

# iRobot Corporation Investor Presentation August 2020



# Forward Looking Statements

- Certain statements made in this presentation that are not based on historical information are forward-looking statements which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.
- These statements are neither promises nor guarantees, but are subject to a variety of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those contemplated in these forward-looking statements.
- Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. iRobot Corporation undertakes no obligation to update or revise the information contained in this presentation, whether as a result of new information, future events or circumstances or otherwise.
- For additional disclosure regarding these and other risks faced by iRobot Corporation, see the disclosure contained in our public filings with the Securities and Exchange Commission.



# Non-GAAP Financial Metrics

## Regulation G Disclosure

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

Non-GAAP gross profit removes expenses related to the amortization of acquired intangible assets and stock-based compensation while non-GAAP gross profit margin is calculated as non-GAAP gross profit divided by revenue for the applicable period. Non-GAAP operating expenses excludes the amortization of acquired intangible assets, stock-based compensation, net merger, acquisition and divestiture (income) expense, and net IP litigation expense. Non-GAAP operating income removes the aforementioned non-GAAP operating expenses while non-GAAP operating income margin is calculated as non-GAAP operating income divided by revenue for the applicable period. Non-GAAP income tax expense reflects the tax effect of the non-GAAP adjustments, calculated using the appropriate statutory tax rate for each adjustment. Non-GAAP net income includes the aforementioned items related to non-GAAP income from operations, and also removes gain or loss on strategic investments. Non-GAAP net income (earnings) per share is calculated by dividing non-GAAP net income (earnings) by the number of diluted shares used in per share calculations for the applicable period. Definitions of each item and why they are used in calculating non-GAAP financial measures is detailed in the appendix of this presentation.

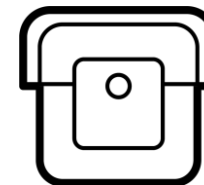
We use non-GAAP measures to internally evaluate and analyze financial results. We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items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



# Investment Highlights

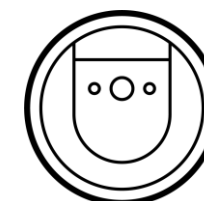
## Category creator, innovator and leader in Robotic Floor Care & AI

- Strong revenue growth with continued runway
- Consistent innovation, category leadership and portfolio expansion
- Cutting-edge robotic AI and home understanding



## Accelerating strategic initiatives aimed at

- Differentiating the cleaning experience
- Building direct relationships with ~7m connected, engaged owners
- Nurturing lifetime value of customer relationships



## Taking actions to navigate challenging market conditions

- Recalibrating spending
- Resilient consumer spending on RVCs propels us into 2H20
- Investing to strengthen direct ties to the customer
- Well-positioned to drive sustainable, profitable growth



