

NAUTILUS
Universal
BOWFLEX
SCHWINN
Octane



Investor Presentation

March 2016



Safe Harbor Statement

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 statements concerning the Company's prospects, resources, capabilities, current or future financial trends or operating results, demand for the Company's products, future plans for introduction of new products and the anticipated outcome of new business initiatives, estimates of market size and opportunities for growth, planned capital expenditures, anticipated synergies and other benefits of the acquisition of Octane Fitness, and potential uses of our capital resources, including statements regarding potential share repurchases, acquisitions or dividend programs. Factors that could cause Nautilus, Inc.'s actual results to differ materially from these forward-looking statements include our ability to acquire inventory from sole source foreign manufacturers at acceptable costs, within timely delivery schedules and that meet our quality control standards, availability and price of media time consistent with our cost and audience profile parameters, a decline in consumer spending due to unfavorable economic conditions in one or more of our current or target markets, failure to achieve expected synergies, accretion and other anticipated benefits of the transaction or to successfully integrate the Octane Fitness business, an adverse change in the availability of credit for our customers who finance their purchases, our ability to pass along vendor raw material price increases and increased shipping costs, our ability to effectively develop, market and sell future products, our ability to protect our intellectual property, and the introduction of competing products. 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. You are cautioned that such statements are not guarantees of future performance and that actual results or developments 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 events or circumstances.

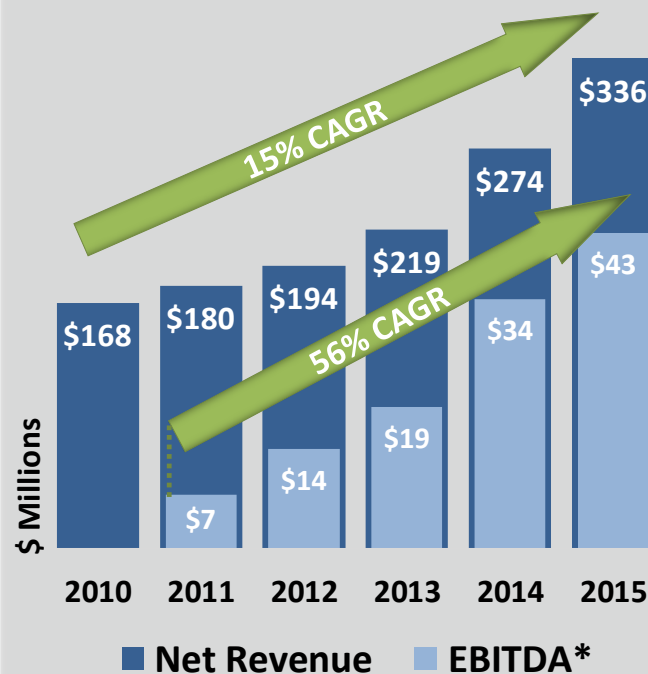
Unless otherwise indicated, all information regarding our operating results pertain to continuing operations.

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Who We Are

- Mission is to provide **innovative solutions** that make fitness more **attainable** and **motivate** people to live **healthier** lives
- We have a strong portfolio of brands, including **Bowflex**, the number one in the fitness industry*
- Consumer insights driven **innovation** and new products pipeline
- **Multichannel** growth strategy to meet consumer needs wherever they shop
- Focused on **profitable growth** and increasing shareholder value

Double-digit Revenue Growth Coupled with even Faster EBITDA Growth



*Non-GAAP information, see Appendix for reconciliation to GAAP; 2010 EBITDA was (\$2.5M)

