\$ 11,264</u>

(1) Warranty assumed as part of the acquisition of the iRobot-related distribution business of SODC.

16. Employee Benefits

The Company sponsors a retirement plan under Section 401(k) of the Internal Revenue Code (the "Retirement Plan"). All Company employees, with the exception of temporary, contract and international employees are eligible to participate in the Retirement Plan after satisfying age requirements prescribed by the Retirement Plan. Under the Retirement Plan, employees may make tax-deferred contributions, and the Company, at its sole discretion, and subject to the limits prescribed by the IRS, may make either a nonelective contribution on behalf of all eligible employees or a matching contribution on behalf of all plan participants.

The Company elected to make a matching contribution of approximately \$2.9 million, \$2.8 million and \$2.4 million for the plan years ended December 28, 2019, December 29, 2018 and December 30, 2017, 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.

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

17. Income Taxes

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

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Domestic	\$ 84,225	\$ 113,078	\$ 71,382
Foreign	14,608	(4,456)	4,984
Income before income taxes	<u>\$ 98,833</u>	<u>\$ 108,622</u>	<u>\$ 76,366</u>

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

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Current			
Federal	\$ 13,366	\$ 17,627	\$ 17,555
State	5,004	3,676	1,691
Foreign	6,941	10,732	7,355
Total current income tax provision	<u>\$ 25,311</u>	<u>\$ 32,035</u>	<u>\$ 26,601</u>
Deferred			
Federal	\$ (9,345)	\$ (2,475)	\$ 6,664
State	(1,783)	(1,149)	(2,470)
Foreign	(650)	(7,781)	(5,393)
Total deferred income tax provision	<u>(11,778)</u>	<u>(11,405)</u>	<u>(1,199)</u>
Total income tax provision	<u>\$ 13,533</u>	<u>\$ 20,630</u>	<u>\$ 25,402</u>

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

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The reconciliation of statutory federal income tax to actual tax expense is as follows (in thousands):

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Statutory federal income tax	\$ 20,755	\$ 22,812	\$ 26,728
State taxes (net of federal benefit)	3,999	4,312	2,089
Federal and state credits	(8,152)	(5,638)	(4,486)
Domestic production activities deduction	—	—	(1,528)
Excess tax benefits relating to stock-based compensation	(6,468)	(6,529)	(11,709)
Tax Cuts and Jobs Act of 2017	—	2,127	11,861
Foreign-derived intangible income deduction	(4,180)	(2,678)	—
EMEA business restructuring	—	2,292	—
Executive compensation	2,081	745	1,354
Tax impact of foreign earnings	1,986	1,336	(636)
Change in valuation allowance	2,678	348	800
Other	834	1,503	929
	<u>\$ 13,533</u>	<u>\$ 20,630</u>	<u>\$ 25,402</u>

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

	December 28, 2019	December 29, 2018
Deferred tax assets		
Revenue reserves	\$ 21,355	\$ 17,420
Accruals and other liabilities	8,225	7,844
Operating lease liabilities	14,117	—
Tax credits and net operating loss carryforwards	8,814	7,781
Stock-based compensation	4,981	4,975
Other	5,068	4,087
Gross deferred tax assets	62,560	42,107
Valuation allowance	(3,826)	(1,148)
Total deferred tax assets	<u>58,734</u>	<u>40,959</u>
Deferred tax liabilities		
Intangible assets	3,838	7,317
Operating lease right-of-use assets	13,249	—
Other	768	668
Total deferred tax liabilities	<u>17,855</u>	<u>7,985</u>
Net deferred tax assets	<u>\$ 40,879</u>	<u>\$ 32,974</u>

The Company intends to continue to invest all of its unremitted foreign earnings, as well as the capital in its foreign subsidiaries, indefinitely outside of the U.S. At December 28, 2019, the Company has unremitted foreign earnings and any unrecognized deferred tax liability on these unremitted earnings would be immaterial.