NASDAQ:  
**IRBT**

Market Cap:  
**\$2.0B\***

Headquarters in  
**Bedford, MA,**

\* Based on stock price as of 8/10/20

# Category Creator, Innovator & Leader

**Global category leader** well positioned for future expansion

**Broadened portfolio over the past two years**  
with innovative new products

**Consistent innovation across the portfolio**  
to widen competitive moat

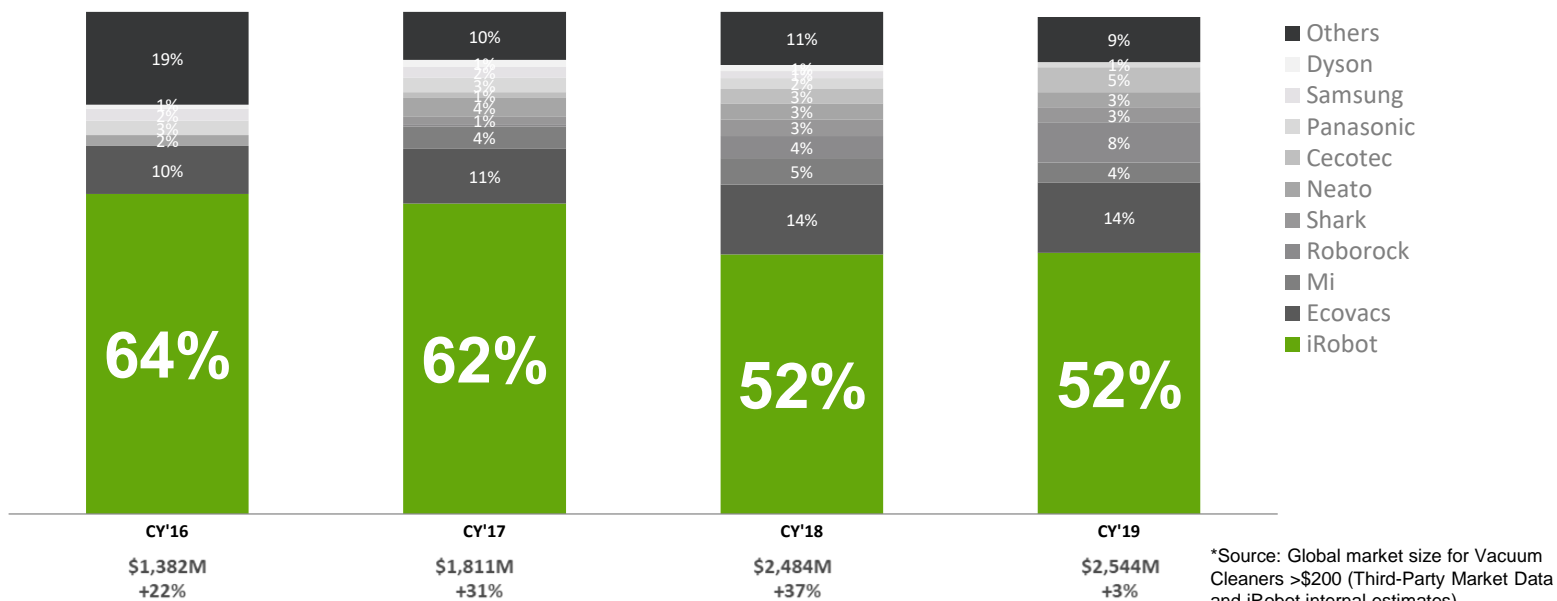
**\$1B+**  
in 2019 sales

**9M+**  
connected  
robots

**~7M**  
connected  
consumers

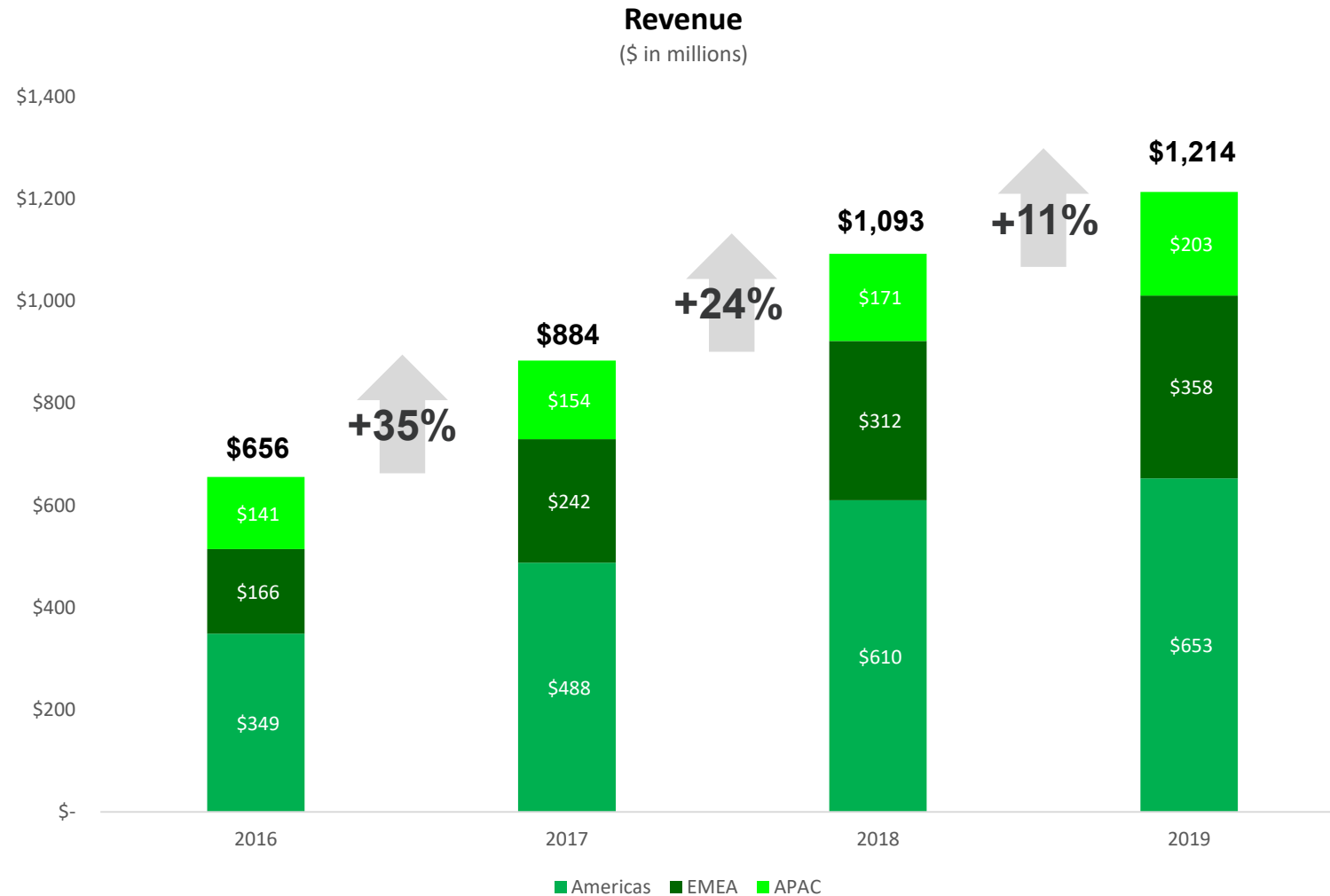
**30M+**  
units sold

Global \$ Segment Share (RVC+, +\$200)

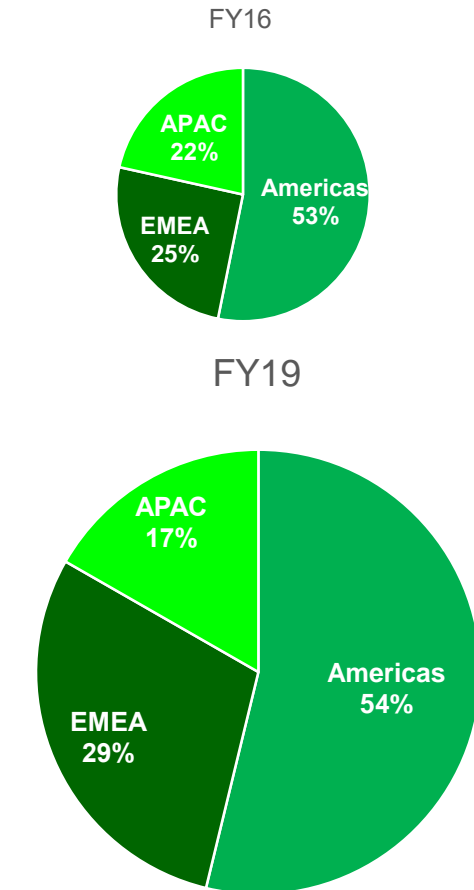


# An Expanding Global Franchise

Double-digit revenue growth since 2014



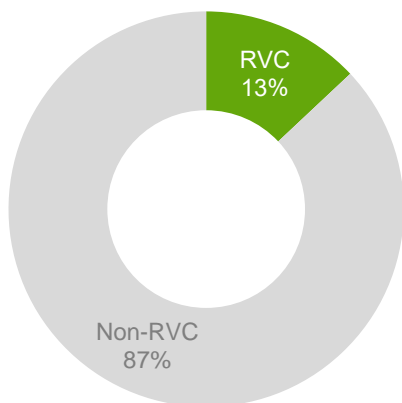
**Revenue by Geography**



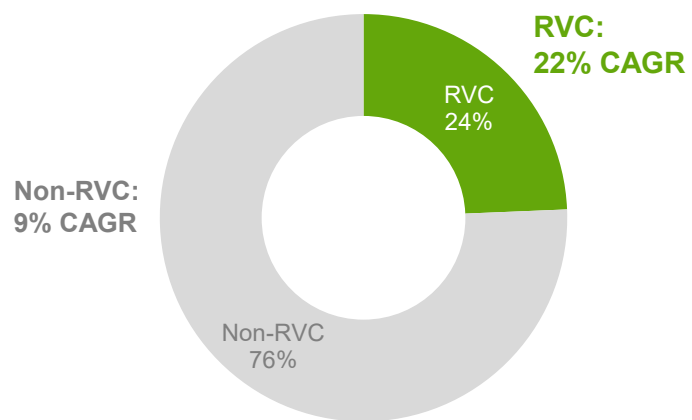
# Continued Runway to Support Expansion

RVCs Gaining Momentum with Consumers but Household Penetration Remains Low

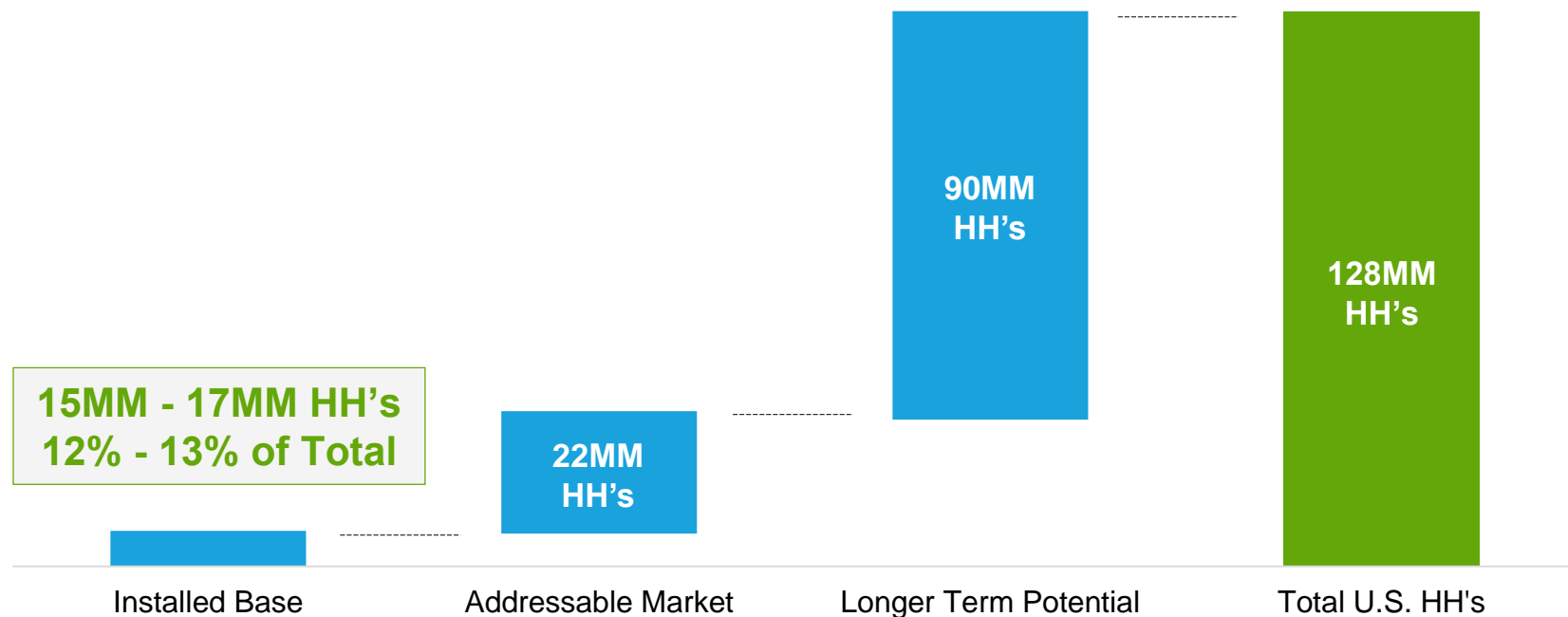
2012: ~\$5B Market



2019: \$11B Market  
11.5% CAGR



Immediate addressable market  
**~1.5X current installed base**



\*Source: Global market size for Vacuum Cleaners >\$200 (Third-Party Market Data and iRobot internal estimates).