*Based on 2012 national consumer research study

Strong Brands

 **BOWFLEX**

SCHWINN

 **NAUTILUS**

Octane
FITNESS



Innovation
Quick, Proven Results

Quality and Value
High Awareness

Authentic
Professional Grade

Leader in Zero
Impact Cardio

Industry Leading Product Quality & Innovation



Continual
Consumer
Feedback

In-depth
Consumer
Research



Ground Up
Design



Rigorous
Equipment
Testing



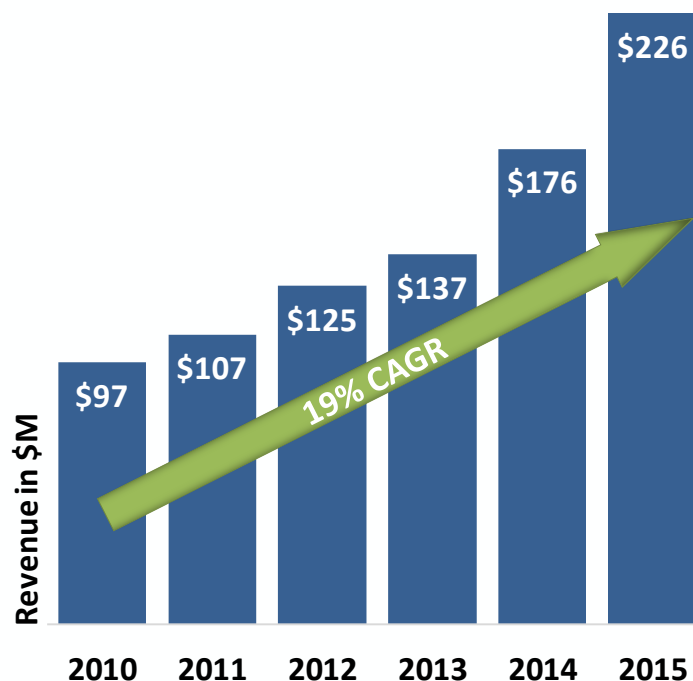
Fitness
Results
Validation



Multichannel Growth Strategy

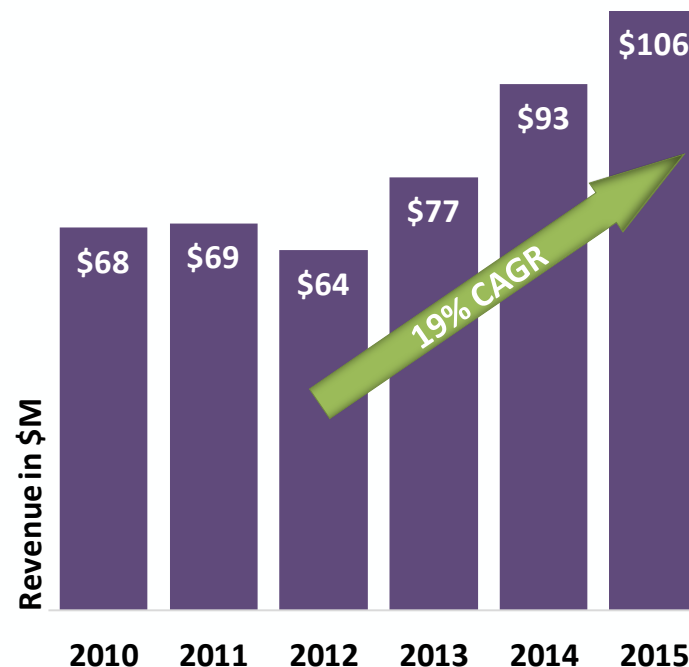
Direct to Consumer

- Unique innovative products
- Media penetration and conversion strategy
- Outstanding customer service



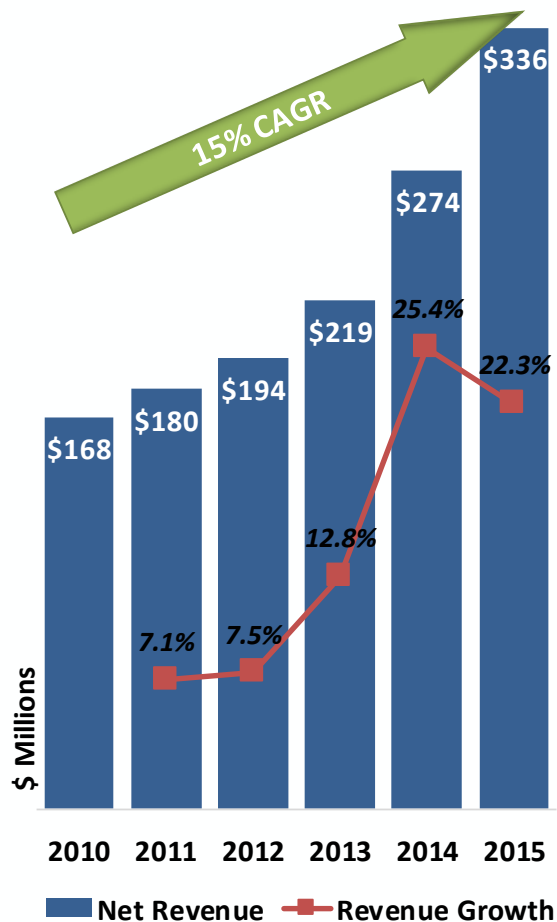
Retail Channel

- Consumer insight driven products
- Market share growth opportunity
- Strong brand awareness
- Highest consumer ratings

