Risk Factors Comparison 2024-02-27 to 2023-02-14 Form: 10-K

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We operate in a rapidly changing environment that involves a number of risks, some of which are beyond our control. This discussion highlights some of the risks which may affect future operating results. These are the risks and uncertainties we believe are most important for you to consider. Additional risks and uncertainties not presently known to us, which we currently deem immaterial, or which are similar to those faced by other companies in our industry or business in general may also impair our business operations. If any of the following risks or uncertainties actually occurs, our business, financial condition and operating results would likely suffer. Risks Related to our Business and Industry We have incurred substantial operating losses in the past year, expect to continue to incur operating losses for the foreseeable future, and may not achieve a return to profitability in the future. During the most recent fiscal year, we incurred a substantial operating loss of $ ~~240~~ **264** . ~~4~~ **1** million due to the combination of declining orders for our products and significant decreases in our gross margin. While we have taken and will continue to take actions to moderate operating expenses, we cannot guarantee that we will be able to return to profitability through a combination of revenue ~~growth~~ **stabilization** and **significant** gross margin improvement. In addition, our revenue may decline for a number of reasons, including reduced demand for our products, increased competition or macroeconomic conditions, and if our revenue does not grow at a greater rate than our operating expenses, we will not be able to achieve and maintain profitability. 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 ~~,~~ **and** cash provided by operating activities ~~and funds available through our credit facility,~~ will be sufficient to meet our current and anticipated needs for at least the next twelve months. In the event our future revenue **or gross profit** does not meet our expectations or our costs are higher than expected, we may eliminate or curtail expenses to further mitigate the impact on working capital. Our future capital requirements will depend on many factors, including our rate of revenue growth or decline, the expansion or contraction of our marketing and sales activities, the timing and extent of spending to support product development efforts, the timing of introductions of new products and enhancements to existing products, the ~~acquisition of new capabilities or technologies, the~~ continuing market acceptance of our products and services, the overall macroeconomic conditions due to heightened inflation and reduced consumer confidence stemming from **unstable geopolitical conditions, including** the **ongoing** Russia- Ukraine ~~war,~~ and **Israel** ~~the ongoing indirect impacts of the COVID~~ - **Hamas wars** ~~19 pandemic on our business~~ . Moreover, to the extent existing cash and cash equivalents ~~,~~ **and** cash from operations ~~, and cash from short- term borrowing~~ are insufficient to fund our future activities, we may need to extend the timing of repayment of or refinance our existing **debt** ~~credit facility~~ or raise additional funds through public or private equity or debt financing. 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. **Our restructuring efforts may not be successful. In January 2024, we announced an operational restructuring plan to more closely align our cost structure with near- term revenue expectations and drive profitability. A critical component of our operational restructuring plan is the overall reduction of approximately 350 employees, which represents 31 % of our global workforce as of December 30, 2023. In August 2022 and February 2023, we started implementing similar restructuring programs to reduce our workforce. The implementation of the restructuring plan, including the impact of workforce reductions and other non- payroll cost savings measures may be disruptive to our operations, result in higher than anticipated restructuring charges, including severance payments, employee benefits and stock- based compensation, and otherwise adversely affect our results of operations and financial condition. Additional risks associated with the continuing impact of the restructuring plan include employee attrition, the ability to hire new employees in the future, diversion of management attention and adverse effects on employee morale.** In addition, our ~~access to credit through our credit facility~~ - **ability to complete the restructuring plan and achieve the anticipated benefits from the plan within the expected time frame, or at all, is subject to management' s estimates and assumptions and** may **vary materially from our expectations, including as a result of factors that are beyond our control. If we do not realize the expected benefits of the restructuring plan on a timely basis, or at all, our business, results of operations and financial condition could** be ~~limited by~~ **adversely affected. Furthermore, following completion of** the ~~restrictive covenants contained in~~ **restructuring plan, our business may not be more efficient or effective than prior to** the ~~agreement~~ **implementation of the restructuring plan** . Significant reductions in consumer demand has caused, and will likely continue to cause, a decrease in revenue from sales of our products and additional costs reducing both gross margin and operating income. Reductions in consumer demand for our products have caused a decrease in revenue from sales of our products ~~and also resulted in higher inventory levels and additional warehousing and demurrage charges~~ . If we are not successful in increasing consumer demand, or if macroeconomic conditions impacting consumer demand do not improve, we will continue to **experience** ~~incur these additional charges and~~ adverse impacts to our revenue and profitability. To ensure an adequate inventory supply, we must forecast inventory needs and place orders sufficiently in advance with our suppliers and contract manufacturers, based on our estimates of future demand for specific product SKUs by region. Failure to accurately forecast our needs has resulted, and may continue to result, in manufacturing delays, increased costs, or excess inventory. Our ability to accurately forecast demand could be affected by many factors, including changes in consumer demand for our products, changes in demand for the products of our competitors, unanticipated changes in general market conditions, and the weakening of economic conditions or consumer confidence in future economic conditions. Our failure to accurately forecast consumer demand has resulted, and may continue to result, in excess inventory levels or a shortage of certain product models available for sale. ~~We have recently experienced a decrease in consumer demand and an increase in our inventory levels.~~ Inventory levels in excess of consumer demand has resulted, and may continue to result, in increased promotional intensity to support the sale of excess inventory, which would cause **and has caused** our gross margins to suffer. In addition, we do not have long- term, fixed price contracts with our contract manufacturers. As we reduce production orders with our contract manufacturers to meet demand, we face increased cost of goods sold as both our own manufacturing overhead as well as that of our suppliers is amortized over smaller production levels. In addition, as production decreases, we may not be able to maintain manufacturing relationships with some of our suppliers, which has caused us to exit production at certain contract manufacturers. The process of exiting production at certain contract manufacturers has caused us, and may continue to cause us, to incur additional costs related to unused tooling, components, relocation of materials and fixtures, and unrecouped non-recurring engineering. We face intense competition from other providers of robots, including diversified technology providers, as well as competition from providers offering alternative products, which could negatively impact our results of operations and cause our market share to decline. A number of companies have developed or are developing robots that will compete directly with our product offerings. Our competition includes established, well- known sellers of floor cleaning robots such as Ecovacs, SharkNinja, Samsung, Roborock, **Dreame,** as well as new market entrants. Many current and potential competitors are larger in size and more broadly diversified with substantially greater financial, marketing, research and manufacturing resources than we possess, and there can be no assurance that our current and future competitors will not be more successful than us. We also face competition from manufacturers of lower- cost devices, which has, and may continue to, further drive down the average selling price in the marketplace for floor cleaning products **and impact demand for our products as macroeconomic conditions result in consumers shifting towards lower- cost alternatives** . Moreover, while we believe many 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, **including the utilization of evolving AI technologies,** shifting customer needs and expectations and the likely increased introduction of new products. Our ability to remain competitive will depend to a great extent upon our ongoing performance in the areas of product development, operating efficiency and customer support. We expect that competition will continue to intensify as additional competitors enter the market and current competitors expand their product lines. Companies competing with us have, and may continue to, introduce products that are competitively priced, have increased performance or functionality, or incorporate technological advances that we have not yet developed or implemented. Increased competitive pressure has resulted and will continue to result in a loss of sales or market share or cause us to lower prices for our products, any of which would harm our business and operating results. Many of our competitors have demonstrated an ability to rapidly replicate new features and innovations that we have introduced into the market, and therefore are able to offer products with similar capabilities to ours at lower prices. Other competitors have demonstrated the ability to innovate more rapidly than we have, and those innovations – particularly in the development of 2- in- 1 robot vacuum cleaners **and multi- function docks** – have allowed competitors to offer products at premium price points as well as capture significant market share in certain geographic markets. In addition, some of our competitors aggressively discount their products and services in order to gain market share, which has resulted in pricing pressures, reduced profit margins and lost market share. In addition, new products often have lower volumes, lower selling prices or higher costs than products that have been sold for at least a year; any or all of those factors could negatively impact our gross margins and operating results. We cannot assure you that our products will 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 has caused, and may continue to cause, our revenue and market share to decline, which would negatively impact our results of operations and financial condition. We operate in an emerging market, which makes it difficult to evaluate our business and future prospects. Robots represent a new and emerging market. Accordingly, our business