Source: iRobot estimate at the end of 2019



# Category Leadership Fortified Through Innovation

## 2019 Regional Retail Share

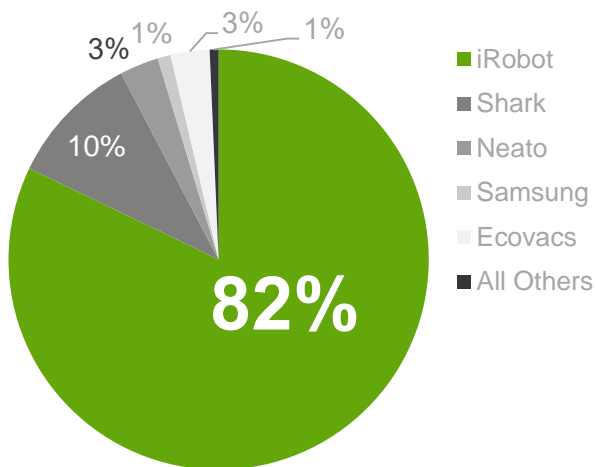


### North America

2019 Size: \$764M

Growth: -1%

IRBT position: Held share

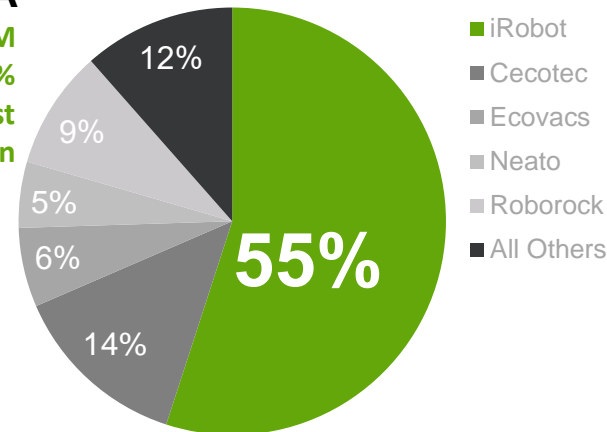


### EMEA

2019 Size: \$869M

Growth: +20%

IRBT position: Modest share erosion

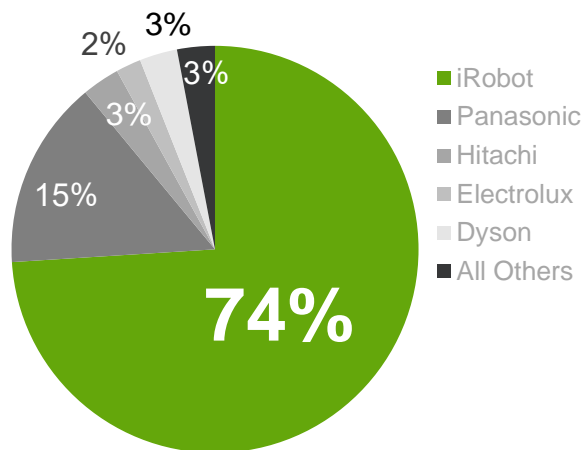


### Japan

2019 Size: \$219M

Growth: +11%

IRBT position: Meaningful Share gain

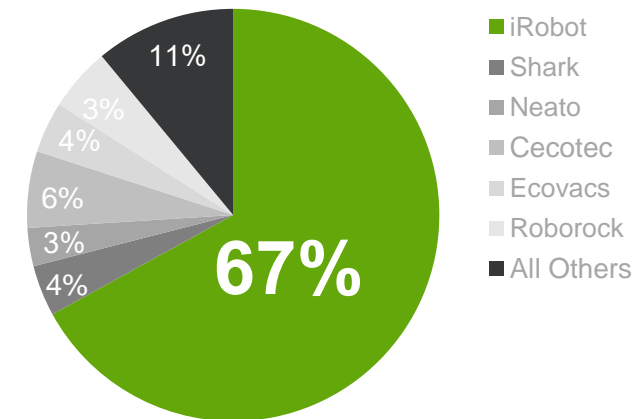


### Global (excl China)

2019 Size: \$1,936M

Growth: +9%

IRBT position: Slight share erosion



\* Source: 2019 market size for Vacuum Cleaners >\$200 (Third-Party Market Data and iRobot internal estimates). Growth from prior year reflects normalization of 52-week calendar year, updates to certain data sources and other changes.





# Robust Product Portfolio Spans Range of Price Points

BEST

## Roomba s9 / s9+



**\$899**   **\$1,099**  
with Clean Base™  
Automatic Dirt Disposal  
Imprint™ Smart Mapping  
vSLAM Advanced Navigation  
Recharge & Resume  
40x the air power\*

Introduced in May 2019

## Roomba i7 / i7+



**\$599**   **\$799**  
with Clean Base™  
Automatic Dirt Disposal  
Imprint™ Smart Mapping  
vSLAM Advanced Navigation  
Recharge & Resume  
10x the air power\*

Introduced in September 2018

## Roomba 900



**\$499**  
vSLAM Advanced Navigation  
Recharge & Resume  
Coverage maps  
5x the air power\*

## Braava jet m6



**\$499**  
vSLAM Advanced Navigation  
Imprint™ Smart Mapping  
Multi-room, large space coverage  
Home Base unit for recharging

Introduced in May 2019

BETTER

## Roomba e5



**\$375**  
3-Stage Cleaning System  
Dual Multi-Surface Rubber Brushes  
5x the air power

Introduced in September 2018

## Braava jet 380t



**\$299**  
Ideal for larger spaces  
iAdapt 2.0 Navigation  
Turbo charge cradle

GOOD

## Roomba 675



**\$299**  
3-Stage Cleaning System  
Dual Multi-Surface Rubber Brushes

## Braava jet 240



**\$199**  
Precision jet spray  
iAdapt 2.0 Navigation  
Optimized for smaller spaces

Introduce innovation  
in flagship product

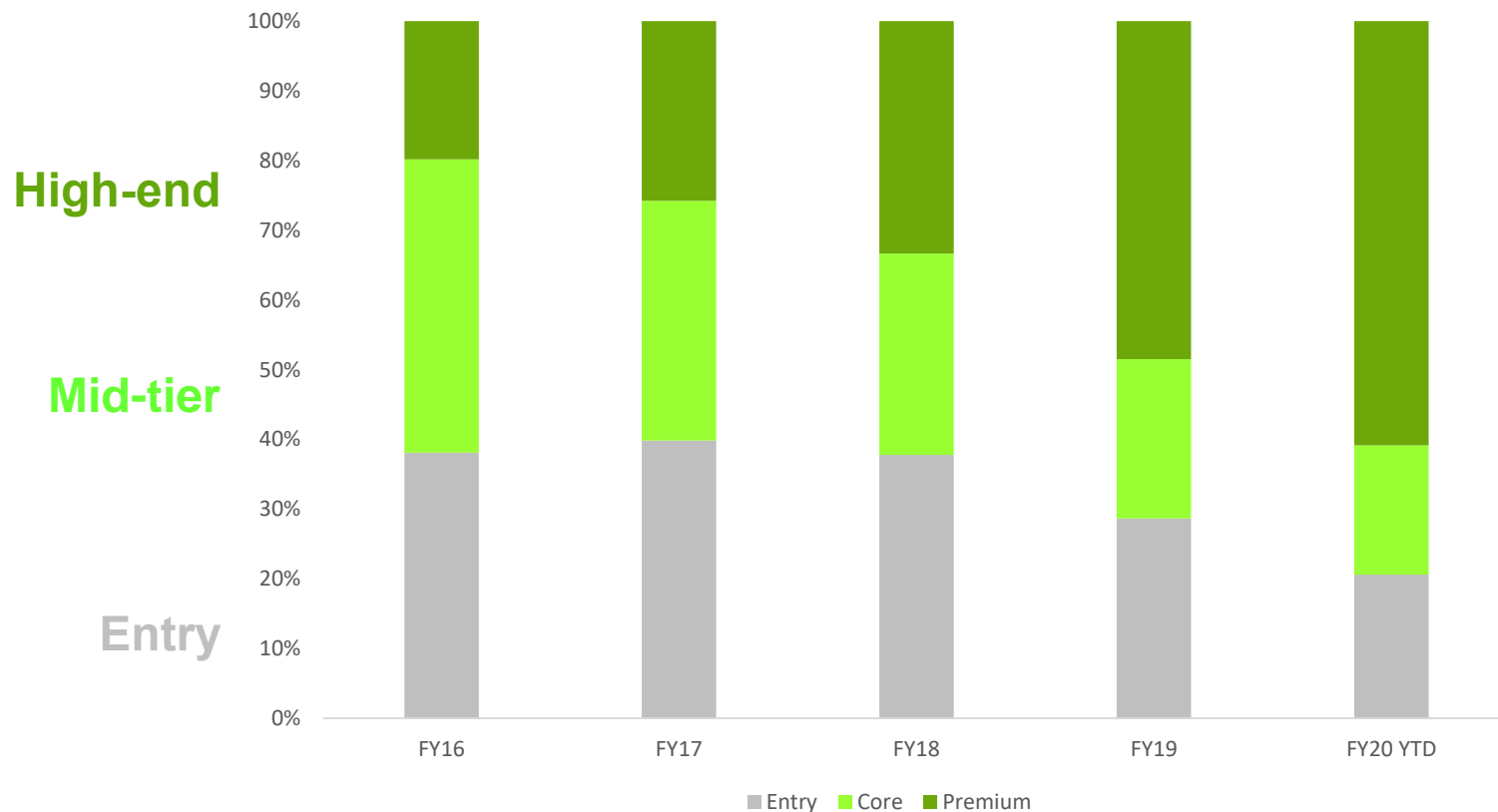
Flow innovation  
across lower price  
point products

