

Q1 FY2024

Quarter Ending June 30, 2023

# Earnings Call

*Nautilus, Inc.*

# Safe Harbor Statement

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This presentation includes forward-looking statements (statements which are not historical facts) within the meaning of the Private Securities Litigation Reform Act of 1995, including: projected, targeted or forecasted financial, operating results and capital expenditures, including but not limited to net sales growth rates, gross margins, operating expenses, operating margins, anticipated demand for the Company's new and existing products, statements regarding the Company's prospects, resources or capabilities; planned investments, strategic initiatives and the anticipated or targeted results of such initiatives; the effects of the COVID-19 pandemic on the Company's business; and planned operational initiatives and the anticipated cost-saving results of such initiatives. All of these forward-looking statements are subject to risks and uncertainties that may change at any time. Factors that could cause Nautilus, Inc.'s actual expectations to differ materially from these forward-looking statements also include: weaker than expected demand for new or existing products; our ability to timely acquire inventory that meets our quality control standards from sole source foreign manufacturers at acceptable costs; risks associated with current and potential delays, work stoppages, or supply chain disruptions, including shipping delays due to the severe shortage of shipping containers; an inability to pass along or otherwise mitigate the impact of raw material price increases and other cost pressures, including unfavorable currency exchange rates and increased shipping costs; experiencing delays and/or greater than anticipated costs in connection with launch of new products, entry into new markets, or strategic initiatives; our ability to hire and retain key management personnel; changes in consumer fitness trends; changes in the media consumption habits of our target consumers or the effectiveness of our media advertising; a decline in consumer spending due to unfavorable economic conditions; risks related to the impact on our business of the COVID-19 pandemic or similar public health crises; softness in the retail marketplace; availability and timing of capital for financing our strategic initiatives, including being able to raise capital on favorable terms or at all; changes in the financial markets, including changes in credit markets and interest rates that affect our ability to access those markets on favorable terms and the impact of any future impairment. Additional assumptions, risks and uncertainties are described in detail in our registration statements, reports and other filings with the Securities and Exchange Commission, including the "Risk Factors" set forth in our Annual Report on Form 10-K, as supplemented by our quarterly reports on Form 10-Q. Such filings are available on our website or at [www.sec.gov](http://www.sec.gov). You are cautioned that such statements are not guarantees of future performance and that our actual results may differ materially from those set forth in the forward-looking statements. We undertake no obligation to publicly update or revise forward-looking statements to reflect subsequent developments, events, or circumstances.

# Key Topics for Today

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**Path to profitability** → Improved Gross Margin and **reduced Adjusted EBITDA loss** vs. Q1 FY23

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Encouraged by consumer sentiment, with continued **demand in Direct and Retail sell-through**

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**Secured financial flexibility to navigate retail and macroeconomic landscape**

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**Introducing the next generation of BowFlex products featuring new visual branding**

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# Q1 Results: Strong Results Driven by Structural Cost Improvements



**\$42M**

Net Sales

-24% vs Q1 FY23



**\$22M**

Direct Segment Sales

*Direct Strength Flat vs. Q1 FY23*



**+800bps**

Gross Margin  
Expansion



**40%**

Reduction in Adjusted  
Operating Expenses YoY



**70%**

Reduction in Adjusted  
EBITDA<sup>(1)</sup> Loss YoY



**~535K**

JRNY<sup>®</sup> Members  
**+48% YoY growth**



**150k**

JRNY subscribers  
**+17% YoY growth**

<sup>(1)</sup> See earnings release for reconciliation of non-GAAP financial measures

# Recent Balance Sheet Actions Fortify Financial Position



**Sale of Non-Core Assets**



**Amendments to Credit Agreements**



**Significant Improvement in Inventory Position**

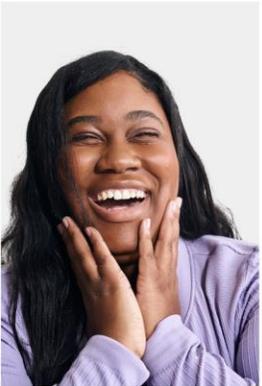


**Public Offering of Common Stock**



## **+\$2M** Net Cash Position

- ✓ Significant improvement from **-\$10M** Net Cash in Q4 FY23
- ✓ Proceeds from non-core asset sale used to pay down term loan
- ✓ Inventory levels down **-62%** vs. Q1 FY23
- ✓ Flexibility to invest in marketing to drive sales growth
- ✓ Liquidity to support the successful launch of new product pipeline and BowFlex rebranding