and future prospects are difficult to evaluate. We cannot accurately predict the extent to which demand for floor cleaning robots will increase, if at all. You should consider the challenges, risks and uncertainties frequently encountered by companies using new and unproven business models in rapidly evolving markets. These challenges include our ability to: • generate sufficient revenue and gross margin to **regain and** maintain profitability; • maintain market share in our consumer market; • attract and retain customers of our robots; • attract and retain engineers and other highly- qualified personnel; and • expand our product offerings beyond our existing robots. If we fail to successfully address these and other challenges, risks and uncertainties, our business, results of operations and financial condition would be materially harmed. Designing new robotic products is complex and requires significant resources, and our ability to remain competitive requires significant continued investment in tools, processes and talent. To remain competitive, we must continue to invest in developing tools and processes to improve the speed at which we are able to develop competitive products. ~~This includes a~~ **Historically, we have made** significant ~~investment~~ **investments** ~~in~~ **to develop tools and processes, including** designing multiple hardware- based platforms and developing a reusable software architecture for use across those platforms. The development of multiple hardware platforms and a reusable software architecture requires the expenditure of significant resources that may not result in the designed efficiencies. **As part of our 2024 operational restructuring plan, we plan to lower research and development expenditures by shifting to greater reliance on our manufacturing partners for lower- value commodity engineering work. Our manufacturing partners' efforts to implement such designs and developments may be unsuccessful and the speed of product development may not improve. Failure to improve the speed of product development, whether through our direct work or through the work of**

our manufacturing partners, could materially harm our business, results of operations and financial condition. Our inability to reduce the cost to develop new products or product variants has substantially impacted, and may continue to substantially impact, our ability to offer products that compete favorably. We depend on the experience and expertise of our senior management team and key technical employees, and the loss of any key employee may impair our ability to operate effectively. Our success depends upon the continued services of our senior management team and key technical employees. Each of our executive officers, key technical personnel and other employees could terminate his or her relationship with us at any time. The loss of any member of our senior management team might significantly delay or prevent the achievement of our business objectives and could materially harm our business and customer relationships. In addition, because of the highly technical nature of our robots, the loss of any significant number of our existing engineering and project management personnel could have a material adverse effect on our business and operating results. Also, 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. ~~Uncertainties related to~~ **In January 2024, Colin Angle stepped down as Chief Executive Officer and chairman of** our ~~proposed Merger with Amazon have added additional~~ **board of directors and our board of directors appointed Glen Weinstein, our then Executive Vice President and Chief Legal Officer as interim Chief Executive Officer. These changes in our management team could cause retention and morale concerns among current employees, as well as operational** risks **. If Mr. Weinstein' s succession** to ~~our~~ **interim Chief Executive Officer is not managed successfully, including his** ability to ~~retain talent~~ **lead a team that can effectively implement our strategic plans and the restructuring plan, it could disrupt our business, affect our culture, cause employee retention concerns, be viewed negatively by our customers or investors, and affect our financial condition and operational results** . If we are unable to attract and retain additional skilled personnel, we may be unable to ~~grow~~ **operate** our business. To execute our ~~growth~~ **business stabilization** plan **and return to profitability** , we must attract and retain additional, highly- qualified personnel. Competition for hiring these employees is intense, especially with regard to engineers with high levels of experience in designing, developing and integrating robots and engineers with expertise in artificial intelligence, machine learning, data science and cloud applications. Many of the companies with which we compete for hiring experienced employees have greater resources than we have. If we fail to attract new technical personnel or fail to retain and motivate our current employees, our business and future growth prospects could be severely harmed. In addition, we have experienced increased employee turnover as a result of general market conditions, the impact of ~~a reduction~~ **reductions** in force executed in August 2022 ~~,~~ and **February 2023** ~~the impact of uncertainties related to our proposed Merger with Amazon. Given the difficult market conditions~~ , ~~the steps we are taking to manage our costs~~ and **may** ~~the ongoing uncertainty of the timing and outcomes of the regulatory reviews required to complete our Merger with Amazon, we expect to continue to~~ experience increased employee turnover ~~in~~ **as part of** the ~~future~~ **announcement of the termination of the Merger Agreement and anticipated reductions in force in 2024** . New hires require significant training and, in most cases, take significant time before they achieve full productivity. New employees may not become as productive as we expect, and we may be unable to hire or retain significant numbers of qualified individuals. Moreover, we may be forced to adjust salaries or other compensation in order to retain key talent. **The recent decline in our stock price may impact the actual or perceived value of our equity awards for current employees or new hires, and we may need to grant additional or larger equity awards to offer attractive compensation packages to hire and retain employees.** If our retention efforts are not successful or our team member turnover rate continues to increase in the future, our business, results of operations and financial condition could be materially and adversely affected. **Additionally** ~~Our business has been~~ , ~~and~~ **we cannot be sure that we** will ~~continue to~~ be **able to attract** , **retain, and motivate a new CEO or that the compensation costs of doing so will not** adversely ~~affected~~ -- **affect** ~~by the continuing effects of the coronavirus pandemic. The coronavirus pandemic and virus containment measures taken by government authorities have directly and indirectly impacted~~ our ~~business~~ **financial** and operating results ~~but the full extent of its impact will depend on future developments that~~ **. Additionally, we may not be able to hire and train a new CEO quickly enough to meet our needs. If we** are **unable to effectively hire a** ~~uncertain and cannot be accurately predicted, including~~ new **CEO** ~~information that may emerge~~ , ~~future spikes of infections (including the spread of variants or mutant strains), and the actions to contain the coronavirus or treat its~~ - **it could disrupt** ~~impact, among others. The ultimate impact of the current pandemic, or~~ **our business** ~~any other health epidemic~~ , **affect our culture, cause retention concerns** ~~is highly uncertain and subject to change not only~~ with **respect to** ~~the spread of the disease, but also with the scope and timing of governmental, regulatory, fiscal, monetary and public health responses. Our business operations could be further disrupted or~~ **our colleagues** ~~delayed by effects of the pandemic. The pandemic has resulted in~~ , ~~and may continue to result in, work stoppages, slowdowns and delays, travel restrictions, event cancellation, and other factors that cause an~~ **and** ~~increase in costs or order cancellations, reductions or delays. For example, our manufacturing supply chain has been and may continue to be adversely affected~~ -- **affect** ~~by production delays or~~ **our** ~~limited manufacturing volumes associated with factory shutdowns or reduced numbers of workers or working hours in the factories, limits on component supplies and diminished capability to implement engineering and design changes in a timely manner. Although the business and markets in mainland China have reopened as mainland China relaxed its policies and controls relating to COVID- 19 in early December 2022, the number of cases of COVID- 19 is expected to increase greatly which may cause restrictions on our manufacturers in China. Travel restrictions have prevented, and may continue to prevent, significant progress in supply chain diversification efforts in Malaysia, which may have a material impact on our ability to mitigate the impact of Section 301 List 3 tariffs on Roomba products imported from China. In addition, quarantines, stay at home orders and other travel limitations (whether voluntary or required) impede our employees' ability to efficiently conduct research and development activities or oversee manufacturing activities, which has, and may continue to, slow innovation, lead to higher costs or both. For example, we have experienced an increase in freight costs and a delay in our supply chain diversification efforts. Adverse impacts to our operations caused directly or indirectly by the pandemic may lead to delay, default, violation and~~

~~/ or non- compliance under existing agreements. While the potential economic impact and the duration of the pandemic may be difficult to assess or predict, it has caused, and is likely to result in further, significant disruption of global~~ financial **condition** ~~markets. In addition, a recession, depression or other sustained adverse market event relating directly or indirectly to the pandemic could materially~~ and **operational results** ~~adversely affect our business, our access to needed capital and liquidity, and the value of our common stock. We do not yet know the full extent of potential delays or impacts on our business, our industry or the global economy as a whole~~ . If we are not successful in expanding our direct- to- consumer sales channel by driving consumer traffic and consumer purchases through our website, our business and results of operations could be harmed. We are currently investing in our direct- to- consumer sales channel, primarily through our website and mobile app and the technology infrastructure used to support them. Our future growth relies in part on our ability to attract consumers to this channel, which requires significant expenditures in marketing, software development and infrastructure. If we are unable to drive traffic to, and increase sales through, our website and mobile app, our business and results of operations could be harmed. The success of direct- to- consumer sales is subject to risks associated with e- commerce, many of which are outside of our control. In addition, our efforts to carefully manage our cost structure may result in lower levels of investment in our direct- to- consumer infrastructure and systems. Our inability to adequately respond to these risks and uncertainties, successfully fund new