BIOCRYST PHARMACEUTICALS INC
Form 424B5
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The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated August 1, 2018

Prospectus supplement
(To prospectus dated December 12, 2017)

$50,000,000

Common stock

BioCryst Pharmaceuticals, Inc. is offering $50,000,000 of shares of its common stock.

Our common stock is listed on the Nasdaq Global Select Market under the symbol “BCRX.” On July 31, 2018, the last reported sale price of our common stock on the Nasdaq Global Select Market was $5.90 per share.

	Per share	Total
Public offering price	$	
Underwriting discounts and commissions[(1)]	$	

Proceeds to BioCryst, before expenses	$

(1) We have agreed to reimburse the underwriters for certain FINRA-related expenses. See "Underwriting."

We have granted the underwriters an option for a period of 30 days to purchase up to $7,500,000 of additional shares of our common stock at the public offering price less the underwriting discounts and commissions.

Investing in our common stock involves risks. See "Risk factors" on page S-5 of this prospectus supplement and in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus for a discussion of the factors you should carefully consider before deciding to purchase shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares on or about August , 2018

Joint book-running managers

J.P. Morgan Jefferies

August , 2018

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About this prospectus supplement

This document is part of a registration statement that we filed with the Securities and Exchange Commission (the "SEC") using a "shelf" registration process and consists of two parts. The first part is the prospectus supplement, which describes the specific terms of this offering of shares of our common stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, or the base prospectus, dated December 12, 2017, including the documents incorporated by reference therein, which provides more general information, some of which may not apply to this offering. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. You should read both this prospectus supplement and the accompanying prospectus, together with the additional information described under the caption "Where you can find more information" below.

Neither we nor the underwriters have authorized anyone to provide you with information different from that contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any free writing prospectus prepared by us or on our behalf. We and the underwriters take no responsibility for, and can provide no assurances as to the reliability of, any information other than the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any free writing prospectus prepared by us or on our behalf. Neither we nor the underwriters are offering to sell, nor seeking offers to buy, shares of our common stock in any jurisdiction where an offer or sale is prohibited. You should assume that the information appearing in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any free writing prospectus prepared by us or on our behalf is accurate or complete only as of their respective dates or on the date or dates which are specified in such documents, and that any information in documents that we have incorporated by reference is accurate or complete only as of the date of such document incorporated by reference. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates. Management estimates are derived from publicly available information, our knowledge of our industry and assumptions based on such information and knowledge, which we believe to be reasonable. In addition, assumptions and estimates of our and our industry's future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk factors" in this prospectus supplement, the accompanying prospectus and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, each of which is incorporated by reference into this prospectus supplement. These and other important factors could cause our future performance to differ materially from our assumptions and estimates. See "Forward-looking statements."

If the information set forth in this prospectus supplement, on the one hand, differs in any way from the information set forth in the accompanying prospectus or in a document which is incorporated by reference herein or therein that was filed with the SEC before the date of this prospectus supplement, on the other hand, you should rely on the information set forth in this prospectus supplement. If any statement in one of these documents conflicts with a statement in another document having a later date (for example, a document incorporated by reference in this prospectus supplement or in the accompanying prospectus), the statement in the document having the later date modifies or supersedes the earlier statement.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement and the accompanying prospectus to “BioCryst,” the “Company,” “we,” “us” and “our” refer to BioCryst Pharmaceuticals, Inc. together with its consolidated subsidiaries.

Forward-looking statements

This prospectus supplement and the accompanying prospectus, including the information we incorporate by reference, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are subject to the "safe harbor" created in Section 21E. All statements other than statements of historical facts contained in this prospectus supplement, the accompanying prospectus and the information we incorporate herein and therein by reference are forward-looking statements. These forward-looking statements can generally be identified by the use of words such as "may," "will," "intends," "plans," "believes," "anticipates," "expects," "estimates," "predicts," "potential," the n these words or similar expressions. Statements that describe our future plans, strategies, intentions, expectations, objectives, goals or prospects are also forward-looking statements. These forward-looking statements include, but are not limited to, statements about:

- the preclinical development, clinical development, commercialization, or post-marketing studies of our product candidates and products, including our hereditary angioedema ("HAE") programs, peramivir, galidesivir, and early stage discovery programs;
- the potential funding from our contracts with the Biomedical Advanced Research and Development Authority (the "BARDA/HHS") and the National Institute of Allergy and Infectious Diseases ("NIAID/HHS") for the development of galidesivir;
- the potential for government stockpiling orders of peramivir, additional regulatory approvals of peramivir, or milestones, royalties or profit from sales of peramivir by us or our partners;
- the potential use of peramivir as a treatment for H1N1, H5N1, and H7N9 or other strains of influenza;
- the implementation of our business model, strategic plans for our business, products, product candidates and technology;
- our ability to establish and maintain collaborations or out-license rights to our product candidates;
- the outcome, cost and timing of any resolution of disputes and legal proceedings, including but not limited to disputes with our partners Seqirus UK Limited ("SUL") and Shionogi & Co., Ltd. ("Shionogi");
- plans, programs, progress and potential success of our collaborations, including SUL for peramivir, Mundipharma International Holdings Limited ("Mundipharma") for mundesine, and Shionogi and Green Cross Corporation ("Green Cross") for peramivir in their territories;
- our ability, and the ability of our consolidated subsidiary, MDCP, LLC, to satisfy obligations under our $30 million secured loan facility with MidCap Financial, a Delaware statutory trust ("MidCap"), pursuant to the terms and conditions of the Amended and Restated Security Agreement dated as of July 20, 2018;
- the ability of our wholly-owned subsidiary, JPR Royalty Sub LLC ("Royalty Sub"), to service its payment obligations in respect of its PhaRMA Senior Secured 14.0% Notes due 2020 (the "PhaRMA Notes");