\* Compared to Roomba 600 series



# Mix Shifts Toward Higher-End Products

Product Revenue Mix



**RVCs \$200+ (based on MSRP)**

High-end defined as \$500+

Mid-tier defined as \$300-\$500

Entry defined as \$200-\$300



s9/s9+



i7/i7+



Braava jet m6

**Roomba i7 & s9 and Braava m6 Continue to Gain Recognition as GAME-CHANGING ROBOTS**



The Best Robot Mops for 2020



The iRobot Roomba s9+ and Braava m6 are the robots you should trust to clean your house well



iRobot Roomba S9+ review



Discipline: Product



BEST OVERALL ROBOT VACUUM



Best Health Innovations For The Home 2019



50 Products That'll Dramatically Improve Your Life at Home



Best Robot Mop EVER Built!



# State-of-the-Art Robot AI and Home Understanding

Powering Differentiated Digital Features and Experiences

## Our Home Understanding captures the context of the home

- Physical layout through Smart Maps
- Home activity insights through smart home device integrations

## Our Robot AI intelligently controls the robot's actions

- Adapts to a given user's home & activities
- Combination of home understanding, advanced computer vision and machine learning

## AI innovation helps drive differentiated user experience

- Continuous improvement of our product's performance
- Unlocks expansive range of user benefits (greater control over the “when, where and how”)

## Fits seamlessly into the owner's lifestyle

- Directed Commands & Responsive Behavior:
- Customizable Settings: “clean here but not here” through Clean Zones & Keep Out Zones

# 200+

Patents related to  
**Robot AI &  
Home Understanding**

## STRONG PARTNERS



## THOUGHT LEADERSHIP



# Fortifying and Expanding Our Segment Leadership ...

1

2

3



DIFFERENTIATE  
THROUGH  
EXPERIENCE

BUILD A  
RELATIONSHIP

NURTURE  
VALUE

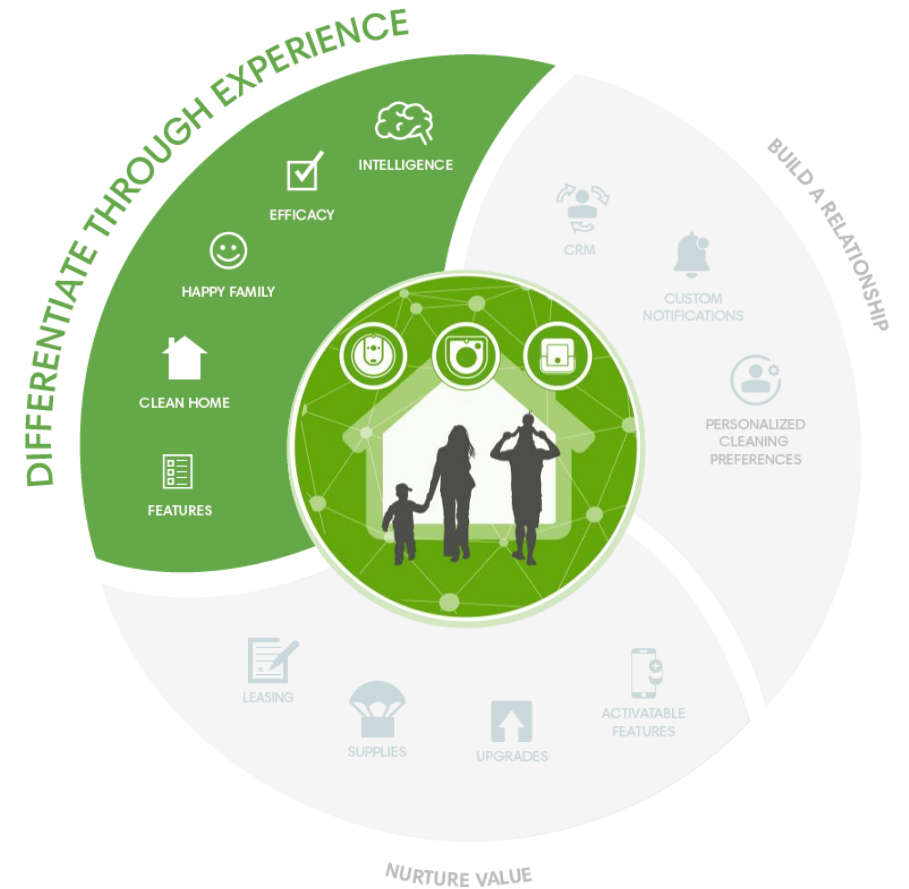
Differentiate Roomba  
through Thoughtful  
Intelligence and  
Personalized Control

~7m engaged, connected  
customers who want to  
hear from us

Cross-sell, upsell and add  
new purchasing options  
and new services that can  
build higher margin,  
recurring revenue streams

# 1

## DIFFERENTIATE THROUGH EXPERIENCE



*“A focus on elevating the cleaning experience through digital capabilities that enable users to customize how, when and where our robots clean.”*



# Software & AI are the Catalysts To Winning

**EXTENDS ACROSS  
ENTIRE PORTFOLIO**



**INTELLIGENT  
SOFTWARE**

on top of physical product



**SPEED TO MARKET**

Average product  
release cycle is

**2-3 YEARS**

Average software  
release cycle is

**3 MONTHS\***

\* Current

**DEFENDABLE**

**30M+**  
Robots  
Sold

**9M+**  
Connected  
Robots



**USER  
CENTRICITY**

**7M**  
Connected  
Customers

**1500+**  
Patents





# 2

## BUILD A RELATIONSHIP



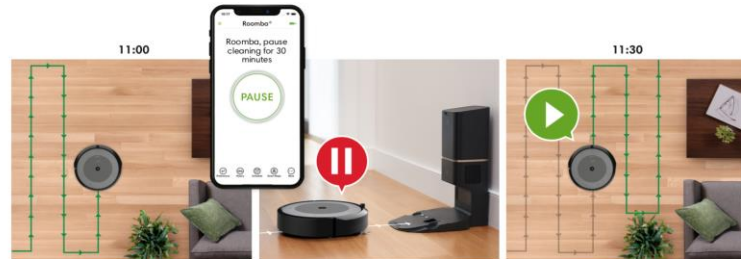
***“We can uniquely identify both our customers’ true needs, and what parts of the experience enabled by our robots they value the most.”***



# Driving Personalization of the Experience

Roomba works around your schedule and your life

Resumes and finishes the job from where it was paused.