infrastructure initiatives or maintain and expand our direct- to- consumer business via our website may have an adverse impact on our results of operations. Our success depends nearly entirely on our consumer robots, and our sales growth and operating results would be negatively impacted if we are unable to enhance our current consumer robots or develop new consumer robots at competitive prices or in a timely manner, or if the consumer robot market does not achieve broad market acceptance. We primarily derive our revenue from consumer robot sales. For the foreseeable future, we expect that our revenue will be derived nearly entirely from sales of home **floorcare** ~~floor care~~ products. Accordingly, our future success depends upon our ability to further penetrate the consumer home ~~care~~ **floorcare** market, to enhance our current consumer products and to develop and introduce new consumer products offering enhanced performance and functionality at competitive prices. The development and application of new technologies involves time, substantial costs and risks. Our inability to achieve significant sales of our newly introduced robots, or to enhance, develop and introduce other products in a timely manner, or at all, would materially harm our sales growth and operating results. Even if consumer robots gain wide market acceptance, our robots may not adequately address market requirements and may not continue to gain market acceptance. If robots generally, or our robots specifically, do not gain wide market acceptance, we may not be able to achieve our anticipated level of growth, and our revenue and results of operations would suffer. Any efforts to expand our product offerings beyond our current markets or to develop new products may not succeed, which could negatively impact our operating results. Efforts to expand our product offerings beyond our current markets are limited and those efforts may not succeed and may divert management resources from existing operations and require us to commit significant financial resources to an unproven business, either of which could significantly impair our operating results. Any new product that we develop may not be introduced in a timely or cost- effective manner, may contain defects, or may not achieve the market acceptance necessary to generate sufficient revenue. Moreover, efforts to expand beyond our existing markets may never result in new products that achieve market acceptance, create additional revenue or become profitable. **As** ~~On November 15, 2021, we acquired Aeris Cleantec AG,~~ a ~~provider~~ **result** of ~~premium air purifiers. This acquisition represents~~ **the restructuring plan, we have re- focused** our ~~first major expansion of~~ product **roadmap** ~~offerings beyond consumer robotics. Air purifiers represent a new market segment for us and is subject to intense competition. Our success in the air purifier market will depend~~ on ~~a number of factors including our ability to develop innovative solutions, integrate those solutions into our home ecosystem, and market and sell those solutions to our existing and new customers. Establishing a new market segment will require significant investment in R & D and sales & marketing in the near term. These investments may not be successful, and our revenue and profitability may suffer. Because of our current fiscal constraints, our ability to support investments of this magnitude are limited, and a more limited level of investment in the near- term is unlikely to yield a meaningful return. If the air purifier business – or any other business we acquire – does not perform as expected or we are unable to effectively integrate the acquired business into our operations or achieve the expected synergies of the acquisition, our operating results could be harmed. Expansion into new market segments involve risks and uncertainties, including, among other things, potential distraction of management from~~ our core robotic floorcare business ~~, greater than expected liabilities~~ and ~~expenses, inadequate return~~ **paused work related to** ~~on~~ **non** ~~capital~~ **- floorcare innovations** , **including air purification, robotic lawn mowing** and ~~unidentified issues not discovered~~ **education, which could result** in ~~our investigations~~ **lost revenue opportunities** and ~~evaluations~~ **profitability from sales** of **such products. Because of our current fiscal constraints, our ability to support investments in non- floorcare innovations are limited, and this lack of investment in** ~~those~~ -- **the** ~~acquisitions~~ **near- term could allow other companies to develop more competitive products to our non- floorcare innovations, which could impact our ability to compete against such products if we decide to invest in such innovations in the future** . 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, **digital and** 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 fiscal **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , sales and marketing expenses were $ **201. 7 million, $** 293. 3 million, **and** $ 289. 8 million, ~~and $ 265. 5 million,~~ respectively, representing approximately **22. 6 %,** 24. 8 % ~~,~~ **and** 18. 5 ~~% and 18. 6~~ %, 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~~ **our** expectations, either of which could have an adverse effect on our business. There can be no assurance that our advertising and other marketing efforts will result in increased sales of our products. If we fail to enhance our brand, our ability to expand our customer base will be impaired and our operating results may suffer. We believe that developing and maintaining awareness of the iRobot brand is critical to achieving widespread acceptance of our existing and future products and is an important element in attracting new customers. Furthermore, we expect the importance of global brand recognition to increase as competition increases. If customers do not perceive our products to be of high quality, our brand and reputation could be harmed, which could adversely impact our financial results. In addition, brand promotion efforts may not yield significant revenue or increased revenue sufficient to offset the additional expenses incurred in building our brand. Maintaining, protecting, and enhancing our brand may require us to make substantial investments, and these investments may not be successful. If we fail to successfully maintain, promote, and position our brand and protect our reputation, or if we incur significant expenses in this effort, our business, financial condition and operating results may be adversely affected. Our income tax provision and other tax liabilities may be insufficient if taxing authorities are successful in asserting tax positions that are contrary to our position. Additionally, there is no guarantee that we will realize our deferred tax assets. From time to time, we are audited by various federal, state, local and foreign authorities regarding income tax matters. Significant judgment is required to determine our provision for income taxes and our liabilities for federal, state, local and foreign taxes. Although we believe our approach to determine the appropriate tax treatment is supportable and in accordance with relevant authoritative guidance, it is possible that a tax authority will take a final tax position that is materially different than that which is reflected in our income tax provision. Such differences could have a material adverse effect on our income tax provision or benefit, in the reporting period in which such determination is made and, consequently, on our results of operations, financial position and / or cash flows for such period. The realization of our deferred tax assets ultimately depends on the existence of sufficient income in either the carryback or carryforward periods under the tax law. **We have** ~~During the three months ended October 1, 2022, we~~ concluded that ~~, based~~ **a valuation allowance** on our **U. S.** ~~evaluation of available positive and negative evidence, it is no longer more likely than not that our~~ net ~~U. S. federal and state~~ deferred tax assets ~~are recoverable~~ **continues to be appropriate. In addition, valuation allowances were established in certain foreign jurisdictions during fiscal 2023 considering cumulative taxable losses in recent years and uncertainty with respect to future taxable income. As of December 30, 2023, we had net deferred tax assets of $ 8. 1 million** . 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 periods. Our results of operations would be impacted negatively if we determine that an additional valuation allowance is required in a future reporting period **. If our goodwill or long- lived assets become impaired, our operating results could be negatively impacted. Our goodwill and long- lived assets, including intangible assets, are susceptible to valuation adjustments as a result of changes in various factors or conditions. We assess the potential impairment of goodwill on an annual basis. Whenever events or changes in circumstances indicate that the carrying value may not be recoverable, we will be required to assess the potential impairment of goodwill and other intangible assets. Factors that could trigger an impairment of such assets include the following: • changes in our organization or management reporting structure that could result in additional reporting units, which may require alternative methods of estimating fair values or greater disaggregation or aggregation in our analysis by reporting unit; • significant under performance relative to historical or projected future operating results; • significant changes in the strategy for our overall business; • significant negative industry or economic trends; • significant decline in our stock price for a sustained period; and • our market capitalization declining to below net book value. As a result of the termination of the Merger Agreement and the restructuring plan disclosed in January 2024, we will perform an impairment assessment of goodwill and other long- lived assets in connection with our preparation of the financial results for the first quarter of 2024. Future adverse changes in these or other unforeseeable factors could result in additional impairment charges that would impact our results of operations and financial position in the reporting period identified. Our senior secured term loan credit facility provides our lenders with a first- priority lien against substantially all of our assets, and contains financial covenants and other restrictions on our actions that may limit our operational flexibility or otherwise adversely affect our results of operations. We are party to the Credit Agreement which contains customary negative covenants that limit our and our subsidiaries' ability to, among other things, grant or incur liens, incur additional indebtedness, make certain restricted investments or payments, including payment of dividends on our capital stock and payments on certain permitted indebtedness, enter into certain mergers and acquisitions or engage in certain asset sales, subject in each case to certain exceptions. We are also required to comply with a minimum core assets test. The Credit Agreement also includes certain restrictions on the use of a portion of the Parent Termination Fee payment received by us from Amazon. com, Inc., which the remaining amount thereof (after giving effect to certain periods for such amounts to be used for inventory in limited circumstances and upon satisfying certain conditions) will ultimately be required to be used to prepay a portion of the loan under the Credit Agreement. The terms of our outstanding debt may restrict our current and future operations and could adversely affect our ability to finance our future operations or capital needs or to execute business strategies in the manner desired. In addition, complying with the covenants may make it more difficult for us to successfully execute our business strategy, invest in our growth strategy, and compete against companies who are not subject to such restrictions. A failure by us to comply with the covenants or payment requirements specified in the Credit Agreement could result in an event of default under the Credit Agreement, which may result in the termination of the Credit Agreement and acceleration of repayment obligations with respect to any outstanding loans. In addition, the lenders would have the right to proceed against the collateral in which we granted a security interest to them, which consists of substantially all our assets. If our outstanding debt were to be accelerated, we may not have sufficient cash or be able to borrow sufficient funds to refinance the debt or sell sufficient assets to repay the debt, which could materially and adversely affect our cash flows,**