# New Product Launch to Feature Refreshed BowFlex Branding



- ✓ This fall, launching robust new lineup of connected fitness equipment
- ✓ New products will feature revamped BowFlex branding: **BowFlex C6 SE and Max SE**
- ✓ **Enhanced shopping experience** with new navigation, website design, and product imagery under unified brand identity
- ✓ In the process of **executing a total company rebrand** by the end of the Calendar year

# Next Generation Product Pipeline

*BowFlex C6 SE*



- Updated and increased **bike adjustability range/levers**
- New **simplified console interface** design
- **7" Color LCD with Metric Display**
- **Updated design** vs BowFlex C6 and IC4

*BowFlex Max Trainer SE*



- **Quiet functionality** for an immersive experience
- New **simplified console interface** design
- **7" Color LCD with Metric Display**
- Features **new terrain control auto-adjust**

*Schwinn Elliptical 490*

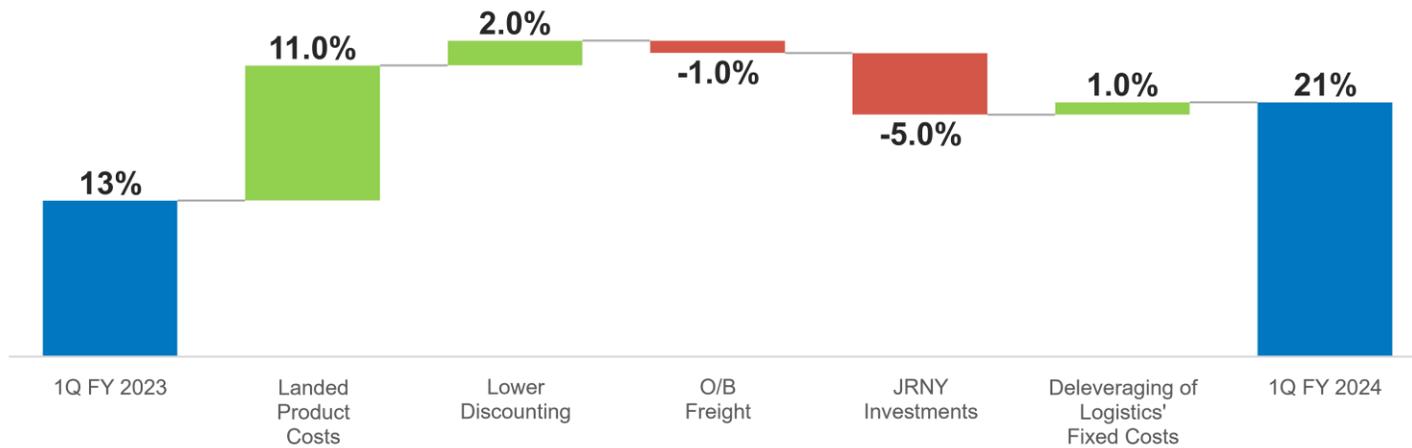


- Delivers **compact footprint with 20" stride**
- Features **terrain control technology**
- **Thousands of structured workouts and hundreds of virtual routes** via JRNY and 3<sup>rd</sup> party apps

# P&L: Q1 FY 24, Qtr Ending June 2023

- Net Sales of \$42M
  - -24% vs Q1 FY23 (LY)
  - Direct Segment Sales -17% vs Q1 FY23 (LY)
  - Retail Segment Sales -29% vs Q1 FY23 (LY)
- Gross Profit of \$9M, +24% vs Q1 FY23 (LY)
- Gross Margins of 21%
  - +800 bps vs Q1 FY23 (LY)