- the foreign currency hedge agreement entered into by us in connection with the issuance by Royalty Sub of the PhaRMA Notes (the "Currency Hedge Agreement");
- the scope of protection we are able to establish and maintain for intellectual property rights covering our product candidates and technology;
- our ability to operate our business without infringing the intellectual property rights of others;
- estimates of our expenses, revenues, capital requirements, annual cash utilization, and our needs for additional financing;
- our ability to continue as a going concern;
- the timing or likelihood of regulatory filings or regulatory agreements, deferrals and approvals;
- our ability to raise additional capital to fund our operations or repay our recourse debt obligations;

•the timing or likelihood of entering into a U.S. government stockpile order and our ability to execute any such order;

•our ability to comply with the covenants as set forth in the agreements governing our debt obligations;

•our financial performance; and

•competitive companies, technologies and our industry.

These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under “Risk factors” and elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein. Any forward-looking statement reflects our current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, industry and future growth. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

Discussions containing these forward-looking statements are also included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” incorporated by reference from our most recent Annual Report on Form 10-K, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 and our Current Reports on Form 8-K, as well as any amendments we make to those filings with the SEC.

Prospectus supplement summary

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus prepared by us or on our behalf and does not contain all of the information that you should consider before investing in shares of our common stock. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the "Risk factors" section of this prospectus supplement beginning on page S-5 and the consolidated financial statements and related notes and other information incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision.

BioCryst Pharmaceuticals, Inc.

We are a biotechnology company that designs, optimizes and develops novel small molecule drugs that block key enzymes involved in the pathogenesis of diseases. We focus on oral treatments for rare diseases in which significant unmet medical needs exist and that align with our capabilities and expertise. We integrate the disciplines of biology, crystallography, medicinal chemistry and computer modeling to discover and develop small molecule pharmaceuticals through the process known as structure-guided drug design. Structure-guided drug design is a drug discovery approach by which we design synthetic compounds from detailed structural knowledge of the active sites of enzyme targets associated with particular diseases. We use X-ray crystallography, computer modeling of molecular structures and advanced chemistry techniques to focus on the three-dimensional molecular structure and active site characteristics of the enzymes that control cellular biology. Enzymes are proteins that act as catalysts for many vital biological reactions. Our goal generally is to design a compound that will fit in the active site of an enzyme and thereby prevent its catalytic activity. Molecules from our discovery efforts which are commercially available or that are in active development are summarized in the table below:

Drug/Drug Candidate	Drug Class	Therapeutic Area(s)	Phase	Rights
RAPIVAB® (peramivir injection)	Intravenous Neuraminidase Inhibitor	Acute uncomplicated Influenza	Approved (U.S., Australia & Canada)	Seqirus (worldwide, except Japan, Korea, Taiwan and Israel) BioCryst retains full U.S. Government stockpiling rights
ALPIVAB™	Intravenous Neuraminidase Inhibitor	Acute uncomplicated	Approved (European	Seqirus (worldwide, except Japan, Korea, Taiwan and

(peramivir injection)		Influenza	Union)	Israel)
RAPIACTA® (peramivir injection)	Intravenous Neuraminidase Inhibitor	Uncomplicated seasonal influenza	Approved (Japan & Taiwan)	Shionogi (Japan & Taiwan)
PERAMIFLU® (peramivir injection)	Intravenous Neuraminidase Inhibitor	Uncomplicated seasonal influenza	Approved (Korea)	Green Cross (Korea)
BCX7353	Oral Serine Protease Inhibitor Targeting Plasma Kallikrein (intended to be a once-daily prophylactic treatment)	Hereditary Angioedema (“HAE”)	Phase 3	BioCryst (worldwide)

	Distinct and different oral dose formulation for acute treatment		Phase 2 proof of concept	
BCX9250 BCX9499	Activin Receptor-Like Kinase-2 Inhibitors	Fibrodysplasia Ossificans Progressiva (“FOP”)	Preclinical	BioCryst (worldwide)
BCX9930	New Molecular Entity	Undisclosed	Preclinical	BioCryst (worldwide)
Galidesivir (formerly BCX4430)	RNA dependent-RNA Polymerase Inhibitor	Broad spectrum antiviral for 20 RNA viruses, including Ebola, Marburg, and Zika	Phase 1	BioCryst (worldwide)
Mundesine® (forodesine)	Oral Purine Nucleoside Phosphorylase Inhibitor	Oncology - PTCL	Approved (Japan)	Mundipharma (worldwide)