business, results of operations, and financial condition. Further, the terms of any new or additional financing may be on terms that are more restrictive or less desirable to us. Our financial results could fluctuate substantially due to the accounting for the Term Loan that we measure at fair value. We have elected to account for the Term Loan under ASC 825" Financial Instruments." ASC 825 allows companies to account for certain financial assets and financial liabilities at fair value, with the change in fair value recognized in net income (loss) in each reporting period. The data used for the measurement must reflect assumptions that market participants would use in pricing the asset or liability. There is no current observable market for this debt instrument and, as such, we determine the fair value of the debt instrument using a discounted cash flow model. The valuation model uses various inputs, including the amount and timing of cash flows, expected interest rate and discount rate. Changes in the inputs for this valuation model may have a material impact on the estimated fair value of the debt instrument accounted for under the fair value option. The debt instrument accounted for under the fair value option may have a substantial effect on our balance sheet and statement of operations from quarter to quarter and it is difficult to predict the effect on our future financial results, since valuation of the debt instrument accounted for under the fair value option is based on factors largely outside of our control. The effects may cause our financial results to fluctuate materially, which may cause our stock price to decline. See Note 5 to our consolidated financial statements, Fair Value Measurements, for more information regarding the valuation of our outstanding debt. Risks Related to our Dependence on Third Parties and Distribution Channels We depend on a limited number of manufacturers, and our reputation and results of operations would be harmed if these manufacturers fail to meet our requirements. We depend on a limited number of manufacturers, employing a dual- source strategy to mitigate potential manufacturing disruptions, and we have safety stock strategies for low- volume products that are not dual sourced. The majority of our contract manufacturing ~~locations~~ for our robots ~~are~~ **is** currently located in China and we added additional manufacturing capacity in Malaysia in late 2019, **with further expansion** ~~and we have continued to expand production~~ in ~~Malaysia~~ **Asia in early 2024**. ~~Our efforts to diversify manufacturing outside of China has been, and may continue to be, materially impacted as a result of COVID- 19 and related travel restrictions~~. These manufacturers manage the supply chain for all of the raw materials and provide all facilities and labor required to manufacture our products **. In addition, as part of our 2024 operational restructuring plan, we plan to shift certain lower- value commodity engineering work to our manufacturing partners**. If these companies were to terminate their arrangements with us or fail to provide the required capacity and quality on a timely basis, there would be a disruption in manufacturing our products until replacement contract manufacturing services could be obtained or volume transferred to an alternative manufacturing partner, each of which is a costly and time- consuming process. We cannot assure you that we would be able to establish alternative manufacturing arrangements on acceptable terms or in a timely manner. We are dependent on a limited number of suppliers for various components used in our products, and we may from time to time have sole source suppliers. **For fiscal 2023, we purchased 79 % of our finished goods from one vendor.** The cost, quality and availability of these components are essential to the successful production and sale of our products. We are subject to the risk of, and have already experienced, industry- wide shortages, price fluctuations and long lead times in the supply of these components and other materials ~~, which risk may be increased as a result of COVID- 19~~. If the supply of these components were to be delayed or constrained, or if one or more of our main suppliers were to go out of business, alternative sources or suppliers may not be available on acceptable terms or at all. In the event that any of our suppliers were to discontinue production of our key product components, developing alternate sources of supply for these components would be time consuming, difficult and costly. In the event we are unable to obtain components in sufficient quantities on a timely basis and on commercially reasonable terms, our ability to sell our products in order to meet market demand would be affected and could materially and adversely affect our brand, image, business prospects, financial condition and operating results. Our reliance on these contract manufacturers involves certain risks, including the following: • lack of direct control over production capacity and delivery schedules; • lack of direct control over quality assurance, manufacturing yields and production costs; • lack of enforceable contractual provisions over the production and costs of consumer products; • risk of loss of inventory while in transit **; • risk of increased shipping costs as a result of rebel attacks on commercial ships**; • risks associated with international commerce, including unexpected changes in legal and regulatory requirements, changes in tariffs and trade policies, risks associated with the protection of intellectual property and political and economic instability; and • risks that our attempts to add additional manufacturing resources may be significantly delayed and thereby create disruptions in production of our products. Any interruption in the manufacture of our products would be likely to result in delays in shipment, lost sales and revenue and damage to our reputation in the market, all of which would harm our business and results of operations. In addition, because our purchase contracts with suppliers are typically denominated in U. S. dollars, changes in currency exchange rates may impact our suppliers who operate in local currency, which may cause our suppliers to seek price concessions on future orders. If critical components of our products that we currently purchase from a small number of suppliers become unavailable, we may incur delays in shipment, which could damage our business. We and our outsourced manufacturers obtain hardware components, various subsystems, raw materials and batteries from a limited group of suppliers, some of which are sole suppliers. We do not have long- term agreements with these suppliers obligating them to continue to sell components or products to us. If we or our outsourced manufacturers are unable to obtain components from third- party suppliers in the quantities and of the quality that we require, on a timely basis and at acceptable prices, we may not be able to deliver our products on a timely or cost- effective basis to our customers, which could cause customers to terminate their contracts with us, reduce our gross margin and seriously harm our business, results of operations and financial condition. Moreover, if any of our suppliers become financially unstable, we may have to find new suppliers. It may take several months to locate alternative suppliers, if required, or to re- tool our products to accommodate components from different suppliers. We may experience significant delays in manufacturing and shipping our products to customers and incur additional development, manufacturing and other costs to establish alternative sources of supply if we lose any of these sources. We cannot predict if we will be able to obtain replacement components within the time frames that we require at an affordable cost, or at all. **In addition, our lack of long-term agreements with certain component suppliers has caused us to purchase certain long- lead- time components well in advance of consumer demand. This added inventory increases the strain on our liquidity, as well as the risk of inventory becoming excess and obsolete.** Conflicts with our channel and distribution partners could harm our business and operating results. The expansion of our direct- to- consumer channel could alienate some of our channel partners and cause a reduction in product sales from these partners. Channel partners may perceive themselves to be at a disadvantage based on the direct- to-consumer sales offered through our website. Due to these and other factors, conflicts in our sales channels could arise and cause channel partners to divert resources away from the promotion and sale of our products. Any of these situations could adversely impact our business and results of operations. If we fail to maintain or increase consumer robot sales through our distribution channels, our operating results would be negatively impacted. We do not have long- term contracts regarding purchase volumes with any of our retail partners. As a result, purchases generally occur on an order- by- order basis, and the relationships, as well as particular orders, can generally be terminated or otherwise materially changed at any time prior to delivery, by our retail partners. A decision by a major retail partner, whether motivated by competitive considerations, financial difficulties, economic conditions or otherwise, to decrease its purchases from us, to reduce the shelf space for our products or to change its manner of doing business with us could significantly damage our consumer product sales and negatively impact our business, financial condition and results of operations. In addition, during recent years, various retailers, including some of our partners, have experienced significant changes and difficulties, including consolidation of ownership, increased centralization of purchasing decisions, restructuring, bankruptcies and liquidations. These and other financial problems of some of our retailers increase the risk of extending credit to these retailers. A significant adverse change in a retail partner relationship with us or in a retail partner' s financial position could cause us to limit or discontinue business with that partner, require us to assume more credit risk relating to that partner' s receivables or limit our ability to collect amounts related to previous purchases by that partner, all of which could harm our business and financial condition. Disruption of the iRobot