## Gross Margin YoY Bridge for Qtr Ending June 2023 | GM Cause of Change



Due to rounding, some numbers may not foot



# P&L: Q1 FY 24 (Qtr Ending June) Adjusted

\$ in millions	Q1 FY24	Q1 FY23	TY vs. LY	
	Jun 2023	Jun 2022	\$ Var	% Var
<b>Net Sales</b>	<b>42</b>	<b>55</b>	<b>(13)</b>	<b>-24%</b>
<b>Gross Profit</b>	<b>9</b>	<b>7</b>	<b>2</b>	<b>+24%</b>
<i>Gross Margin %</i>	21%	13%	8 pts	
<b>Adj. Operating Expenses<sup>(1)</sup></b>	<b>19</b>	<b>31</b>	<b>(12)</b>	<b>-40%</b>
<i>% of sales</i>	45%	57%	-12 pts	
<b>Selling &amp; Marketing</b>	<b>6</b>	<b>13</b>	<b>(7)</b>	<b>-53%</b>
<i>% of sales</i>	14%	24%	-10 pts	
<b>Adj. G&amp;A</b>	<b>9</b>	<b>12</b>	<b>(4)</b>	<b>-29%</b>
<i>% of sales</i>	21%	23%	-1 pt	
<b>R&amp;D</b>	<b>4</b>	<b>6</b>	<b>(2)</b>	<b>-34%</b>
<i>% of sales</i>	9%	11%	-1 pt	
<b>Adj. Operating Loss<sup>(1)</sup></b>	<b>(10)</b>	<b>(24)</b>	<b>14</b>	<b>-58%</b>
<i>Adj. Operating Margin %</i>	-24%	-44%	20 pts	
<b>Adj. EBITDA Loss from Continuing Operations<sup>(1)</sup></b>	<b>(6)</b>	<b>(20)</b>	<b>14</b>	<b>-70%</b>
<i>Adj. EBITDA Margin %</i>	-14%	-36%	22 pts	

(1) See earning press release for reconciliation of non-GAAP financial measures  
Due to rounding, some numbers may not foot



# Balance Sheet and Liquidity

\$ in millions	Q1 FY24 June 2023	Q4 FY23 March 2023
Cash and Investments	\$18	\$18
Inventory	40	47
Trade Receivables	13	21
Trade Payables	21	29
Debt	16	28
Liquidity <sup>(1)</sup>	\$28	\$33

- Quarter-Ending Inventory of \$40M
  - -62% vs 6/30/22 (LY) and -15% vs 3/31/23 (Q4 FY23)
- Free Cash Flow: -\$4M in Q1 FY24
  - Improvement of +\$6M vs. LY
- Net Cash <sup>(2)</sup> +\$12M versus FYE23

03/31/22	06/30/22	09/30/22	12/31/22	3/31/23	6/30/23
-\$15M	-\$28M	-\$40M	-\$43M	-\$10M	+\$2M

(1) Total liquidity, defined as cash, cash equivalents, investments, and available borrowing under the line of credit