Business Strategy

Our business strategy is to create shareholder value by focusing our discovery and development efforts on oral drugs for rare diseases for which a significant unmet medical need exists. We select disease targets and product candidates in which a small molecule would offer a significant benefit over existing products or would be the first to market. We strive to advance our product candidate portfolio from discovery to commercial markets efficiently by utilizing a small group of talented and highly-skilled employees working in conjunction with strategic outsource partners. BioCryst is unique in its approach to treat orphan diseases with orally-administered, small molecules utilizing crystallography and structure-guided drug design. The principal elements of our strategy are:

- Focusing on High Value-Added Structure-Guided Drug Design Technologies. We utilize structure-guided drug design in order to most efficiently develop new therapeutic candidates. Structure-guided drug design is a process by which we design a product candidate through detailed analysis of the enzyme target, which the product candidate must inhibit in order to stop the progression of the disease or disorder. We believe that structure-guided drug design is a powerful tool for the efficient development of small-molecule product candidates that have the potential to be safe and effective. Our structure-guided drug design technologies typically allow us to design and synthesize multiple product candidates that inhibit the same enzyme target, with the goal of establishing broad patent protection and formulating compounds with competitive advantages.

- Selecting Inhibitors that are Promising Product Candidates. We start by selecting disease targets with well-understood biology and characteristics that fit with our ability to utilize structure-guided drug design capabilities to build potent and specific enzyme inhibitors. Next, we narrow our selection of these product

candidates based on product characteristics, such as initial indications of safety and biologic activity on the target.

- Developing our Product Candidates Efficiently. An important element of our business strategy is to efficiently progress our product candidates through the development process. In order to accomplish this, we typically strive for disease targets with a defined clinical and regulatory pathway for approval. In addition, we control fixed costs and overhead by outsourcing with strategic partners and contractors or entering into license agreements with third parties, including the U.S. Government. We maintain a streamlined corporate infrastructure that focuses our expertise. By contracting with the U.S. Government and outsourcing certain aspects of our operations, we are able to control overhead costs and focus financial resources directly where they provide the most benefit and reduce our business risk.

Recent Developments

2018 Revised Financial Outlook Due to Merger Costs

Based upon development plans, merger-related incurred costs from the recently terminated merger agreement with Idera Pharmaceuticals, Inc. and awarded government contracts, we have revised our stand-alone 2018 guidance and expect our 2018 net operating cash use to be in the range of $85 to $105 million, revised from previously issued guidance of $67 to $90 million, and our 2018 operating expenses to be in the range of $90 to $110 million, revised from previously issued guidance of $85 to $110 million. Our operating expense range excludes equity-based compensation expense due to the difficulty in reliably projecting this expense, as it is impacted by the volatility and price of our stock, as well as by the vesting of our outstanding performance-based stock options.

Preliminary Cash and Investments Estimate

Based on currently available information, we estimate that our cash and cash equivalents, restricted cash, and investments as of June 30, 2018 totaled approximately $122 million, as compared to approximately $138 million as of March 31, 2018. This estimate is preliminary and based only on currently available information. As we complete our quarter-end financial close process and finalize our June 30, 2018 financial statements, we may make significant judgments in a number of areas and, accordingly, undue reliance should not be placed on this preliminary estimate.

Amended and Restated Credit and Security Agreement

On July 20, 2018, we, together with our consolidated subsidiary, MDCP, LLC (collectively, the “Borrowers”), entered into a $30 million secured loan facility (the “Loan”) with MidCap Financial, a Delaware statutory trust, as

administrative agent and lender ("MidCap"), pursuant to the terms and conditions of that certain Amended and Restated Credit and Security Agreement, dated as of July 20, 2018 (the "Senior Credit Facility"), among the Borrowers, MidCap, and the lenders party thereto from time to time. The Senior Credit Facility refinances and replaces the Credit and Security Agreement dated as of September 23, 2016, among the Borrowers, MidCap and the lenders party thereto (the "Prior Credit Facility"). We used a portion of the proceeds of the new Loan to pay off outstanding amounts under the Prior Credit Facility and the remainder will be used for general corporate purposes.

Corporate Governance

In addition to our developmental and commercial initiatives, our Board of Directors, under the leadership of our Corporate Governance and Nominating Committee, is reviewing certain governance matters including board composition. As part of this process, the Board has reiterated its commitment to refreshment in order to ensure that the Board has the right set of skills and attributes to oversee the Company as it pursues its strategy. While the review is ongoing, no decisions have been made and it is not yet certain whether any changes will result form this process.

We are a Delaware corporation originally founded in 1986. Our corporate headquarters is located at 4505 Emperor Blvd., Suite 200, Durham, North Carolina 27703 and the corporate telephone number is (919) 859-1302. For more information about us, please visit our website at www.biocryst.com. The information on our website is not incorporated by reference into this prospectus supplement or the accompanying base prospectus and does not constitute a part of this prospectus supplement or the accompanying base prospectus.