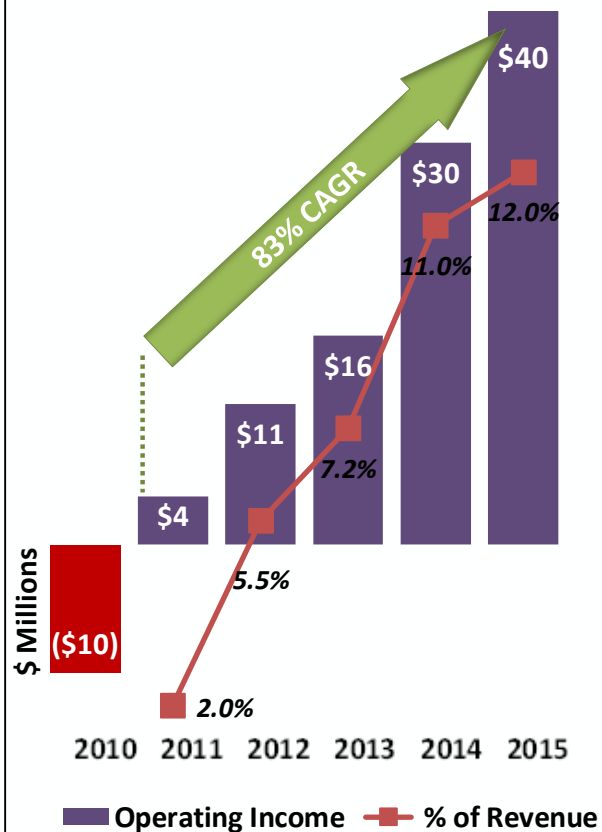


Delivering Solid Financial Performance

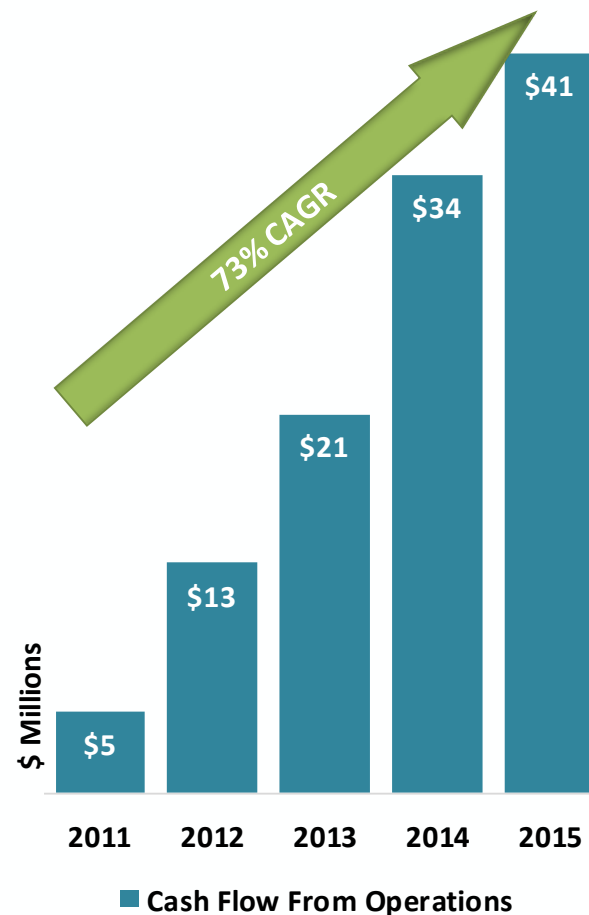
Strong Revenue Growth...



Coupled with improving profitability...