on- line store could also decrease our consumer robot sales. Risks Related to our Legal and Regulatory Environment Significant developments in U. S. trade policies have had, and we expect will continue to have, a material adverse effect on our business, financial condition and results of operations. The U. S. government has indicated its intent to alter its approach to international trade policy and in some cases to renegotiate, or potentially terminate, certain existing bilateral or multi- lateral trade agreements and treaties with foreign countries. Effective September 24, 2018, the U. S. government implemented a 10 % tariff on certain goods imported from China, which include the majority of those imported by **us** ~~the Company~~ . These tariffs were increased to 25 % on May 10, 2019 and were slated to further increase to 30 % in October 2019 until a last- minute interim deal was reached between the United States and China. Although the United States and China signed a new trade agreement in January 2020, most of the previously-implemented tariffs on goods imported from China remain in place (including the tariffs described above), and uncertainty remains as to the short- term and long- term future of economic relations between the United States and China. From September 2018 until April 2020, our Roomba products were subject to Section 301 tariffs. On April 24, 2020, we were granted a temporary exclusion from Section 301 List 3 tariffs by the United States Trade Representative (" USTR"). This exclusion, as extended in August 2020, eliminated the 25 % tariff on Roomba products until December 31, 2020. From January 1, 2021 to October 11, 2021, the 25 % Section 301 tariff again applied to our Roomba products imported from China. Additional exclusions from this tariff were granted by the USTR effective October 12, 2021 through December 31, 2022, and January 1, 2023 through ~~September 30~~ **May 31** , ~~2023~~ **2024** . Although we have **relocated** ~~begun relocating~~ a meaningful portion of our supply chain from China to Malaysia, we again face compression on our margin on products sold and pricing pressures on our products. Any additional or increased tariffs 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. These tariffs, and other governmental action relating to international trade agreements or policies, have directly or indirectly adversely impacted demand for our products, our costs, customers, suppliers, distributors, resellers and / or the U. S. economy or certain sectors thereof and, as a result, have adversely impacted, and we expect will continue to adversely impact, our business, financial condition and results of operations. It remains unclear what the U. S. or foreign governments will or will not do with respect to tariffs, international trade agreements and policies on a short- term or long- term basis. We cannot predict future trade policy, whether exclusions will be reinstated, or the terms of any renegotiated trade agreements and their impacts on our business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to further adversely impact demand for our products, our costs, our customers, our suppliers, and the U. S. economy, which in turn could further adversely impact our business, financial condition and results of operations. In response to international trade policy, as well as other risks associated with concentrated manufacturing in China, we **relocated** ~~have begun relocating~~ a meaningful portion of our supply chain from China to Malaysia. Such relocation activities increase costs and risks associated with establishing new manufacturing facilities. Global economic conditions and any associated impact on consumer spending could have a material adverse effect on our business, results of operations and financial condition. Continued economic uncertainty and reductions in consumer spending, particularly in certain international markets such as the European Union ~~, China~~ and Japan, may result in reductions in sales of our consumer robots. Additionally, disruptions in credit markets may materially limit consumer credit availability and restrict credit availability of our retail customers, which would also impact purchases of our consumer robots. Any reduction in sales of our consumer robots, resulting from reductions in consumer spending or continued disruption in the availability of credit to retailers or consumers, could materially and adversely affect our business, results of operations and financial condition. Because we are an increasingly global business that in fiscal **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , generated approximately **51. 9 %,** 48. 0 %, **and** 51. 8 ~~%, and 47. 9~~ %, respectively, of our total revenue from sales to customers outside of the United States, we are subject to a number of additional risks including foreign currency fluctuations. These foreign currency fluctuations may make our products more expensive to our distributors and end customers, which in turn may impact sales directly or the ability or willingness of our partners to invest in growing product demand. Our primary exposure to movements in foreign currency exchange rates relates to non- U. S. dollar denominated sales and operating expenses worldwide. Weakening of foreign currencies relative to the U. S. dollar could adversely affect the U. S. dollar value of our foreign currency- denominated sales and earnings, and lead us to raise international pricing, which may reduce demand for our products. In some circumstances, for competitive or other reasons, we may decide not to raise local prices to fully offset the strengthening of the U. S. dollar, or for any other reason, which would adversely affect the U. S. dollar value of our foreign currency denominated sales and earnings. Conversely, a strengthening of foreign currencies relative to the U. S. dollar, while generally beneficial to our foreign currency- denominated sales and earnings, could cause us to reduce international pricing, incur losses on our foreign currency derivative instruments, and incur increased operating expenses, thereby limiting any benefit. Additionally, strengthening of foreign currencies may also increase our cost of product components denominated in those currencies, thus adversely affecting gross margins. We use derivative instruments, such as foreign currency forward contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any, or only a portion, of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. In addition, our counterparties may be unable to meet the terms of the agreements. We seek to mitigate this risk by ~~limiting counterparties to major financial institutions and by~~ spreading the risk across several ~~major financial~~ institutions. We are subject to a variety of U. S. and foreign laws and regulations that are central to our business; our failure to comply with these laws and regulations could harm our business or our operating results. We are or may become subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business, including laws and regulations regarding consumer protection, advertising, electronic commerce, intellectual property, product liability, manufacturing, anti- bribery and anti- corruption, and economic or other trade prohibitions or sanctions. In the EU, recent changes to consumer protection laws and regulations have resulted in significant increases in the fines for non- compliance. We may also become subject to new EU laws mandating transparency for users of artificial intelligence systems. The increasingly global nature of our business operations subjects us to domestic and foreign laws and regulations such as the U. S. Foreign Corrupt Practices Act, the U. K. Bribery Act, and similar anti- bribery and anti- corruption laws in other jurisdictions. Our products are also subject to U. S. export controls, including the United States Department of Commerce’ s Export Administration Regulations and various economic and trade sanctions regulations established by the Treasury Department’ s Office of Foreign Assets Controls. In addition, our ~~recently acquired~~ air purifier business subjects us to additional laws and regulations, such as the Federal Food, Drug, and Cosmetic Act, or FD & C Act, the Federal Insecticide, Fungicide and Rodenticide Act, the U. S. Toxic Substances Control Act of 1976, U. S. Department of Energy Efficiency regulations, and various similar state and foreign country laws and regulations related to health and safety and other applicable laws required to manufacture, commercialize, sell or distribute air purification products. In the U. S., certain air purifiers intended for medical use are regulated as medical devices and are subject to regulation by the U. S. Food and Drug Administration, or FDA, under the FD & C Act and its implementing regulations. The FDA regulates, among other things, premarket clearance, establishment registration and device listing, manufacturing, packaging, labeling, servicing, recordkeeping, advertising, promotion, distribution, recalls and field actions, post- marketing monitoring and reporting. In order to commercially distribute certain air purifiers, we will be required to submit a premarket notification, or 510 (k), to the FDA and obtain 510 (k) clearance. We are also subject to a variety of laws and regulations regarding information security and privacy. For example, the European Union' s (" EU") General Data Protection Regulation (" GDPR") and the California Consumer Privacy Act, or new interpretations of existing laws and regulations, impose significant requirements on how we collect, process and transfer personal data, as well as significant fines for non- compliance. These current and future data privacy laws and regulations may impede our initiatives designed to deliver targeting marketing. Given the increasing number of foreign laws to which we are subject and the high level of complexity of these laws, there is a risk that some provisions may be inadvertently breached by us or by our subsidiaries, for example through fraudulent or negligent behavior of individual employees, our failure to comply with certain formal documentation requirements, or otherwise. If we incur liability for noncompliance under these laws or regulations, we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain products or services, which would negatively affect our business, financial condition, and operating results. In addition, any negative publicity directed to us as a result of lawsuits, regulatory proceedings, and legislative proposals could harm our brand or otherwise impact the growth of our business. Any costs incurred as a result of compliance efforts or other liabilities under these laws or regulations could harm our business and operating results. We may incur costs in complying with changing tax laws in the United States and abroad, which could adversely impact our cash flow, financial condition and results of operations. We are a U. S.- based company subject to taxes in multiple U. S. and foreign tax jurisdictions. Our profits, cash flow and effective tax rate could be adversely affected by changes in the tax rules and regulations in the jurisdictions in which we do business, unanticipated changes in statutory tax rates and changes to our global mix of earnings. Environmental laws and regulations and unforeseen costs could negatively impact our future earnings. The manufacture and sale of our products in certain states and countries may subject us to environmental and other regulations. We also face increasing complexity in our product design as we adjust to legal and regulatory requirements relating to our products. There is no assurance that such existing laws or future laws will not impair future earnings or results of operations. Business disruptions resulting from international uncertainties could negatively impact our profitability. We derive, and expect to continue to derive, a significant portion of our revenue from international sales in various European and Asian markets, and Canada. For ~~the~~ fiscal **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~, sales to non- U. S. customers accounted for **51. 