The offering

Common stock offered	$50,000,000 of shares of common stock
Option to purchase additional shares	Up to $7,500,000 of shares of common stock
Common stock to be outstanding after the offering	107,402,134 shares of common stock
Use of proceeds	We intend to use the net proceeds of this offering for general corporate purposes, which may include, but are not limited to, funding worldwide development, manufacturing, regulatory and commercial activities for the prophylactic and acute BCX7353 programs, focusing primarily on the United States, European Union and Japan; the advancement of development activities of our FOP and other preclinical rare disease program; post-approval commitments for RAPIVAB™/ALPIVAB™; and capital expenditures and general working capital needs. See “Use of Proceeds.”
Nasdaq global select market symbol	BCRX
Dividend policy	We have never paid cash dividends and do not anticipate paying cash dividends in the foreseeable future.
Risk factors	See “Risk factors” beginning on page S-5 and the other information included in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus for a discussion of certain factors you should carefully consider before deciding to invest in shares of our common stock.

The number of shares of our common stock to be outstanding after this offering is based on 98,927,558 shares outstanding as of July 31, 2018 and assumes the sale of $50,000,000 of shares of common stock at $5.90 per share, the last reported sale price of our common stock on the Nasdaq Global Select Market on July 31, 2018. A five percent increase or decrease in the assumed public offering price of $5.90 per share would increase or decrease the number of shares of our common stock issued in this offering by approximately five percent.

The number of shares of our common stock to be outstanding after this offering set forth above excludes:

- 14,209,392 shares of common stock issuable upon the exercise of stock options outstanding under our Stock Incentive Plan as of June 30, 2018, at a weighted average exercise price of $6.15 per share;

- 27,437 shares of common stock issuable upon the vesting of restricted stock units outstanding under our Stock Incentive Plan as of June 30, 2018; and

- 328,787 additional shares of common stock reserved for issuance under our Stock Incentive Plan and 277,391 additional shares of common stock reserved for issuance under our Employee Stock Purchase Plan as of June 30, 2018.

Except as otherwise noted, all information in this prospectus supplement assumes no exercise of the outstanding stock options, no vesting of the outstanding restricted stock units and no exercise of the underwriters' option to purchase additional shares of our common stock.

Risk factors

An investment in our common stock involves risks. You should consider carefully all of the information that is included or incorporated by reference in this prospectus supplement and the accompanying prospectus before investing in our common stock. In particular, you should evaluate the uncertainties and risks referred to or described below, which may adversely affect our business, financial condition, liquidity, results of operations, or prospects, along with all of the other information included in our other filings with the SEC, before deciding to buy our common stock.

Risks relating to our business

We have incurred losses since our inception, expect to continue to incur such losses, and may never be profitable.

Since our inception, we have not achieved sustained profitability. We expect to incur additional losses for the foreseeable future, and our losses could increase as our research and development efforts progress. We expect that such losses will fluctuate from quarter to quarter and losses and fluctuations may be substantial.

To become profitable, we, or our collaborative partners, must successfully manufacture and develop product candidates, receive regulatory approval, and successfully commercialize and/or enter into profitable agreements with other parties. It could be several years, if ever, before we receive significant revenue from any current or future license agreements or revenues directly from product sales.

Overview

iRobot provides robots that enable people to complete complex tasks in a better way. Founded in 1990 by roboticists who performed research at the Massachusetts Institute of Technology, we have developed proprietary technology incorporating advanced concepts in navigation, mobility, manipulation and artificial intelligence to build industry-leading robots. Our Roomba floor vacuuming robot and Scooba floor washing robot perform time-consuming domestic chores, and our PackBot tactical military robots perform battlefield reconnaissance and bomb disposal. In addition, we are developing the Small Unmanned Ground Vehicle reconnaissance robot for the U.S. Army s Future Combat Systems program and, in conjunction with Deere & Company, the R-Gator unmanned ground vehicle. We sell our robots to consumers through a variety of distribution channels, including chain stores and other national retailers, and our on-line store, and to the U.S. military and other government agencies worldwide.

As of March 31, 2007, we had 387 full-time employees. We have developed expertise in most disciplines necessary to build durable, high-performance and cost-effective robots through the close integration of software, electronics and hardware. Our core technologies serve as reusable building blocks that we adapt and expand to

develop next generation and new products, thereby reducing the time, cost and risk of product development. We believe that our significant expertise in robot design and engineering, combined with our management team s experience in military and consumer markets, positions us to capitalize on the expected growth in the market for robots.

Although we have successfully launched home robot and military products, our continued success depends upon our ability to respond to a number of future challenges. We believe the most significant of these challenges include increasing competition in the markets for both our home robot and military products, our ability to obtain U.S. federal government funding for research and development programs, and our ability to successfully develop and introduce products and product enhancements.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and judgments, in particular those related to revenue recognition; valuation allowances (specifically sales returns and other allowances); assumptions used in valuing stock-based compensation instruments; evaluating loss contingencies; and valuation allowances for deferred tax assets. Actual amounts could differ significantly from these estimates. Our management bases its estimates and judgments on historical experience and various other factors that

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are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the amounts of revenue and expenses that are not readily apparent from other sources. Additional information about these critical accounting policies may be found in the Management s Discussion and Analysis of Financial Condition and Results of Operations section included in our Annual Report on Form 10-K for the fiscal year ended December 30, 2006.