Resulted in robust cash generation



Focused on Increasing Shareholder Value

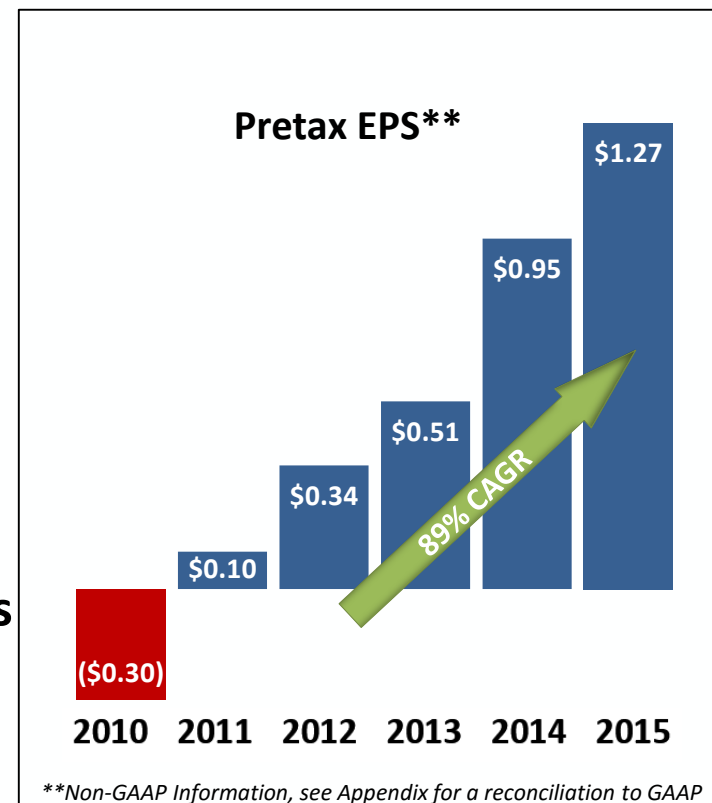
	<u>NLS</u>	<u>Leading Active Lifestyle Brands*</u>	<u>S&P 500 Consumer Discretionary</u>	<u>Russell 2000</u>
1-year	10.1%	-15.7%	8.4%	-5.7%
3-year	376.4%	42.0%	65.1%	33.7%
5-year	839.3%	107.1%	110.1%	44.9%
7-year	656.6%	476.0%	266.6%	127.4%

Source: Factset; cumulative returns calculated through 12/31/15

*Average return for BC, BDE, CAB, COLM, DECK, DKS, ELY, JAH, JOUT, LULU, NKE, PII, UA, VFC, ZQK

**Increasing shareholder value
driven by superior operating results**

**NLS stock consistently
outperforming benchmarks**



Five Key Growth Drivers

Retail

Growing market share but still below 5%

New Distribution Opportunities

Octane acquisition provides accelerator into specialty, vertical, and commercial markets

Innovation

Cadence of new products with enhanced consumer experience and engagement

International

Large market, small share. Nautilus and Octane brands recognized worldwide.

Strategic Opportunities

Additional opportunities to advance existing strategies

Five Key Growth Drivers

Retail

Retail

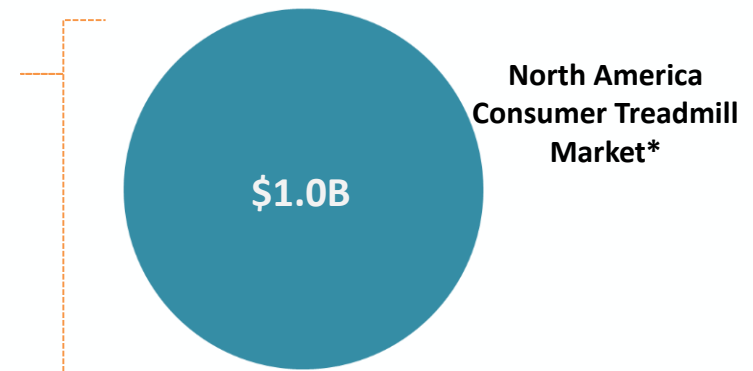
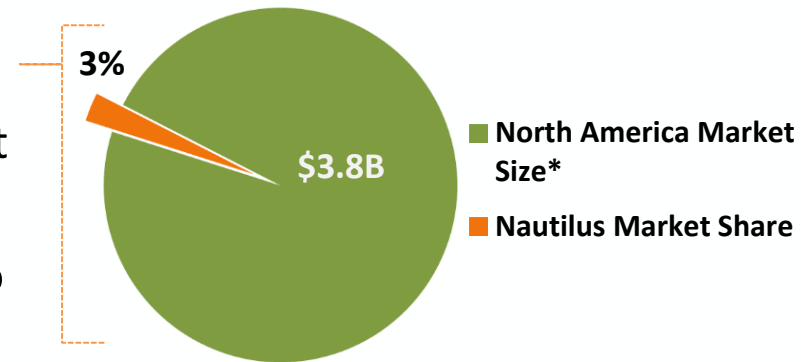
- Current small market share provides opportunity for growth within existing market