The Company has federal net operating loss carryforwards of \$1.8 million as of December 28, 2019. The Company had foreign net operating loss carryforwards of \$3.4 million as of December 29, 2018 that were fully utilized during tax year ended December 28, 2019. The Company has state research and development credit carryforwards of \$13.1 million and \$10.7 million as of December 28, 2019 and December 29, 2018, respectively, which expire from 2028 to 2034. 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 December 28, 2019, December 29, 2018 and December 30, 2017, the Company had a valuation allowance of \$3.8 million, \$1.1 million and \$0.8 million, respectively, for state research

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

and 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		
	December 28, 2019	December 29, 2018	December 30, 2017
Balance at beginning of period	\$ 7,119	\$ 4,590	\$ 5,146
Increase for tax positions related to the current year	770	2,891	580
Increase for tax positions related to acquisition	—	1,493	—
Increase (decrease) for tax positions related to prior years	(768)	407	(523)
Decrease for settlements with applicable taxing authorities	—	(2,262)	—
Decrease for lapses of statute of limitations	—	—	(613)
Balance at end of period	<u>\$ 7,121</u>	<u>\$ 7,119</u>	<u>\$ 4,590</u>

During the fourth quarter of 2018, the Company finalized the purchase accounting related to its acquisition of Robopolis and recorded a \$1.5 million adjustment for uncertain pre-acquisition income tax positions in various taxing jurisdictions against goodwill. In addition, the Company recorded a charge of \$2.3 million for estimated taxes associated with a restructuring of the EMEA business during fiscal 2018. The Company accrues interest and, if applicable, penalties for any uncertain tax positions as a component of income tax expense. As of December 28, 2019, December 29, 2018 and December 30, 2017 there were no material accrued interest or penalties.

The Company is subject to taxation in the United States (federal and state) and foreign jurisdictions. The statute of limitations for examinations by the Internal Revenue Service (the "IRS") and state tax authorities is closed for fiscal years prior to 2014. Federal and state carryforward attributes that were generated prior to fiscal 2014 may still be adjusted upon examination by the federal or state tax authorities if they either have been or will be used in a period for which the statute of limitations is still open. The Company is currently under examination by the IRS for the years 2014 and 2015. There are other ongoing audits in various other jurisdictions that are not material to the Company's financial statements. The Company regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for income taxes. The Company continues to monitor the progress of ongoing discussions with tax authorities and the effect, if any, of the expected expiration of the statute of limitations in various taxing jurisdictions. The Company believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income taxes in the period such resolution occurs. Although the timing of resolution, settlement, and closure of audits is not certain, it is reasonably possible that certain U.S. federal and non-U.S. tax audits may be concluded within the next 12 months, which could increase or decrease the balance of the Company's gross unrecognized tax benefits. The Company does not expect a significant change in the amount of unrecognized tax benefits within the next 12 months. If all of the Company's unrecognized tax benefits as of December 28, 2019 were to become recognizable in the future, it would record a \$7.4 million benefit, inclusive of interest, to the income tax provision.

18. Industry Segment, Geographic Information and Significant Customers

The Company operates as one operating segment. The Company's consumer robots products are offered to consumers through distributor and retail sales channels, as well as its on-line stores.

Geographic Information

For the fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017, sales to non-U.S. customers accounted for 50.3%, 48.7% and 48.8% of total revenue, respectively.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	December 28, 2019	December 29, 2018	December 30, 2017
Domestic	\$ 603,618	\$ 560,995	\$ 452,563
International	610,392	531,589	431,348
Total	\$ 1,214,010	\$ 1,092,584	\$ 883,911

Significant Customers

For the fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017, the Company generated 21.3%, 17.3% and 13.5%, respectively, of total revenue from one of its retailers (Amazon), respectively.