9 %,** 48. 0 %, **and** 51. 8 ~~%, and 47. 9~~ % 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. If we experience a disaster or other business continuity problem, we may not be able to recover successfully, which could cause material financial loss, loss of human capital, regulatory actions, reputational harm, or legal liability. If we experience a local or regional disaster or other business continuity problem, such as an earthquake, terrorist attack, pandemic or other natural or man- made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. As we grow our operations in new geographic regions, the potential for particular types of natural or man- made disasters, political, economic or infrastructure instabilities, or other country- or region- specific business continuity risks increases. For example, the COVID- 19 pandemic **impacted** ~~has disrupted and will continue to disrupt~~ our supply chain and manufacturers, resulting in a disruption in manufacturing our products as further discussed in the risk factors entitled" We depend on a limited number of manufacturers, and our reputation and results of operations would be harmed if these manufacturers fail to meet our requirements ~~" below and" Our business has been, and will continue to be, adversely affected by the continuing effects of the coronavirus pandemic~~ " above. The effects of regulations relating to conflict minerals may adversely affect our business. The SEC requires companies that use certain minerals and metals, known as conflict minerals, in their products, whether or not these products are manufactured by third parties to research, disclose and report whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. These requirements could adversely affect the sourcing, availability and pricing of such minerals if they are found to be used in the manufacture of our products. In addition, we continue to incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. Since our supply chain is complex, we may not be able to sufficiently verify the origins for these minerals and metals used in our products through the due diligence procedures that we implement, which may harm our reputation. In such event, we may also face difficulties in satisfying customers who require that all of the components of our products are certified as conflict mineral free. Risks related to our Intellectual Property and Technology If we fail to protect, or incur significant costs in defending, our intellectual property and other proprietary rights, our business and results of operations could be materially harmed. Our success depends on our ability to protect our intellectual property and other proprietary rights. We rely primarily on patents, trademarks, copyrights, trade secrets and unfair competition laws, as well as license agreements and other contractual provisions, to protect our intellectual property and other proprietary rights. Significant technology used in our products, however, is not the subject of any patent protection, and we may be unable to obtain patent protection on such technology in the future. Moreover, existing U. S. legal standards relating to the validity, enforceability and scope of protection of intellectual property rights offer only limited protection, may not provide us with any competitive advantages, and may be challenged by third parties. In addition, the laws of countries other than the United States in which we market our products may afford little or no effective protection of our intellectual property. Patents which may be granted to us in certain foreign countries may be subject to opposition proceedings brought by third parties or result in suits by us, which may be costly and result in adverse consequences for us. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property or otherwise gaining access to our technology. Unauthorized third parties may try to copy or reverse engineer our products or portions of our products or otherwise obtain and use our intellectual property. If we fail to protect our intellectual property and other proprietary rights, our business, results of operations or financial condition could be materially harmed. In addition, defending our intellectual property rights may entail significant expense. We believe that certain products in the marketplace may infringe our existing intellectual property rights. We have, from time to time, resorted to legal proceedings to protect our intellectual property and may continue to do so in the future. For example, on October 15, 2019, we initiated a patent infringement lawsuit in federal district court in Massachusetts against SharkNinja Operating LLC and its related entities (" SharkNinja") for infringement of five patents for technology related to robotic vacuum cleaners. In addition, we sought a preliminary injunction against SharkNinja for infringement of three U. S. patents. SharkNinja has in parallel sought declarations of non- infringement of thirteen U. S. patents owned by iRobot. On November 26, 2019, the federal district court in Massachusetts denied iRobot' s motion for a preliminary injunction. On January 28, 2021, we initiated litigation against SharkNinja at the U. S. International Trade Commission (" ITC") as well as in federal district court in Massachusetts based on claims of patent infringement of five additional U. S. patents, and on January 5- 12, 2022 the ITC held a trial on four of those patents ~~and a final determination has not been made~~ . In ~~October~~ **March** ~~2022~~ **2023** , we received a favorable ~~initial~~ **final** determination in our patent infringement action against SharkNinja at the ITC. The ruling, which found that SharkNinja had infringed valid claims of ~~multiple~~ iRobot **' s** asserted patents, recommends that the ITC issue an order barring the importation of various infringing SharkNinja robotic cleaning products **.**

SharkNinja has appealed this ruling . 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. **The intellectual property ownership and license rights, including copyright, surrounding AI technologies, which we are increasingly building into our products, have not been fully addressed by U. S. courts or other federal, state or foreign laws or regulations, and the use or adoption of AI technologies in our products and services may expose us to copyright infringement or other intellectual property misappropriation claims.** In addition, any of our intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. If we resort to legal proceedings to enforce our intellectual property rights or to determine the validity and scope of the intellectual property or other proprietary rights of others, the proceedings could result in significant expense to us and divert the attention and efforts of our management and technical employees, even if we were to prevail. In addition, in the United States certain of our patents have been, and may continue to be, challenged by inter parte review or opposition proceedings. If our patents are subjected to inter parte review or opposition proceedings, we may incur significant costs to defend them. Further, our failure to prevail in any such proceedings could limit the patent protection available for our innovations. We may be sued by third parties for alleged infringement of their proprietary rights, which could be costly, time- consuming and limit our ability to use certain technologies in the future. In the past we have faced multiple lawsuits based on claims of patent infringement. If the size of our markets increases, we would be more likely to be subject to claims that our technologies infringe upon the intellectual property or other proprietary rights of third parties. In addition, the vendors from which we license technology used in our products could become subject to similar infringement claims. Our vendors, or we, may not be able to withstand third- party infringement claims. Any claims, with or without merit, could be time- consuming and expensive, and could divert our management' s attention away from the execution of our business plan. Moreover, any settlement or adverse judgment resulting from the claim could require us to pay substantial amounts or obtain a license to continue to use the technology that is the subject of the claim, or otherwise restrict or prohibit our use of the technology. There can be no assurance that we would be able to obtain a license from the third party asserting the claim on commercially reasonable terms, if at all, that we would be able to develop alternative technology on a timely basis, if at all, or that we would be able to obtain a license to use a suitable alternative technology to permit us to continue offering, and our customers to continue using, our affected product. In addition, we may be required to indemnify our retail and distribution partners for third- party intellectual property infringement claims, which would increase the cost to us of an adverse ruling in such a claim. An adverse determination could also prevent us from offering our products to others. Infringement claims asserted against us or our vendors may have a material adverse effect on our business, results of operations or financial condition. In addition, we incorporate open source software into our products, and we may continue to incorporate open source software into our products in the future. Open source software is generally licensed by its authors or other third parties under open source licenses. Some of these licenses contain requirements that we make available source code for modifications or derivative works we create based upon the open source software, and that we license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. If an author or other third party that distributes open source software that we use or license were to allege that we had not complied with the conditions of the applicable license, we could be required to incur significant legal expenses defending against those allegations and could be subject to significant damages, enjoined from offering or selling our products that contained the open source software and required to comply with the foregoing conditions. Any of the foregoing could disrupt and harm our business and financial condition. Cybersecurity risks could adversely affect our business and disrupt our operations. The threats to network and data security are increasingly diverse and sophisticated. Despite our efforts and processes to prevent breaches, our devices, as well as our servers, computer systems, and those of third parties that we use in our operations are vulnerable to cybersecurity risks, including cyber attacks such as viruses and worms, phishing attacks, distributed denial- of- service attacks, ransomware, and similar disruptions from unauthorized tampering with our servers and computer systems or those of third parties that we use in our operations, which could lead to interruptions, delays, loss of critical data, and loss of consumer confidence. In addition, we may be the target of email scams that attempt to acquire sensitive information or company assets. Despite our efforts to create security barriers to such threats, we may not be able to entirely mitigate