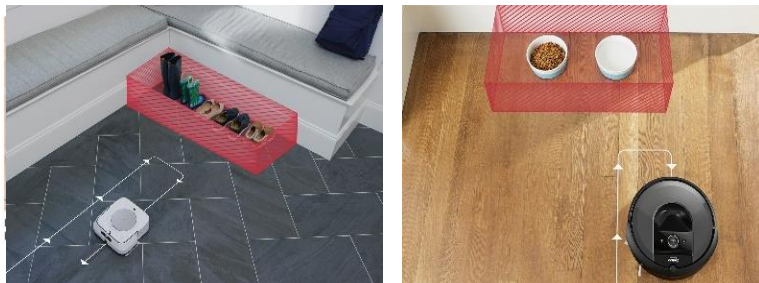
Roomba is paused at 3pm on Sunday because unexpected guests are arriving

Roomba heads back to its charging station to wait until it is told to clean again

When Roomba is told to resume cleaning later on Sunday, it heads back to exactly where it was last paused, so it can complete the job

Roomba learns your routine and makes suggestions that fit your life

Data science driving richer personalization



## Smart Home Integrations

## Unique Partnerships

You can tell Roomba to go to specific spots to clean up messes right away:

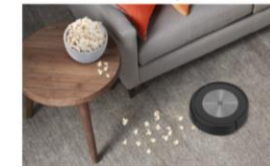
Under the Kitchen Table



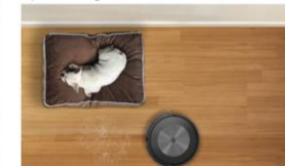
By the Fireplace



In Front of The Family Room Sofa



By the Dog's Bed



## Home Understanding

Roomba knows the layout of your house, so it can avoid certain rooms and areas at your command

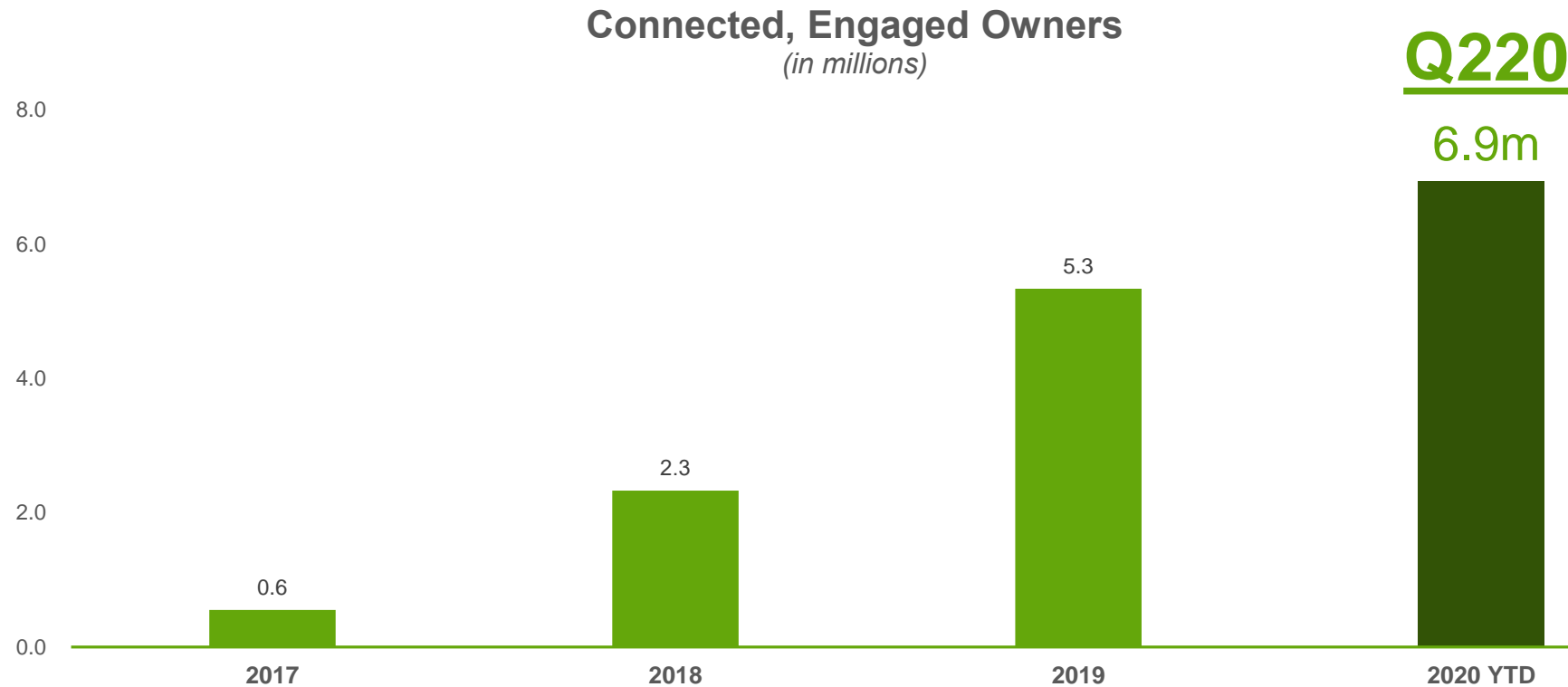


The deeper we integrate into your life, the more loyalty we earn



# Strong Growth of Engaged, Connected Customer Base\*

Continual OTA updates help drive growth of owners who opt-in to receive digital communications



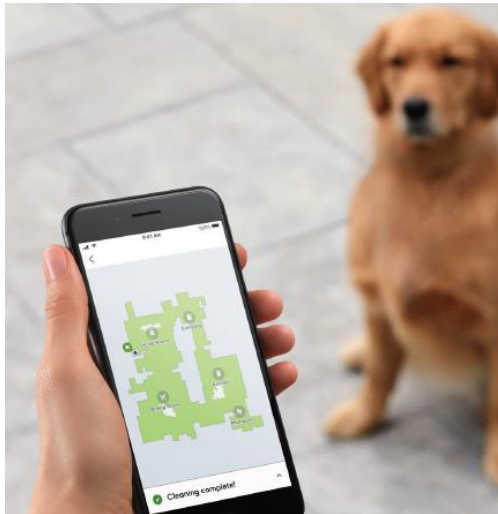
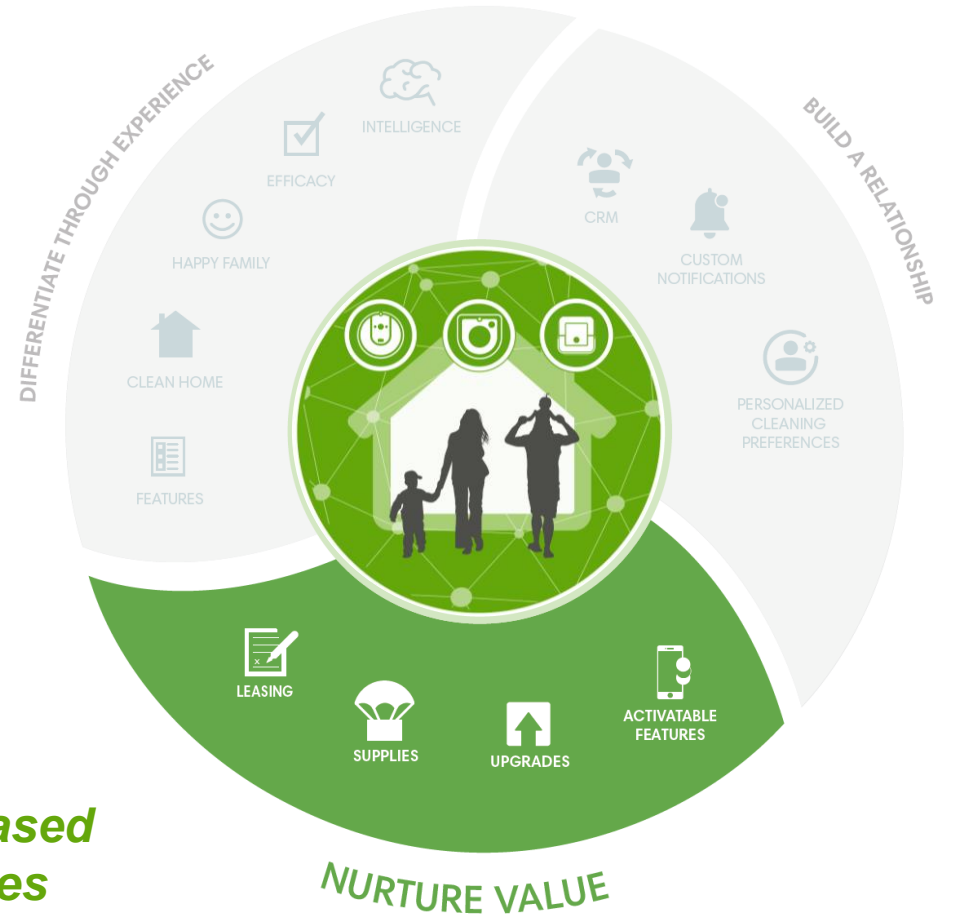
*As Roomba becomes increasingly integrated into the owner's life, it solidifies iRobot's relationship with the owner*

\* Connected customers defined as robot owners who have registered to receive digital communications (in-app messaging, email or both). Prior figures reflected robot owners who subscribed to in-app messaging.