19. Quarterly Information (Unaudited)

The following information has been derived from unaudited consolidated financial statements that, in the opinion of management, include all recurring adjustments necessary for a fair statement of such information (in thousands, except per share amounts):

	Fiscal Quarter Ended							
	December 28, 2019	September 28, 2019	June 29, 2019	March 30, 2019	December 29, 2018	September 29, 2018	June 30, 2018	March 31, 2018
Revenue	\$ 426,778	\$ 289,399	\$ 260,172	\$ 237,661	\$ 384,665	\$ 264,534	\$ 226,317	\$ 217,068
Gross profit	169,370	136,841	118,170	119,546	186,511	135,206	117,926	115,785
Net income	20,041	35,532	7,207	22,520	25,191	31,929	10,471	20,401
Diluted earnings per share	\$ 0.70	\$ 1.24	\$ 0.25	\$ 0.78	\$ 0.88	\$ 1.12	\$ 0.37	\$ 0.71

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

As required by Rule 13a-15(b) under the Exchange Act, we have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), of the effectiveness, as of the end of the period covered by this report, of the design and operation of our "disclosure controls and procedures" as defined in Rule 13a-15(e) promulgated by the SEC under the Exchange Act. Based upon that evaluation, our CEO and our CFO concluded that our disclosure controls and procedures, as of the end of such period, were adequate and effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information was accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

Under the supervision and with the participation of management, including our principal executive and financial officers, we assessed the Company's internal control over financial reporting as of December 28, 2019, 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. Based on this assessment, management concluded that the Company maintained effective internal control over financial reporting as of December 28, 2019 based on the specified criteria.

The effectiveness of the Company's internal control over financial reporting as of December 28, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting

During the quarter ended December 28, 2019, 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, Russell Campanello, EVP, Human Resources and Corporate Communications, Timothy Saeger, EVP and Chief R&D Officer, Glen Weinstein, EVP and Chief Legal Officer, as well as Mohamad Ali, Deborah Ellinger, Andrew Miller and Michelle Stacy, each a director of the Company) have entered into trading plans (each a "Plan" and collectively, the "Plans") covering periods after the date of this Annual Report on Form 10-K in accordance with Rule 10b5-1 and our policy governing transactions in our securities. Generally, under these trading plans, the individual relinquishes control over the transactions once the trading plan is put into place. Accordingly, sales under these plans may occur at any time, including possibly before, simultaneously with, or immediately after significant events involving 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.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 28, 2019.

ITEM 11. EXECUTIVE COMPENSATION

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 28, 2019.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 28, 2019.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 28, 2019.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 28, 2019.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following are filed as part of this Annual Report on Form 10-K:

1. Financial Statements

The following consolidated financial statements are included in Item 8:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at December 28, 2019 and December 29, 2018

Consolidated Statements of Income for the Years ended December 28, 2019, December 29, 2018 and December 30, 2017

Consolidated Statements of Comprehensive Income for the Years ended December 28, 2019, December 29, 2018 and December 30, 2017

Consolidated Statements of Stockholders' Equity for the Years ended December 28, 2019, December 29, 2018 and December 30, 2017

Consolidated Statements of Cash Flows for the Years ended December 28, 2019, December 29, 2018 and December 30, 2017

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

All other schedules have been omitted since the required information is not present, or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the Notes thereto.

3. Exhibits — See item 15(b) of this report below

(b) Exhibits

The following exhibits are filed as part of and incorporated by reference into this Annual Report:

<u>Exhibit Number</u>	<u>Description</u>
<u>2.1</u>	Share Purchase Agreement, dated as of July 25, 2017, by and among the Registrant, iRobot UK Ltd., Robopolis SAS, the shareholders of Robopolis SAS named therein, and the Shareholders' Representative named therein (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on July 26, 2017 and incorporated by reference herein)
<u>3.1(1)</u>	Form of Second Amended and Restated Certificate of Incorporation of the Registrant dated November 15, 2005
<u>3.2</u>	Amended and Restated By-laws of the Registrant (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on March 9, 2016 and incorporated by reference herein)
<u>4.1(1)</u>	Specimen Stock Certificate for shares of the Registrant's Common Stock
<u>4.2*</u>	Description of the Registrant's securities registered under Section 12 of the Securities Exchange Act of 1934
<u>10.1†(1)</u>	Form of Indemnification Agreement between the Registrant and its Directors and Executive Officers
<u>10.2†</u>	Form of Executive Agreement between the Registrant and certain executive officers of the Registrant, as amended (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 2, 2010 and incorporated by reference herein)
<u>10.3†(1)</u>	Employment Agreement between the Registrant and Colin Angle, dated as of January 1, 1997
<u>10.4†</u>	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)
<u>10.5†</u>	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)
<u>10.6</u>	Lease Agreement between the Registrant and Boston Properties Limited Partnership for premises located at 4-18 Crosby Drive, Bedford, Massachusetts, dated as of February 22, 2007 (as amended to date) (filed as Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2017 and incorporated by reference herein)