Overview of Results of Operations

The following table sets forth our results of operations as a percentage of revenue for the three month periods ended March 31, 2007 and April 1, 2006:

	Three Months Ended	
	March 31, 2007	**April 1, 2006**
Revenue		
Product revenue	86.4%	87.3%
Contract revenue	13.6	12.7
Total revenue	100.0	100.0
Cost of Revenue		
Cost of product revenue	59.5	58.8
Cost of contract revenue	12.3	9.3
Total cost of revenue	71.8	68.1
Gross profit	28.2	31.9
Operating Expenses		
Research and development	10.5	7.3
Selling and marketing	20.4	23.1
General and administrative	13.5	11.5
Total operating expenses	44.4	41.9
Operating Income	(16.2)	(10.0)
Other income, net	2.3	2.4
Loss before income taxes	(13.9)	(7.6)
Income tax expense	0.0	0.0
Net Loss	(13.9)%	(7.6)%

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Comparison of Three Months Ended March 31, 2007 and April 1, 2006

Revenue

	Three Months Ended			
	March 31, 2007	April 1, 2006	Dollar Change	Percent Change
	(Dollars in thousands)			
Total revenue	$39,487	$38,209	$1,278	3.3%

Total revenue for the three months ended March 31, 2007 increased to $39.5 million, or 3.3%, compared to $38.2 million for the three months ended April 1, 2006. Revenue decreased approximately $3.8 million, or 16.2%, in our home robots business and increased approximately $5.0 million, or 33.6%, in our government and industrial business.

The $3.8 million decrease in revenue from our home robots division was driven by a 19.7% decrease in net average selling prices that was primarily due to lower sales of our Scooba floor washing robot, which have higher average selling prices than our Roomba floor vacuuming robot, for the three months ended March 31, 2007 as compared to the three months ended April 1, 2006. Total home floor care robots shipped in the three months ended March 31, 2007 was approximately 129,000 units compared to approximately 129,000 units in the three months ended April 1, 2006. The $5.0 million increase in revenue from our government and industrial business for the three months ended March 31, 2007 as compared to three months ended April 1, 2006 was due to a 36.6% increase in unit shipments of our military robots combined with a 3.5% increase in associated net average selling prices and a 10.9% increase in recurring contract development revenue generated under funded research and development contracts. Also included in this $5.0 million growth was an increase of approximately $1.1 million in product life cycle revenue (robot spares) as compared to $1.9 million of product life cycle revenue in the three months ended April 1, 2006. Total military robot units shipped in the three months ended March 31, 2007 was 97 compared to 71 in the three months ended April 1, 2006.

Cost of Revenue

	Three Months Ended			
	March 31, 2007	April 1, 2006	Dollar Change	Percent Change
	(Dollars in thousands)			
Total cost of revenue	$28,370	$26,016	$2,354	9.0%
As a percentage of total revenue	71.8%	68.1%		

Total cost of revenue increased to $28.4 million in the three months ended March 31, 2007, compared to $26.0 million in the three months ended April 1, 2006. The increase is due to the higher costs associated with the 36.6% increase in unit sales of our government and industrial robots and the 10.9% increase in recurring contract revenues generated under funded research and development contracts, offset by a 25.5% reduction in the average unit costs of home robots and an 8.9% reduction in the average unit costs of government and industrial robots.

The home robots division cost of revenue increased as a percent of revenue by 4.1 percentage points in the three months ended March 31, 2007 as compared to the three months ended April 1, 2006. This increase was attributable to the 19.7% decrease in average selling prices offset by the above-mentioned decrease in average unit costs, both of which are a result of a shift in the product mix of the home floor care robots that we sold. In particular, we shipped significantly more Roomba floor vacuuming robots, which have lower per unit selling prices and costs than our Scooba floor washing robots, in the three months ended March 31, 2007 as compared to the three months ended April 1, 2006. Other factors contributing to the increase in cost of revenue as a percent of revenue were higher warranty and overhead costs.

The government and industrial robots division cost of revenue increased as a percent of revenue by 2.1 percentage points in the three months ended March 31, 2007 as compared to the three months ended April 1, 2006. This increase was due to higher overhead costs associated with an expanded infrastructure to support our growth and

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achieve operational scale as well as higher warranty costs offset by the combined effect of the 3.5% increase in average selling prices and the above mentioned reductions in average unit costs.

Gross Profit

	Three Months Ended			
	March 31, 2007	April 1, 2006	Dollar Change	Percent Change
	(Dollar in thousands)			
Total gross profit	$11,117	$12,193	$(1,076)	(8.8%)
As a percentage of total revenue	28.2%	31.9%		

Gross profit decreased 8.8% to $11.1 million in the three months ended March 31, 2007, from $12.2 million in the three months ended April 1, 2006. Gross profit as a percentage of revenue decreased to 28.2% in the three months ended March 31, 2007 from 31.9% of revenue in the three months ended April 1, 2006. This decrease in gross profit as a percentage of total revenue was the result of the home robots division gross profit decreasing 4.1 percentage points and the government and industrial division decreasing 2.1 percentage points, each compared to the three months ended April 1, 2006. Additionally, the home robots division, which carries a higher overall gross profit percentage than the government and industrial division accounted for 52.9% of total gross profit in the three months ended March 31, 2007 as compared to 65.3% in the three months ended April 1, 2006.