these risks. These threats may be increased due to ~~the~~ work- from- home policies implemented by us and our customers, suppliers and distributors ~~as a result of mitigation measures related to the COVID- 19 pandemic~~ . Any cyber attack that attempts to obtain our data and assets, disrupt our service, or otherwise access our systems, or those of third parties we use, if successful, could adversely affect our business, operating results, and financial condition, be expensive to remedy, and damage our reputation. Our cyber insurance may not protect against all of the costs and liabilities arising from a cyber attack. If we suffer data breaches involving the designs, schematics or source code for our products, our brand, business and financial results could be adversely affected. We attempt to securely store our designs, schematics and source code for our products as they are created. A breach, whether physical, electronic or otherwise, of the systems on which this sensitive data is stored could lead to damage or piracy of our products. If we or our partners are subject to data security breaches, we may have a loss in sales or increased costs arising from the restoration or implementation of additional security measures, either of which could materially and adversely affect our brand, business and financial results. We operate our business in jurisdictions where intellectual property theft or compromise is common. Currently, we maintain significant operations in China, where a majority of our products are manufactured. Subject to contractual confidentiality obligations, we are required to share significant product design materials with third- parties necessary for the design and manufacture of our products. We cannot be sure that our data or intellectual property will not be compromised through cyber- intrusion, theft or other means, particularly when the data or intellectual property is held by partners in foreign jurisdictions. Should our intellectual property be compromised, it may be difficult to enforce our rights in China and other foreign jurisdictions in which we operate. We collect, store, process, and use customer data, including certain personal and robot- specific information, which subjects us to governmental regulation and other legal obligations related to privacy, information security, and data protection, and any security breaches or our actual or perceived failure to comply with such legal obligations could harm our business. Our latest floor cleaning robots, as well as additional products in development, collect, store, process, and use certain customer data, which subjects us to governmental regulation and other legal obligations related to privacy, information security, and data protection, and any security breaches or our actual or perceived failure to comply with such legal obligations could harm our business. We collect, store, process, and use personal information and other user data, and we rely on third parties that are not directly under our control to do so as well. If our security measures, some of which are managed by third parties, are breached or fail, unauthorized persons may be able to obtain access to or acquire sensitive user data, which may expose us to a risk of loss, litigation, or regulatory proceedings. Depending on the nature of the information compromised, in the event of a data breach or other unauthorized access to or acquisition of our user data, we may also have obligations to notify users about the incident, and we may need to provide some form of remedy, such as a subscription to a credit monitoring service, for the individuals affected by the incident. In addition, the regulatory environment surrounding information security and privacy is increasingly demanding, with frequent imposition of new and changing requirements. For example, the **EU** ~~European Union~~ ' s ~~(" EU") General Data Protection Regulation ("~~ GDPR ~~")~~ and the California Consumer Privacy Act impose significant requirements on how we collect, process and transfer personal data, as well as significant fines for non- compliance. Compliance with changes in privacy and information security laws and standards may result in significant expense due to increased investment in technology and the development of new operational processes. Moreover, a growing number of legislative and regulatory bodies have adopted consumer notification requirements in the event of unauthorized access to or acquisition of certain types of personal data. Such breach notification laws continue to evolve and may be inconsistent from one jurisdiction to another. Complying with these obligations could cause us to incur substantial costs and could increase negative publicity surrounding any incident that compromises user data. Further, we may be or become subject to data localization laws mandating that data collected in a foreign country be processed and stored only within that country. Russia adopted such a law in 2014, and a similar law became effective in China in November 2021. If other countries in which we have customers were to adopt a data localization law, we could be required to expand our data storage facilities there or build new ones in order to comply. The expenditure this would require, as well as costs of compliance generally, could harm our financial condition. Our products are complex and could have unknown defects or errors, which may give rise to claims against us, diminish our brand or divert our resources from other purposes. Our robots rely on the interplay among behavior- based artificially intelligent systems, real- world dynamic sensors, user- friendly interfaces and tightly- integrated, electromechanical designs to accomplish their missions. Despite testing, our new or existing products have contained defects and errors and may in the future contain defects, errors or performance problems when first introduced, when new versions or enhancements are released, or even after these products have been used by our customers for a period of time. These problems have and may continue to result in expensive and time- consuming design modifications or warranty charges, delays in the introduction of new products or enhancements, significant increases in our service and maintenance costs, exposure to liability for damages, mandatory or voluntary recall or product upgrades, damaged customer relationships and harm to our reputation, any of which could materially harm our results of operations and ability to achieve market acceptance. Our quality control procedures relating to the raw materials and components that ~~it~~ **we** ~~receives~~ **receive** from third- party suppliers as well as our quality control procedures relating to ~~its~~ **our** 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 use artificial intelligence in our business, and challenges with properly managing its use could result in reputational harm, competitive harm, and legal liability, and adversely affect our results of operations. We have in the past and may in the future incorporate AI solutions into our products and features, and these applications may continue to become increasingly important in our operations over time. Our competitors or other third parties may incorporate AI into their products more quickly or more successfully than us, which could impair our ability to compete effectively and adversely affect our results of operations. Additionally, if the content, analyses, or recommendations that AI applications assist in producing are or are alleged to be deficient, inaccurate, or biased, our business, financial condition, and results of operations may be adversely affected. AI technologies, including generative AI, may create content that appears correct but is factually inaccurate or flawed, or contains copyrighted or other protected material, and if our customers or others use this content to their detriment, we may be exposed to brand or reputational harm, competitive harm, and / or legal liability. Developing, testing and deploying AI systems may also increase the cost profile of our products due to the nature of the computing costs involved in such systems. In addition, the use of AI applications may result in, cybersecurity incidents that implicate the personal data of end users of such applications. Any such cybersecurity incidents related to our use of AI applications could adversely affect our reputation and results of operations. AI also presents emerging ethical issues and if our use of AI becomes controversial, we may experience brand or reputational harm, competitive harm, increased research and development costs, or legal liability. The rapid evolution of AI, including potential government regulation of AI, require significant resources to develop, test and maintain our products and features to help us implement AI ethically in order to minimize unintended, harmful impact** . Risks Related to Ownership of our Common Stock The market price of our common stock may fluctuate significantly. The market price of our common stock has at times experienced substantial price volatility as a result of variations between our actual and anticipated financial results, announcements by us and our competitors, projections or speculation about our business or that of our competitors by the media or investment analysts or uncertainty about current global economic conditions. **Recently, our stock price has significantly fluctuated and declined. During the pendency of the Merger, the trading price**

of our common stock was volatile, has continued to be volatile since the termination of the Merger Agreement, and may fluctuate significantly in the future in response to numerous factors, many of which are outside our control. From August 5, 2022 (the date of the initial announcement of the proposed merger with Amazon) until February 26, 2024, the closing price per share of our common stock ranged from a high of $ 59. 92 to a low of $ 11. 