<u>10.7†</u>	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)
<u>10.8†</u>	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)
<u>10.9#</u>	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)
<u>10.10</u>	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)
<u>10.11</u>	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)
<u>10.12</u>	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)
<u>10.13</u>	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)
<u>10.14#</u>	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)
<u>10.15†</u>	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)
<u>10.16†</u>	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)
<u>10.17†</u>	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)
<u>10.18†</u>	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)
<u>10.19†</u>	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)
<u>21.1*</u>	Subsidiaries of the Registrant
<u>23.1*</u>	Consent of PricewaterhouseCoopers LLP
24.1	Power of Attorney (incorporated by reference to the signature page of this report on Form 10-K)
<u>31.1*</u>	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
<u>31.2*</u>	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
<u>32.1**</u>	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.

(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 13, 2020

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Colin M. Angle and Alison Dean, jointly and severally, his or her attorney-in-fact, with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed by the following persons in the capacities indicated on February 13, 2020.

<u>Signature</u>	<u>Title(s)</u>
<u> /s/ COLIN M. ANGLE </u> Colin M. Angle	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
<u> /s/ ALISON DEAN </u> Alison Dean	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
<u> /s/ MOHAMAD ALI </u> Mohamad Ali	Director
<u> /s/ MICHAEL BELL </u> Michael Bell	Director
<u> /s/ DEBORAH G. ELLINGER </u> Deborah G. Ellinger	Director
<u> /s/ ELISHA FINNEY </u> Elisha Finney	Director
<u> /s/ 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

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Corporate Office 8

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Transfer Agent

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Louisville, KY 40233
(800) 962-4284
International +1 (781) 575-3120

Legal Counsel

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100 Northern Avenue
Boston, Massachusetts 02210
Phone: 617.570.1000

**Independent Registered
Public Accounting Firm**

PricewaterhouseCoopers LLP
101 Seaport Boulevard
Boston, Massachusetts 02110
Phone: 617.530.5000

Common Stock Information

Our common stock is traded on the Nasdaq
Global Select Market under the symbol "IRBT."

Investor Information

Andrew Kramer
VP, Investor Relations
A copy of our financial reports, stock
quotes, news releases, SEC filings, as
well as information on our products is
available in the Investor Relations section of
www.irobot.com

Board Members

Colin M. Angle
Co-founder, Chairman of the Board and Chief
Executive Officer

Mohamad Ali
Lead Independent Director

Michael Bell
Director, Compensation and Talent Committee
Chair

Deborah G. Ellinger
Director, Nominating and
Corporate Governance Committee Chair

Elisha Finney
Director

Ruey-Bin Kao
Director

Eva Manolis
Director

Andrew Miller
Director, Audit Committee Chair

Michelle V. Stacy
Director

Executive Team

Colin M. Angle
Chief Executive Officer

Alison Dean
Executive Vice President, Chief Financial Officer
and Treasurer

Julie Zeiler
Executive Vice President and Chief Financial
Officer as of May 4, 2020

Russell Campanello
Executive Vice President, Human Resources and
Corporate Communications

Glen D. Weinstein
Executive Vice President, Chief Legal Officer

Tim Saeger
Executive Vice President, Chief R&D Officer

Keith Hartsfield
Executive Vice President, Chief Product Officer

iRobot Mission

Empowering People To Do More



Corporate Headquarters

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USA

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