# 3

## NURTURE VALUE



***“With increased loyalty comes increased opportunity.”***

# Well-Position to Succeed



## Build Installed Base



Experiential  
Differentiation

Home  
Map

Smart Home  
Integrations

Exclusive  
Partnerships

## Able to grow our connected installed base at scale

- Retail remains important, offering efficient customer acquisition at scale
- Compelling strategy for sustained differentiation

## Able to engage customer with our outreach

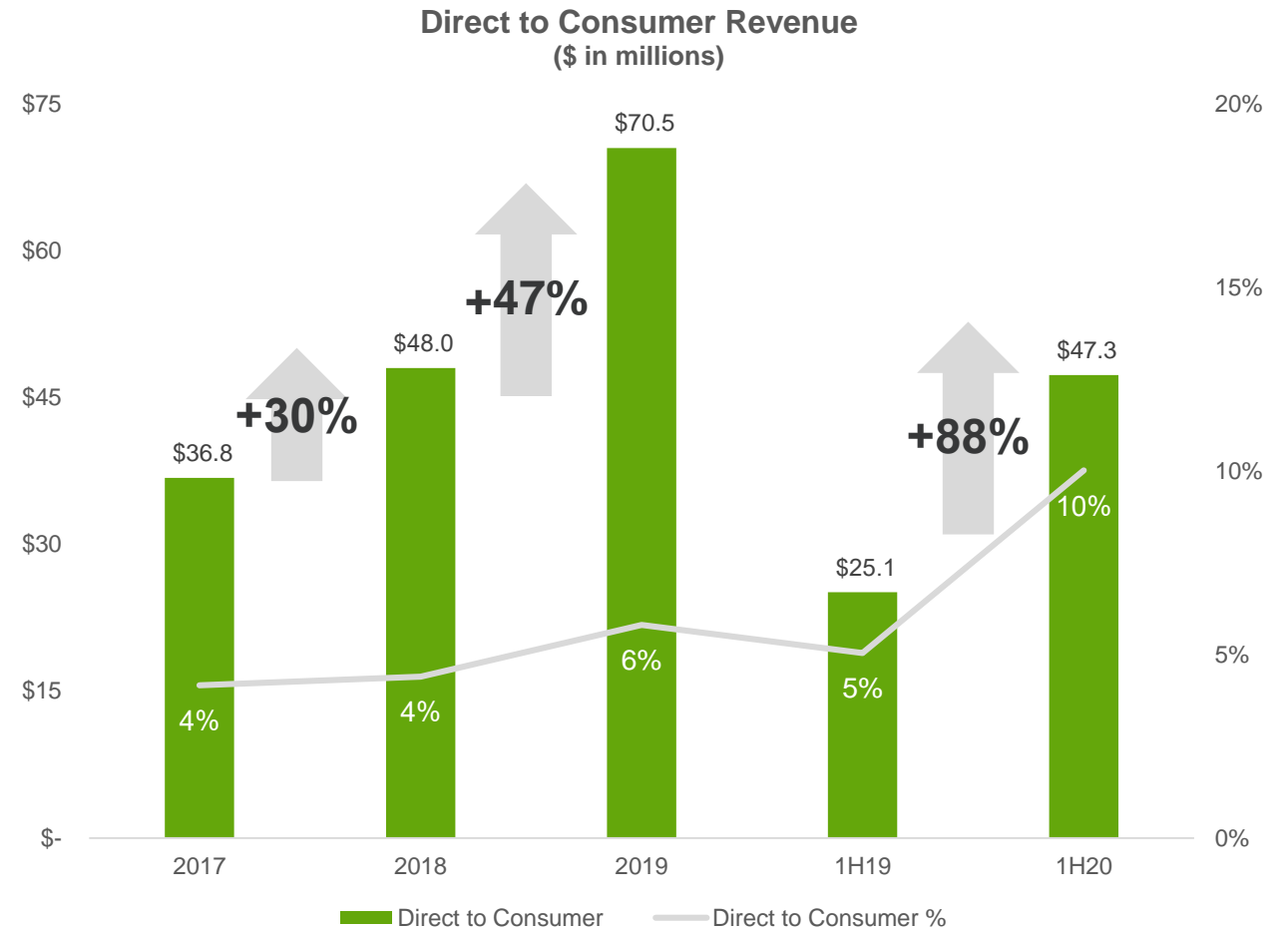
- WiFi-connectivity across the portfolio
- High connection rate
- Continued growth of owners who opt-in to our communications

## Able to build strong long- term loyalty/stickiness

- Strong brand preference, high NPS
- Product experience is rapidly becoming more sticky
- Commitment to data privacy

# Potential to Scale Direct-to-Consumer Sales Channel

- **Increase transactional velocity** for product upgrades and cross-selling
- **Leverage robust usage data** to drive accessory sales
- Pilot new offerings to increase purchase flexibility and **create new recurring revenue streams**
  - Care as a Service
  - Digital as a Service
  - Robotic Cleaning as a Service







COVID-19 PANDEMIC

# NAVIGATING CHALLENGING MARKET CONDITIONS

**TARIFFS**

**COMPETITION**

# 1H 2020 Brings Unprecedented Change, Challenges & Resilience

## Major Developments



### COVID-19 disrupts supply chain and sales activities

- Drives Q120 revenue shortfall
- Continues to slow our efforts to expand Malaysia production



### Cost-reduction initiative

- Reduced headcount 5%
- Shifting R&D resources to software
- Suspended Terra robot mower launch
- Accelerating direct-to-consumer initiatives



### Tariff exclusion granted

- \$57m refund from prior tariffs paid
- Due to expire on August 7



### Q120 results

- Bright spots with sell-through, e-commerce and premium robots
- Anticipated modestly lower Q220 revenue vs. Q120 revenue and a sizeable operating loss



### Q220 results far exceed prior expectations

- Maintaining a clean home takes on a higher priority
- Limited visibility into 2H demand

# Q2 2020 Results

- Q220 revenue of \$280m **exceeded plans entering the quarter** and grew 8% from Q219
  - 43% growth in premium robots (nearly 60% of Q220 revenue)
  - 50% growth in orders from e-commerce (~70% of Q220 revenue)
  - 13% growth in U.S. and 43% growth in Japan more than offsets 14% decline in EMEA
- **Return to profitability** with Q220 non-GAAP operating income of \$41 million and non-GAAP EPS of \$1.06
  - Aided by favorable gross margins due to a combination of higher revenue, favorable product and channel mix shifts, lower-than-planned write-down charges associated with Terra components and the timing of other supply chain-related activities
  - Continued disciplined cost management
- Exited 1H20 with **improved business momentum and greater optimism** about our second-half revenue growth prospects





# Optimism for a Stronger 2H20

## Moving forward with limited visibility



- **iRobot is well positioned to benefit** as market conditions improve
  - Through mid-July 2020, iRobot YTD sell-through growth rate (in units) has doubled in the US since mid-April, accelerated in EMEA to low double-digits and turned positive in Japan
  - Relatively low inventory levels at retailers
  - Plans for introducing a new Roomba in 2H20 remain on schedule
- Expect 2020 revenue will range from **relatively unchanged to potentially low-single digit growth** over 2019 revenue of \$1.214 billion
  - Considerable macroeconomic uncertainty and limited visibility into the timing and magnitude of second-half orders
- Focused on converting our second-half top-line results and prudent spending into a **solid operating profitability and EPS performance**
- **Solid financial foundation with \$242 million in cash** and investments, no debt and access to \$150 million unsecured revolving line of credit with additional \$75 million accordion feature



# Tariff Exclusion & Manufacturing Diversification Update

Tariff exclusion granted on April 24, 2020

- **Removes 25% on Roomba** and other RVCs
- **Entitled to a refund on \$57 million** for prior tariff payments since September 2018 within the next 12 months
  - \$47 million on robots sold since 9/18
  - \$10 million for products in inventory
- **Exclusion extended** until the end of 2020
- Looming reinstatement of tariffs and COVID-19 delays to scale Malaysia create material headwind to gross margin in 2021
- Focused on creating an **efficient, geographically diversified supply chain** decoupled from US-China trade policy by manufacturing broadly and at scale in Malaysia by the end of 2021



Framework for

DRIVING  
IMPROVED  
GROSS  
MARGIN  
OVER  
TIME



SUBSCRIPTIONS



CROSS-SELL & UPSELL



FULFILLMENT SCALE & EFFICIENCY



TARIFF EXCLUSION



HIGHER SOFTWARE  
CONTENT & COST-  
OPTIMIZED HARDWARE



MANUFACTURING SUPPLY  
CHAIN EFFICIENCY



# Summary

## Category creator, innovator and leader in Robotic Floor Care & AI

- Strong revenue growth with continued runway
- Consistent innovation, category leadership and portfolio expansion
- Cutting-edge robotic AI and home understanding

## Accelerating strategic initiatives aimed at

- Differentiating the cleaning experience
- Building direct relationships with ~7m connected, engaged owners
- Nurturing lifetime value of customer relationships

## Taking actions to navigate challenging market conditions

- Recalibrating spending
- Resilient consumer spending on RVCs propels us into 2H20
- Investing to strengthen direct ties to the customer
- Well-positioned to drive sustainable, profitable growth



Thank you!