(2) Net Cash, defined as cash, cash equivalents, and investments less debt

Due to rounding, some numbers may not foot



# Reiterating FY24 Guidance

## Full Year 2024

**Revenue** Between \$270M - \$300M

**Revenue Guidance Midpoint** \$285M

*@Midpoint*

*Growth vs FY23* -1%

*Growth vs FY20 as reported* -11%

*Growth vs FY20 excluding Octane* +3%

**Adjusted EBITDA<sup>(1)</sup>** Between \$15M loss to break-even

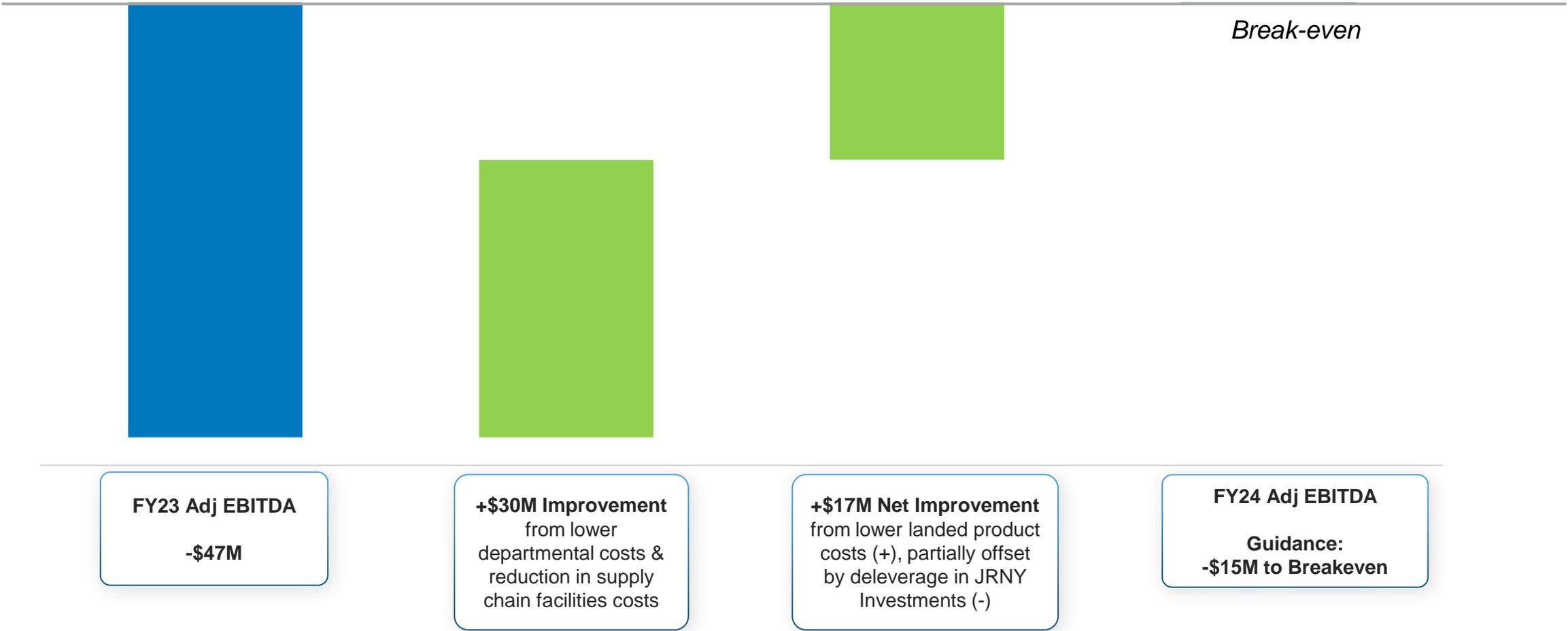
**JRNY Members** ~625k

<sup>(1)</sup> See earning release for more information regarding non-GAAP financial measures



# Reiterating Path to Break-even Adjusted EBITDA

## Adjusted EBITDA FY23 Bridge vs. FY24





# Appendix

# Q1 FY 24 P&L Summary (GAAP)

\$ in millions, except EPS	Q1 FY24 3-months ending June 2023	Q1 FY23 3-months ending June 2022	3-months ending June, FY24 VS. FY23	
			\$ Var	% Var
<b>Net Sales</b>	<b>\$42</b>	<b>\$55</b>	<b>\$(13)</b>	<b>-24%</b>
<b>Gross Profit</b> <i>Gross Margin %</i>	<b>9</b> -21%	<b>7</b> -13%	<b>2</b> -8 pts	<b>24%</b>
<b>Operating Expenses</b> <i>% of Sales</i>	<b>19</b> 46%	<b>58</b> 106%	<b>-39</b> -60 pts	<b>-67%</b>
<b>Operating Loss</b> <i>Operating Margin %</i>	<b>(11)</b> -25%	<b>(51)</b> -93%	<b>41</b> +68 pts	
<b>Loss Continuing Ops</b>	<b>(5)</b>	<b>(60)</b>	<b>55</b>	
<b>Diluted EPS, Cont Ops</b>	<b>\$(0.15)</b>	<b>\$(1.92)</b>	<b>\$1.76</b>	

Due to rounding, some numbers may not foot





**NAUTILUS** *Inc*

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