63. The stock market, as a whole, also has experienced extreme price and volume fluctuations that have affected the market price of the common stock of many technology companies in ways that may have been unrelated to such companies' operating performance. In addition, the market price of our common stock may be, and we believe recently has been, significantly impacted by investors covering large short positions in our common stock. Furthermore, we believe the market price of our common stock should reflect future growth and profitability expectations. If we fail to meet these expectations, the market price of our common stock may significantly decline. In addition, there are many other factors that may cause the market price of our common stock to fluctuate, including: • **investors that acquired our common stock during the pendency of the Merger may sell their shares of common stock; • stockholder litigation could be brought against us relating to the termination of the Merger Agreement; • loss of key personnel; •** 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; ~~• the pending Merger with Amazon,~~ and • changes in our capital structure, such as future issuances of securities or the incurrence of additional debt. Our financial results often vary significantly from quarter- to- quarter due to a number of factors, which may lead to volatility in our stock price. Our quarterly revenue and other operating results have varied in the past and are likely to continue to vary significantly from quarter- to- quarter in the future. These fluctuations may be due to numerous factors including: • the size, timing and mix of orders from retail stores and distributors for our consumer robots; • the mix of products that we sell in the period; • disruption of supply of our products from our manufacturers; • disruptions to our supply chain due to inclement weather, pandemics, labor disruptions **, terrorism, hostile acts** or other factors beyond our control ~~, including COVID- 19~~ ; • seasonality in the sales of our products; • the timing of new product introductions; • unanticipated costs incurred in the introduction of new products; • costs and availability of labor and raw materials; • costs of freight and tariffs; • changes in our rate of returns for our consumer products; • our ability to introduce new products and enhancements to our existing products on a timely basis; and • warranty costs associated with our consumer products ~~. We do not expect that our revenues will grow at rates that will allow us to achieve profitability for the foreseeable future, and we may not achieve a return to profitability in the future~~ . We base our current and future expense levels on our internal operating plans and sales forecasts, including forecasts of holiday sales for our consumer products. A significant portion of our operating expenses, such as research and development expenses, certain marketing and promotional expenses and employee wages and salaries, do not vary directly with sales and are difficult to adjust in the short term. As a result, if sales for a quarter are below our expectations, we might not be able to reduce operating expenses for that quarter. Accordingly, a sales shortfall during a fiscal quarter, and in particular the fourth quarter of a fiscal year, could have a disproportionate effect on our operating results for that quarter or that year. Because of quarterly fluctuations, we believe that quarter- to- quarter comparisons of our operating results are not necessarily meaningful. Moreover, our operating results may not meet expectations of equity research analysts or investors. If this occurs, the trading price of our common stock could fall substantially either suddenly or over time. Provisions in our certificate of incorporation and by- laws or Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock. Provisions of our certificate of incorporation and by- laws and Delaware law may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares of our common stock. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. These provisions include: • limitations on the removal of directors; • a classified board of directors so that not all members of our board are elected at one time; • advance notice requirements for stockholder proposals and nominations; • the inability of stockholders to act by written consent or to call special meetings; • the ability of our board of directors to make, alter or repeal our by- laws; and • the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval. The affirmative vote of the holders of at least 75 % of our shares of capital stock entitled to vote is necessary to amend or repeal the above provisions of our certificate of incorporation. In addition, absent approval of our board of directors, our by- laws may only be amended or repealed by the affirmative vote of the holders of at least 75 % of our shares of capital stock entitled to vote. In addition, Section 203 of the Delaware General Corporation Law prohibits a publicly- held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns, or within the last three years has owned, 15 % of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The existence of the foregoing provisions and anti- takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition. ~~Risks Related to the Merger The Merger, the pendency of the Merger or our failure to complete the Merger could have a material adverse effect on our business, results of operations, financial condition and stock price. On August 4, 2022, we entered into the Merger Agreement with Amazon and Merger Sub, providing for the acquisition of iRobot by Amazon. Completion of the Merger is subject to the satisfaction of various conditions, including (1) the adoption of the Merger Agreement by a majority of the holders of the outstanding shares of our common stock (which we obtained at the special meeting of our stockholders held on October 17, 2022), (2) the expiration or early termination of the~~

~~applicable waiting period under the Hart- Scott- Rodino Antitrust Improvements Act of 1976, as amended, and certain other approvals, clearances or expirations of waiting periods under other antitrust laws and foreign investment laws, (3) the absence of any order, injunction or law prohibiting the consummation of the Merger, (4) the accuracy of the other party' s representations and warranties, subject to certain materiality standards set forth in the Merger Agreement, (5) compliance in all material respects with the other party' s obligations under the Merger Agreement, and (6) no Material Adverse Effect (as defined in the Merger Agreement) having occurred since the date of the Merger Agreement that is continuing. There is no assurance that all of the various conditions will be satisfied, or that the Merger will be completed on the proposed terms, within the expected timeframe, or at all. Furthermore, there are additional inherent risks in the Merger, including the risks detailed below. During the period prior to the closing of the Merger, our business is exposed to certain inherent risks due to the effect of the announcement or pendency of the Merger on our business relationships, financial condition, operating results and business, including: • uncertainty or competitive forces in the marketplace, which could lead current and prospective customers, retailers and distributors to purchase products from others or reduce, delay or cancel purchasing from us; for example, in early November 2022, we were notified by one of our top five customers by revenue that it planned to cease purchasing our products effective immediately, which we believe is a direct result of the pending Merger. Following discussions with this customer, the customer plans to purchase our products for at least the first six months of 2023; • uncertainty caused by negative sentiment in the marketplace with respect to treatment of user data and concerns about possible changes to our products and services or policies; • disruption to our business and operations, including diversion of management attention and resources; • the inability to attract and retain key personnel, and the possibility that our current employees could be distracted, and their productivity decline as a result, due to uncertainty regarding the Merger; • the inability to pursue alternative business opportunities or make changes to our business pending the completion of the Merger, and other restrictions on our ability to conduct our business; • our inability to solicit other acquisition proposals during the pendency of the Merger; • the amount of the costs, fees, expenses and charges related to the Merger Agreement and the Merger; and • other developments beyond our control, including, but not limited to, changes in domestic or global economic conditions that may affect the timing or success of the Merger. The Merger may be delayed, and may ultimately not be completed, due to a number of factors, including: • the receipt on September 19, 2022, of a request for additional information and documentary materials (the" Second Request") from the Federal Trade Commission (" FTC") in connection with the FTC' s review of the Merger; • the failure to obtain regulatory approvals from various governmental entities (or the imposition of any conditions, limitations or restrictions on such approvals); • potential future stockholder litigation and other legal and regulatory proceedings, which could delay or prevent the Merger; and • the failure to satisfy the other conditions to the completion of the Merger, including the possibility that a Material Adverse Effect on our business would permit Amazon not to close the Merger. If the Merger does not close, our business and stockholders would be exposed to additional risks, including: • to the extent that the current market price of our common stock reflects an assumption that the Merger will be completed, the price of our common stock could decrease if the Merger is not completed; • investor confidence could decline, stockholder litigation could be brought against us, relationships with existing and prospective customers, distributors, retailers, service providers, investors, lenders and other business partners may be adversely impacted, we may be unable to retain key personnel, and profitability may be adversely impacted due to costs incurred in connection with the pending Merger; • the requirement that we pay a termination fee of $ 56. 0 million if the Merger Agreement is terminated in certain circumstances, including by the Company to enter into a superior proposal or by Amazon because the Board withdraws its recommendation in favor of the Merger; and • the potential inability of the Company to restore business with any customers, retailers, or distributors lost due to uncertainty or competitive forces in the marketplace relating to the pending Merger, including the loss of one of the Company' s top five customers by revenue in early November 2022, that is believed to have been caused by the pending Merger, as well as the potential negative impact of these forces on the ability of the Company to attract prospective customers, which could adversely impact the Company' s business, financial condition, and stock price in the event that the Merger is not completed. Even if successfully completed, there are certain risks to our stockholders from the Merger, including: • the amount of cash to be paid under the Merger Agreement is fixed and will not be adjusted for changes in our business, assets, liabilities, prospects, outlook, financial condition or operating results or in the event of any change in the market price of, analyst estimates of, or projections relating to, our common stock; • the fact that receipt of the all- cash per share merger consideration under the Merger Agreement is taxable to stockholders that are treated as U. S. holders for U. S. federal income tax purposes; and • the fact that, if the Merger is completed, our stockholders will forego the opportunity to realize the potential long- term value of the successful execution of our current strategy as an independent company. While the Merger Agreement is in effect, we are subject to restrictions on our business activities. While the Merger Agreement is in effect, we are generally required to conduct our business in the ordinary course consistent with past practice, and are restricted from taking certain actions without Amazon' s prior consent, which is not to be unreasonably withheld, conditioned or delayed. These limitations include, among other things, certain restrictions on our ability to amend our organizational documents, acquire other businesses and assets, dispose of our assets, make investments, repurchase, reclassify or issue securities, make loans, pay dividends, incur indebtedness, make capital expenditures, enter into, amend or terminate certain contracts, change accounting policies or procedures, initiate or settle certain litigation, change tax classifications and elections, or take certain actions relating to intellectual property. These restrictions could prevent us from pursuing strategic business opportunities and taking actions with respect to our business, including effectively responding to competitive pressures and industry developments, that we may consider advantageous and may, as a result, materially and adversely affect our business, results of operations and financial condition.~~