Research and Development

	Three Months Ended			
	March 31, 2007	April 1, 2006	Dollar Change	Percent Change
	(Dollars in thousands)			
Total research and development expense	$4,156	$2,783	$1,373	49.3%
As a percentage of total revenue	10.5%	7.3%		

Research and development expenses increased by $1.4 million, or 49.3%, to $4.2 million (10.5% of revenue) in the three months ended March 31, 2007, from $2.8 million (7.3% of revenue) for the three months ended April 1, 2006. The increase in research and development expenses is primarily due to an increase of $0.5 million in compensation and benefit related expenses attributed to increased headcount. Consulting and related material costs associated with internal research projects increased by $0.3 million and $0.4 million, respectively.

In 2007, we intend to continue to invest in research and development to respond to and anticipate customer needs and we expect quarterly spending to approximate the levels we experienced in the three months ended March 31, 2007. Given the seasonality of our business and the impact on quarterly revenues, research and development expenses are expected to fluctuate as a percent of revenue throughout the year. For the full fiscal year 2007, we expect research and development expenses to be approximately 7% of revenue as compared to the 10.5% we experienced in the three months ended March 31, 2007.

Overall research and development headcount increased to 107 at March 31, 2007 compared to 82 as of April 1, 2006, an increase of 25 employees or 30%.

In addition to our internal research and development activities discussed above, we incur research and development expenses under funded development arrangements with both governments and industrial third parties. For the three months ended March 31, 2007, these expenses amounted to $4.9 million compared to $3.5 million for the three months ended April 1, 2006. In accordance with generally accepted accounting principles, these expenses have been classified as cost of revenue rather than research and development expense.

Selling and Marketing

	Three Months Ended

	March 31, 2007	April 1, 2006	Dollar Change	Percent Change
	(Dollars in thousands)			
Total selling and marketing expense	$8,049	$8,816	$(767)	(8.7%)
As a percentage of total revenue	20.4%	23.1%		

Selling and marketing expenses decreased by $0.8 million, or 8.7%, to $8.0 million (20.4% of revenue) in the three months ended March 31, 2007 from $8.8 million (23.1% of revenue) in the three months ended April 1, 2006. The decrease in selling and marketing expense was primarily driven by a decrease of $2.5 million in direct

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marketing and television media and production costs in the home robot division as compared to the three months ended April 1, 2006. These decreases were partially offset by a $1.2 million increase in costs attributed to growth in our direct business. Government and industrial division expenses for the three months ended March 31, 2007 increased $0.6 million from the comparable quarter last year due primarily to an increase in compensation and benefits as well as travel related expenses associated with increased sales headcount.

For the full fiscal year 2007, we expect selling and marketing expenses to be approximately 19% of revenue.

Overall selling and marketing headcount increased to 29 at March 31, 2007 compared to 23 as of April 1, 2006, an increase of 6 employees or 26% growth.

General and Administrative

	Three Months Ended			
	March 31, 2007	April 1, 2006	Dollar Change	Percent Change
	(Dollars in thousands)			
Total general and administrative expense	$5,327	$4,417	$910	20.6%
As a percentage of total revenue	13.5%	11.5%		

General and administrative expenses increased by $0.9 million, or 20.6%, to $5.3 million (13.5% of revenue) in the three months ended March 31, 2007 from $4.4 million (11.5% of revenue) in the three months ended April 1, 2006. The increase in general and administrative expenses was primarily driven by an increase of $0.7 million in compensation, benefits and depreciation expenses due to increased headcount over the comparable period. Also included in the $0.9 million increase was $0.2 million of legal expenses associated with our strategic alliances and intellectual property procurement.

Given the seasonality of our business and the impact on quarterly revenues, general and administrative expenses are expected to fluctuate as a percent of revenue throughout the year. For the full fiscal year 2007, we expect general and administrative expenses to be approximately 10% of revenue as compared to the 13.5% of revenue we experienced in the three months ended March 31, 2007.

Overall general and administrative headcount increased to 74 at March 31, 2007 compared to 60 as of April 1, 2006, an increase of 14 employees or 23% growth.

Other Income, Net

	Three Months Ended			
	March 31, 2007	April 1, 2006	Dollar Change	Percent Change
	(Dollars in thousands)			
Total other income, net	$931	$920	$11	1.2%
As a percentage of total revenue	2.3%	2.4%		

Other income, net amounted to $0.9 million for the three months ended March 31, 2007 compared to $0.9 million for the three months ended April 1, 2006. Other income, net was directly related to $0.9 million of interest income resulting from the investment of the net proceeds from our initial public offering, which closed on November 15, 2005.