- Expand use of brand portfolio to address new price points and consumer segments

- Broaden assortment of SKUs among existing customers

- Continue to ramp treadmills growth post launch in late 2014

- Enter \$200M shelf fitness market



*Based on SFIA 2015 Manufacturers' Sales by Category Report; values reflect wholesale pricing

New
Distribution
Opportunities

Innovation

International

Strategic
Opportunities

Five Key Growth Drivers

New Distribution Opportunities

Retail

**New
Distribution
Opportunities**

Innovation

International

Strategic
Opportunities

- Large and growing markets
- Incremental sales opportunity with favorable pricing and margin dynamics
- Octane acquisition enhances position
- Brand centric – Nautilus and Schwinn have strong legacy and are widely recognized by consumers; Octane has strong brand equity
- Develop & launch key products to address these markets
- Pursue strategic partnerships to build market share



AD Pro Launched Fall 2015



*Based on internal analysis; values reflect wholesale pricing;

**Based on SFIA 2015 Manufacturers' Sales by Category Report

Retail

- Reinvent consumer experience with real-time coaching, tracking, and motivation

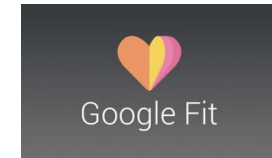
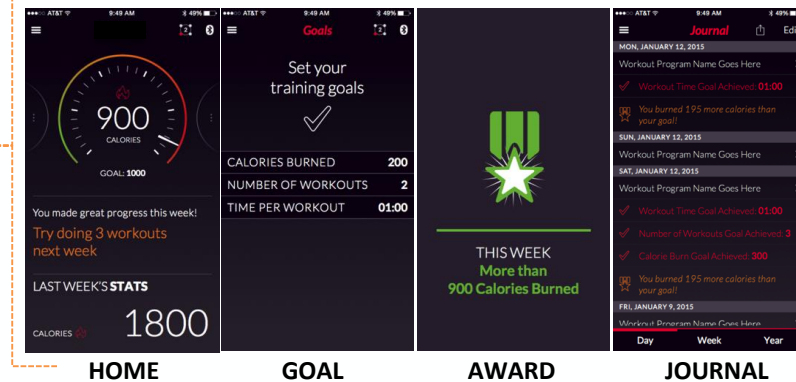
New Distribution Opportunities

- Innovating with apps and connectivity options
- Partnering with leading platforms to seamlessly sync and share workout data

Innovation

International

Strategic Opportunities



Retail

New
Distribution
Opportunities

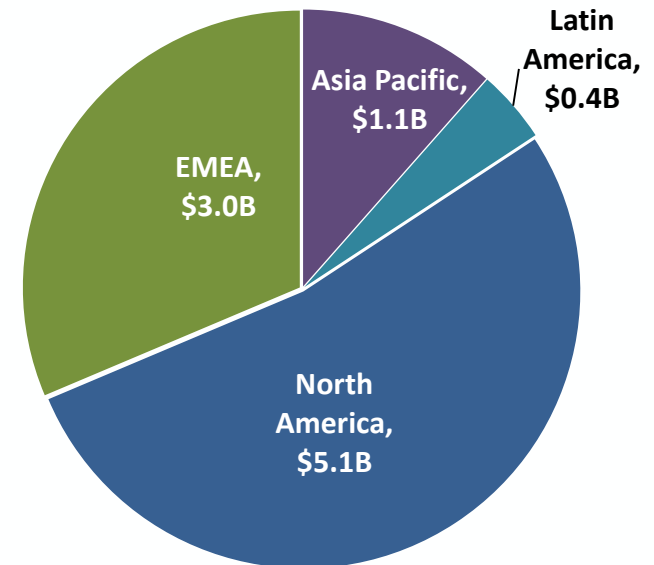
Innovation

International

Strategic
Opportunities

- Large potential opportunity outside North America to grow low current market share
- Nautilus and Octane brands widely recognized worldwide
- Aggressively adding best of breed distributor partners in target countries
- Launched online and distributor sales in China
- Introduced Max Trainer into international market in Q3 2015