**Any questions?**



***iRobot***

# APPENDIX



# Non-GAAP Financial Measures

Our non-GAAP financial measures reflect adjustments based on the following items.

- *Amortization of acquired intangible assets:* Amortization of acquired intangible assets consists of amortization of intangible assets including completed technology, customer relationships, and reacquired distribution rights acquired in connection with business combinations. Amortization charges for our acquisition-related intangible assets are inconsistent in size and are significantly impacted by the timing and valuation of our acquisitions. We exclude these charges from our non-GAAP measures to facilitate an evaluation of our current operating performance and comparisons to our past operating performance.
- *Net Merger, Acquisition and Divestiture (Income) Expense:* Net merger, acquisition and divestiture (income) expense primarily consists of transaction fees, professional fees, and transition and integration costs directly associated with mergers, acquisitions and divestitures. It also includes business combination adjustments including adjustments after the measurement period has ended. The occurrence and amount of these costs will vary depending on the timing and size of these transactions. We exclude these charges from our non-GAAP measures to facilitate an evaluation of our current operating performance and comparisons to our past operating performance.
- *Stock-Based Compensation:* Stock-based compensation is a non-cash charge relating to stock-based awards. We exclude this expense as it is a non-cash expense, and we assess our internal operations excluding this expense and believe it facilitates comparisons to the performance of other companies.
- *IP Litigation Expense, Net:* IP litigation expense, net relates to legal costs incurred to litigate patent, trademark, copyright and false advertising infringements, or to oppose or defend against interparty actions related to intellectual property. Any settlement payment or proceeds resulting from these infringements are included or netted against the costs. We exclude these costs from our non-GAAP measures as we do not believe these costs have a direct correlation to the operations of our business and may vary in size depending on the timing and results of such litigations and settlements.
- *Gain/Loss on Strategic Investments:* Gain/loss on strategic investments includes fair value adjustments, realized gains and losses on the sales of these investments and losses on the impairment of these investments. We exclude these items from our non-GAAP measures because we do not believe they correlate to the performance of our core business and may vary in size based on market conditions and events. We believe that the exclusion of these gains or losses provides investors with a supplemental view of our operational performance.
- *Income tax adjustments:* Income tax adjustments include the tax effect of the non-GAAP adjustments, calculated using the appropriate statutory tax rate for each adjustment. We reassess the need for any valuation allowance recorded based on the non-GAAP profitability and have eliminated the effect of the valuation allowance recorded in the U.S. jurisdiction. We also exclude certain tax items that are not reflective of income tax expense incurred as a result of current period earnings. These certain tax items include, among other non-recurring tax items, impacts from the Tax Cuts and Jobs Act of 2017 and stock-based compensation windfalls/shortfalls. We believe disclosure of the income tax provision before the effect of such tax items is important to permit investors' consistent earnings comparison between periods.



# GAAP-Non-GAAP Reconciliation

## Q2 and 1H 2020 GAAP Actuals to Q2 and 1H 2019 Non-GAAP Actuals

**iRobot Corporation**  
**Supplemental Reconciliation of GAAP Actuals to Non-GAAP Actuals**  
**(in thousands, except per share amounts)**  
**(unaudited)**

	For the three months ended		For the six months ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
GAAP Revenue	\$ 279,883	\$ 260,172	\$ 472,418	\$ 497,833
GAAP Gross Profit	\$ 178,012	\$ 118,170	\$ 255,967	\$ 237,716
Amortization of acquired intangible assets	1,185	3,111	1,470	6,188
Stock-based compensation	292	405	819	783
Tariff refunds	(40,017)	-	(40,017)	-
Non-GAAP Gross Profit	\$ 139,472	\$ 121,686	\$ 218,239	\$ 244,687
Non-GAAP Gross Profit Margin	49.8 %	46.8 %	46.2 %	49.2 %
GAAP Operating Expenses	\$ 107,729	\$ 112,920	\$ 205,909	\$ 210,203
Amortization of acquired intangible assets	(254)	(269)	(508)	(540)
Stock-based compensation	(5,578)	(7,189)	(10,242)	(13,675)
Net merger, acquisition and divestiture income (expense)	66	(143)	566	(295)
IP litigation expense, net	(1,137)	676	(1,753)	207
Restructuring and other	(1,863)	-	(1,863)	-
Non-GAAP Operating Expenses	\$ 98,963	\$ 105,995	\$ 192,109	\$ 195,900
Non-GAAP Operating Expenses as a % of Non-GAAP Revenue	35.4 %	40.7 %	40.7 %	39.4 %
GAAP Operating Income	\$ 70,283	\$ 5,250	\$ 50,058	\$ 27,513
Amortization of acquired intangible assets	1,439	3,380	1,978	6,728
Stock-based compensation	5,870	7,594	11,061	14,458
Tariff refunds	(40,017)	-	(40,017)	-
Net merger, acquisition and divestiture (income) expense	(66)	143	(566)	295
IP litigation expense, net	1,137	(676)	1,753	(207)
Restructuring and other	1,863	-	1,863	-
Non-GAAP Operating Income	\$ 40,509	\$ 15,691	\$ 26,130	\$ 48,787
Non-GAAP Operating Margin	14.5 %	6.0 %	5.5 %	9.8 %
GAAP Income Tax Expense (Benefit)	\$ 11,283	\$ (424)	\$ 9,174	\$ 599
Tax effect of non-GAAP adjustments	(1,892)	1,797	(3,723)	3,622
Other tax adjustments	206	1,461	(1,178)	5,527
Non-GAAP Income Tax Expense	\$ 9,597	\$ 2,834	\$ 4,273	\$ 9,748
GAAP Net Income	\$ 58,616	\$ 7,207	\$ 40,481	\$ 29,727
Amortization of acquired intangible assets	1,439	3,380	1,978	6,728
Stock-based compensation	5,870	7,594	11,061	14,458
Tariff refunds	(40,017)	-	(40,017)	-
Net merger, acquisition and divestiture (income) expense	(741)	143	(1,241)	295
IP litigation expense, net	1,137	(676)	1,753	(207)
Restructuring and other	1,863	-	1,863	-
(Gain) loss on strategic investments	-	(629)	(87)	(572)
Income tax effect	1,686	(3,258)	4,901	(9,149)
Non-GAAP Net Income	\$ 29,853	\$ 13,761	\$ 20,692	\$ 41,280

	For the three months ended		For the six months ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
GAAP Net Income Per Diluted Share	\$ 2.07	\$ 0.25	\$ 1.42	\$ 1.03
Amortization of acquired intangible assets	0.05	0.12	0.07	0.24
Stock-based compensation	0.21	0.26	0.39	0.50
Tariff refunds	(1.41)	-	(1.41)	-
Net merger, acquisition and divestiture (income) expense	(0.03)	-	(0.04)	0.01
IP litigation expense, net	0.04	(0.02)	0.06	(0.01)
Restructuring and other	0.07	-	0.07	-
(Gain) loss on strategic investments	-	(0.02)	-	(0.02)
Income tax effect	0.06	(0.11)	0.17	(0.32)
Non-GAAP Net Income Per Diluted Share	\$ 1.06	\$ 0.48	\$ 0.73	\$ 1.43
Number of shares used in diluted per share calculation	28,280	28,763	28,414	28,779
Section 301 Tariff Costs				
Section 301 tariff costs	\$ (6,609)	\$ 4,982	\$ -	\$ 8,500
Impact of Section 301 tariff costs to gross and operating margin (GAAP & non-GAAP)	2.4 %	(1.9)%	—%	(1.7)%
Impact of Section 301 tariff costs to net (loss) income per diluted share (GAAP & non-GAAP)	\$ 0.23	\$ (0.17)	\$ -	\$ (0.30)
Supplemental Information				
Days sales outstanding	42	32		
Days in inventory	86	127		