Income Tax Provision

	Three Months Ended			
	March 31, 2007	April 1, 2006	Dollar Change	Percent Change

		(Dollars in thousands)		
Total income tax provision	$ 17	$ 14	$3	21.4%
As a percentage of total revenue	0.0%	0.0%		

The provision for income taxes for the three months ended March 31, 2007 and April 1, 2006 consists solely of state taxes.

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Liquidity and Capital Resources

At March 31, 2007 our principal sources of liquidity were cash and cash equivalents totaling $9.4 million, short-term investments of $60.4 million, and accounts receivable of $16.2 million. Prior to our initial public offering in November 2005, we funded our growth primarily with proceeds from the issuance of convertible preferred stock for aggregate net cash proceeds of $37.5 million, occasional borrowings under a working capital line of credit and cash generated from operations. In the initial public offering, we raised $70.4 million net of underwriting commissions, professional fees and other expenses associated with the offering.

We manufacture and distribute our products through contract manufacturers and third-party logistics providers. We believe that this approach gives us the advantages of relatively low capital investment and significant flexibility in scheduling production and managing inventory levels. By leasing our office facilities, we also minimize the cash needed for expansion. Accordingly, our capital spending is generally limited to leasehold improvements, computers, office furniture and product-specific production tooling and test equipment. In the three month periods ended March 31, 2007 and April 1, 2006, we spent $1.8 million and $1.0 million, respectively, on capital equipment.

Our home robots product sales are, and are expected to continue to be, highly seasonal. This seasonality typically results in a break even or net use of cash in support of operating needs during the first half of the year with the low point generally occurring in the middle of the third quarter, and a favorable cash flow during the second half of the year.

Discussion of Cash Flows

Net cash provided by our operating activities in the three months ended March 31, 2007 was $2.4 million compared to net cash provided by operating activities of $6.9 million in the three months ended April 1, 2006. The cash provided by our operating activities in the three months ended March 31, 2007 was primarily due to a decrease in accounts receivable (including unbilled revenue) of $12.7 million, a decrease in inventory of $4.7 million, and a decrease in other assets of $1.0 million, offset by a net loss of $5.5 million and a net decrease in liabilities of $12.4 million. In addition, in the three months ended March 31, 2007, we had depreciation and amortization of approximately $1.2 million and stock-based compensation of $0.7 million, both of which are non-cash expenses. The cash provided by our operating activities in the three months ended April 1, 2006 was primarily due to a decrease in accounts receivable (including unbilled revenue) of $12.0 million and a decrease in other assets of $0.1 million, partially offset by a net loss of $2.9 million and a decrease in total liabilities of approximately $3.0 million. In addition, in the three months ended April 1, 2006, we had $0.9 million of depreciation expense and approximately $0.5 million in stock-based compensation, both of which are non-cash expenses.

Net cash provided by our investing activities was $2.6 million in the three months ended March 31, 2007 compared to net cash used by our investing activities of $71.1 million in the three months ended April 1, 2006. Investing activities in the three months ended March 31, 2007 represent the sale of short-term investments of $19.8 million, offset by the purchase of short-term investments of $15.4 million and the purchase of capital equipment of $1.8 million. Investing activities in the three months ended April 1, 2006 represent the purchase of short-term investments of $80.2 million and the purchase of capital equipment of $1.0 million, offset by the sale of short-term investments of $10.1 million.

Net cash used by our financing activities was approximately $1.2 million in the three months ended March 31, 2007 compared to net cash provided by our financing activities of $0.1 million in the three months ended April 1, 2006. Included in the financing activities for the three months ended March 31, 2007 was a $1.6 million payment by us of the minimum tax withholding obligation relating to a stock option exercise during the period. This figure was offset by $0.4 million of proceeds from the exercise of stock options.

The majority of our long-lived assets for the three months ended March 31, 2007 and April 1, 2006 are located in the United States. However, we have invested in production tooling for the manufacture of the Roomba and Scooba product lines in China.

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Working Capital and Capital Expenditure Needs

We currently have no material cash commitments, except for normal recurring trade payables, expense accruals and operating leases, all of which we anticipate funding through our existing working capital line of credit, working capital and funds provided by operating activities. We do anticipate making significant capital commitments in the next twelve months for expenditures associated with the planned move to our new corporate headquarters on or about May 1, 2008. These expenditures will be jointly funded by the landlord for this site and by the Company. Other than this project, we do not currently anticipate significant investment in property, plant and equipment, and we believe that our outsourced approach to manufacturing provides us with flexibility in both managing inventory levels and financing our inventory. We believe our existing cash and cash equivalents, short-term investments, cash provided by operating activities, and funds available through our working capital line of credit will be sufficient to meet our working capital and capital expenditure needs over at least the next twelve months. In the event that our revenue plan does not meet our expectations, we may eliminate or curtail expenditures to mitigate the impact on our working capital. Our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our marketing and sales activities, the timing and extent of spending to support product development efforts, the timing of introductions of new products and enhancements to existing products, the acquisition of new capabilities or technologies, and the continuing market acceptance of our products and services. Moreover, to the extent that existing cash and cash equivalents, short-term investments, cash from operations, and cash from short-term borrowing are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing. Although we are currently not a party to any agreement or letter of intent with respect to potential investments in, or acquisitions of, businesses, services or technologies, we may enter into these types of arrangements in the future, which could also require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

Contractual Obligations

We generally do not enter into binding purchase commitments. Our principal commitments consist of obligations under our working capital line of credit, leases for office space and minimum contractual obligations for services. The following table describes our commitments to settle contractual obligations in cash as of March 31, 2007:

	Payments Due by Period				
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total
	(In thousands)				
Operating leases	$ 1,779	$ 5,179	$ 4,135	$ 16,873	$ 27,966
Minimum contractual payments	875	1,750	875		3,500
Total	$ 2,654	$ 6,929	$ 5,010	$ 16,873	$ 31,466

Off-Balance Sheet Arrangements

As of March 31, 2007, we had no off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

Recently Issued Accounting Pronouncements

See Footnote 2 to the Consolidated Financial Statements for a discussion of recently issued accounting pronouncements.

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Item 3. Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Sensitivity

At March 31, 2007, we had unrestricted cash and cash equivalents of $9.4 million and short-term investments of $60.4 million. The unrestricted cash and cash equivalents are held for working capital purposes. We do not enter into investments for trading or speculative purposes. Some of the securities in which we invest, however, may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk in the future, we intend to maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including auction rate securities, commercial paper, money market funds, debt securities and certificates of deposit. Due to the short-term nature of these investments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. As of March 31, 2007, all of our cash equivalents were held in money market accounts and our short-term investments were comprised of auction rate securities.

Our exposure to market risk also relates to the increase or decrease in the amount of interest expense we would be required to pay on outstanding debt instruments, primarily certain borrowings under our bank line of credit. The advances under this line of credit bear a variable rate of interest determined as a function of the prime rate or the published LIBOR rate at the time of the borrowing. At March 31, 2007, there were no amounts outstanding under our working capital line of credit.

Exchange Rate Sensitivity

Nearly all of our revenue is derived from transactions denominated in U.S. dollars, even though we maintain sales and business operations in foreign countries. As such, we have exposure to adverse changes in exchange rates associated with operating expenses of our foreign operations, but we believe this exposure to be immaterial.

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective in ensuring that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms. We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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Part II. Other Information

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this report, the risks and uncertainties that we believe are most important for you to consider are discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 30, 2006, which could materially affect our business, financial condition or future results. 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. There are no material changes to the Risk Factors described in our Annual Report on Form 10-K for the fiscal year ended December 30, 2006.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table sets forth the repurchases of our equity securities during the three months ended March 31, 2007 by or on behalf of us or any affiliated purchaser:

Period(1)	(a) Total number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)
Fiscal month beginning February 25, 2007 and ended March 31, 2007	110,396(2)	$ 14.39(3)
Total	110,396(2)	$ 14.39(3)

(1) There were no other repurchases of our equity securities by or on behalf of us or any affiliated purchaser during the three months ended March 31, 2007.

(2) On March 6, 2007, the compensation committee authorized the Company to withhold 110,396 shares of our common stock to satisfy the minimum

tax withholding obligation in connection with the exercise of a non-qualified stock option for 347,710 shares of our common stock.

(3) The amount represents the last reported sale price of our common stock on the NASDAQ Global Market on March 6, 2007.

Item 5. Other Information

Our policy governing transactions in our securities by directors, officers, and employees permits our officers, directors, funds affiliated with our directors, and certain other persons to enter into trading plans complying with Rule 10b5-l under the Securities Exchange Act of 1934, as amended. We have been advised that certain officers (including Geoffrey Clear, Senior Vice President, Chief Financial Officer & Treasurer and Glen Weinstein, Senior Vice President, General Counsel & Secretary) of the Company have entered into a trading plan (each a Plan and collectively, the Plans) covering periods after the date of this quarterly report on Form 10-Q in accordance with Rule 10b5-l and our policy governing transactions in our securities. Generally, under these trading plans, the individual relinquishes control over the transactions once the trading plan is put into place. Accordingly, sales under these plans may occur at any time, including possibly before, simultaneously with, or immediately after significant events involving our company.

We anticipate that, as permitted by Rule 10b5-l and our policy governing transactions in our securities, some or all of our officers, directors and employees may establish trading plans in the future. We intend to disclose the

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names of executive officers and directors who establish a trading plan in compliance with Rule 10b5-l and the requirements of our policy governing transactions in our securities in our future quarterly and annual reports on Form 10-Q and 10-K filed with the Securities and Exchange Commission. However, we undertake no obligation to update or revise the information provided herein, including for revision or termination of an established trading plan, other than in such quarterly and annual reports.

Item 6. Exhibits

Exhibit Number	Description
31.1	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
31.2	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

iROBOT CORPORATION

Date: May 7, 2007

By: /s/ Geoffrey P. Clear
Geoffrey P. Clear
Senior Vice President, Chief Financial Officer and Treasurer (Duly Authorized Officer and Principal Financial Officer)

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EXHIBIT INDEX

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31.1	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
31.2	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002