# GAAP-Non-GAAP Reconciliation

## 2019 GAAP Actuals to 2019 Non-GAAP Actuals

In thousands, except per share and % amounts  
Unaudited

	For the three months ended				For the twelve months ended
	March 30, 2019	June 29, 2019	September 28, 2019	December 31, 2019	December 31, 2019
GAAP Revenue	\$ 237,661	\$ 260,172	\$ 289,399	\$ 426,778	\$ 1,214,010
GAAP Gross Profit	119,546	118,170	136,841	169,370	543,927
Amortization of acquired intangible assets	3,077	3,111	3,095	2,438	11,721
Stock-based compensation	378	405	337	366	1,486
Non-GAAP Gross Profit	<u>\$ 123,001</u>	<u>\$ 121,686</u>	<u>\$ 140,273</u>	<u>\$ 172,174</u>	<u>\$ 557,134</u>
Non-GAAP Gross Profit Margin	51.8 %	46.8 %	48.5 %	40.3 %	45.9 %
GAAP Operating Income	\$ 22,263	\$ 5,250	\$ 42,555	\$ 16,550	\$ 86,618
Amortization of acquired intangible assets	3,348	3,380	3,351	2,693	12,772
Stock-based compensation	6,864	7,594	4,284	5,001	23,744
Net merger, acquisition and divestiture (income) expense <sup>1</sup>	152	143	32	138	466
IP litigation expense, net <sup>1</sup>	469	(676)	(157)	2,582	2,218
Non-GAAP Operating Income	<u>\$ 33,096</u>	<u>\$ 15,691</u>	<u>\$ 50,065</u>	<u>\$ 26,964</u>	<u>\$ 125,818</u>
Non-GAAP Operating Income Margin	13.9 %	6.0 %	17.3 %	6.3 %	10.4 %
GAAP Income Tax (Benefit) Expense	\$ 1,023	\$ (424)	\$ 7,923	\$ 5,011	\$ 13,533
Tax effect of non-GAAP adjustments	1,824	1,797	(132)	1,159	4,648
Other tax adjustments	4,067	1,461	133	1,267	6,928
Non-GAAP Income Tax Expense	<u>\$ 6,914</u>	<u>\$ 2,834</u>	<u>\$ 7,924</u>	<u>\$ 7,437</u>	<u>\$ 25,109</u>
GAAP Net Income	\$ 22,520	\$ 7,207	\$ 35,532	\$ 20,041	\$ 85,300
Amortization of acquired intangible assets	3,348	3,380	3,351	2,693	12,772
Stock-based compensation	6,864	7,594	4,284	5,001	23,744
Net merger, acquisition and divestiture (income) expense <sup>1</sup>	152	143	32	138	466
IP litigation expense, net <sup>1</sup>	469	(676)	(157)	2,582	2,218
(Gain)/loss on strategic investments	57	(629)	-	(8,332)	(8,904)
Income tax effect	(5,891)	(3,258)	(1)	(2,426)	(11,576)
Non-GAAP Net Income	<u>\$ 27,519</u>	<u>\$ 13,761</u>	<u>\$ 43,041</u>	<u>\$ 19,697</u>	<u>\$ 104,020</u>
GAAP Net Income Per Diluted Share	\$ 0.78	\$ 0.25	\$ 1.24	\$ 0.70	\$ 2.97
Amortization of acquired intangible assets	0.12	0.12	0.12	0.09	0.44
Stock-based compensation	0.24	0.26	0.15	0.18	0.83
Net merger, acquisition and divestiture (income) expense <sup>1</sup>	-	-	-	-	0.01
IP litigation expense, net <sup>1</sup>	0.02	(0.02)	(0.01)	0.09	0.08
(Gain)/loss on strategic investments	-	(0.02)	-	(0.29)	(0.31)
Income tax effect	(0.20)	(0.11)	-	(0.08)	(0.40)
Non-GAAP Net Income Per Diluted Share	<u>\$ 0.96</u>	<u>\$ 0.48</u>	<u>\$ 1.50</u>	<u>\$ 0.69</u>	<u>\$ 3.62</u>
Number of shares used in diluted per share calculation	28,763	28,763	28,650	28,563	28,735

Certain numbers may not total due to rounding

<sup>1</sup> Net merger, acquisition and divestiture (income) expense and IP litigation, net are classified in General and Administrative



# GAAP-Non-GAAP Reconciliation

## 2018 GAAP Actuals to 2018 Non-GAAP Actuals

In thousands, except per share and % amounts Unaudited	For the three months ended				For the twelve months ended
	March 31, 2018	June 30, 2018	September 29, 2018	December 29, 2018	December 29, 2018
GAAP Revenue	\$ 217,068	\$ 226,317	\$ 264,534	\$ 384,665	\$ 1,092,584
GAAP Gross Profit	115,785	117,926	135,206	186,511	555,428
Amortization of acquired intangible assets	4,782	4,679	4,574	4,509	18,544
Stock-based compensation	341	347	347	372	1,407
Non-GAAP Gross Profit	<u>\$ 120,908</u>	<u>\$ 122,952</u>	<u>\$ 140,127</u>	<u>\$ 191,392</u>	<u>\$ 575,379</u>
Non-GAAP Gross Profit Margin	55.7 %	54.3 %	53.0 %	49.8 %	52.7 %
GAAP Operating Income	\$ 25,405	\$ 13,355	\$ 37,275	\$ 29,787	\$ 105,822
Amortization of acquired intangible assets	5,055	4,948	4,837	4,769	19,609
Stock-based compensation	5,946	6,431	6,592	6,835	25,804
Net merger, acquisition and divestiture (income) expense <sup>1</sup>	(141)	164	-	115	138
IP litigation expense, net <sup>1</sup>	2,571	759	187	39	3,556
Non-GAAP Operating Income	<u>\$ 38,836</u>	<u>\$ 25,657</u>	<u>\$ 48,891</u>	<u>\$ 41,545</u>	<u>\$ 154,929</u>
Non-GAAP Operating Income Margin	17.9 %	11.3 %	18.5 %	10.8 %	14.2 %
GAAP Income Tax (Benefit) Expense	\$ 5,523	\$ 4,391	\$ 5,683	\$ 5,033	\$ 20,630
Tax effect of non-GAAP adjustments	3,340	2,830	2,835	2,849	11,854
Other tax adjustments	712	(2,440)	2,667	1,170	2,109
Non-GAAP Income Tax Expense	<u>\$ 9,575</u>	<u>\$ 4,781</u>	<u>\$ 11,185</u>	<u>\$ 9,052</u>	<u>\$ 34,593</u>
GAAP Net Income	\$ 20,401	\$ 10,471	\$ 31,929	\$ 25,191	\$ 87,992
Amortization of acquired intangible assets	5,055	4,948	4,837	4,769	19,609
Stock-based compensation	5,946	6,431	6,592	6,835	25,804
Net merger, acquisition and divestiture (income) expense <sup>1</sup>	(141)	164	-	115	138
IP litigation expense, net <sup>1</sup>	2,571	759	187	39	3,556
(Gain)/loss on strategic investments	281	(682)	26	(61)	(436)
Income tax effect	(4,052)	(390)	(5,502)	(4,019)	(13,963)
Non-GAAP Net Income	<u>\$ 30,061</u>	<u>\$ 21,701</u>	<u>\$ 38,069</u>	<u>\$ 32,869</u>	<u>\$ 122,700</u>
GAAP Net Income Per Diluted Share	\$ 0.71	\$ 0.37	\$ 1.12	\$ 0.88	\$ 3.07
Amortization of acquired intangible assets	0.17	0.17	0.17	0.17	0.69
Stock-based compensation	0.20	0.23	0.23	0.24	0.90
Net merger, acquisition and divestiture (income) expense <sup>1</sup>	-	-	-	-	-
IP litigation expense, net <sup>1</sup>	0.09	0.03	0.01	-	0.13
(Gain)/loss on strategic investments	0.01	(0.02)	-	-	(0.02)
Income tax effect	(0.14)	(0.01)	(0.19)	(0.14)	(0.49)
Non-GAAP Net Income Per Diluted Share	<u>\$ 1.04</u>	<u>\$ 0.77</u>	<u>\$ 1.34</u>	<u>\$ 1.15</u>	<u>\$ 4.28</u>
Number of shares used in diluted per share calculation	28,923	28,337	28,506	28,579	28,640

Certain numbers may not total due to rounding

<sup>1</sup> Net merger, acquisition and divestiture (income) expense and IP litigation, net are classified in General and Administrative