Estimated Global Market Size
by Region*



*Compilation of industry and internal data; values reflect wholesale pricing

Retail

New
Distribution
Opportunities

Innovation

International

**Strategic
Opportunities**

- Company in solid position to expand
 - Strong balance sheet with >\$60M in cash and debt to EBITDA ratio less than 1.5
 - Significant free cash flow
 - Leverageable infrastructure to capture synergies
- Opportunities to accelerate existing strategies through further acquisitions
- Invest in intellectual property portfolio to drive new product innovation and potentially increase royalty stream
- Explore opportunities in incremental adjacent categories



Octane Acquisition

Octane Fitness Overview

Business overview

Fitness equipment designer / distributor focused on zero-impact cardio machines for the premium consumer and commercial markets

Business strategy

- Primary emphasis on innovation of low-impact cardio
- Focus on unique modalities as well as integrating with key trends like tracking/monitoring and multi-circuit workouts
- Club quality & durability with price points attainable for home/specialty

Focused Products

Specialty Home



Health Club



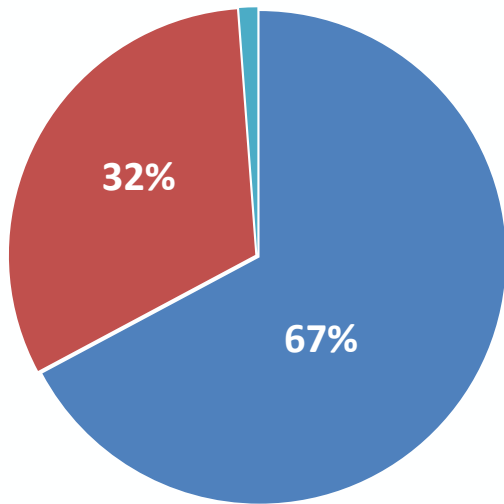
Strategic Rationale

- **Consistent with key growth drivers**
 - Expand international footprint
 - Penetrate new distribution channels: Specialty Retail and Commercial
 - Expand into higher price point product offerings
- **Platform acquisition creates growth oriented synergies**
 - Complementary products and channels of distribution (no overlap)
 - Many opportunities to leverage common investments
 - Enhanced innovation and product development capability
- **Strong cultural fit**
 - Experienced founder-led organization
 - Innovation driven mentality
 - Brand, customer and profit orientation
- **Enhances shareholder value**
 - Profitable and growing business
 - Significantly accretive to earnings in FY16

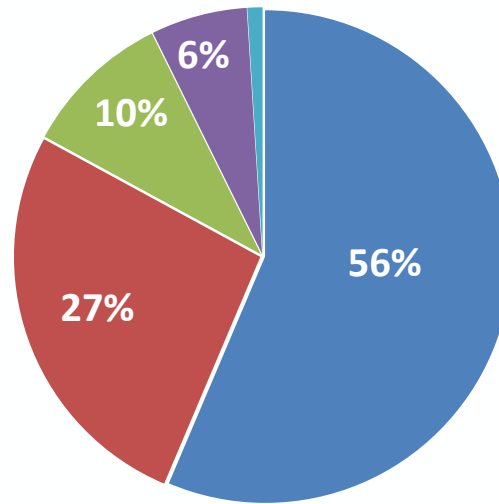
Consistent With Key Growth Drivers – New Distribution

- **Accelerates growth in Specialty Markets**
 - Represents 60%+ of Octane's 2015 sales
 - Enhances product servicing network
- **Establishes platform in Direct Commercial channel**
 - Opens up product extension opportunities
 - Unique business model

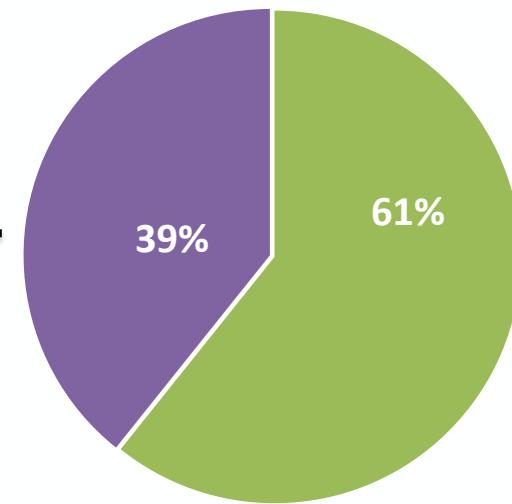
NLS Current Channel Mix



Combined Channel Mix



Octane Channel Mix



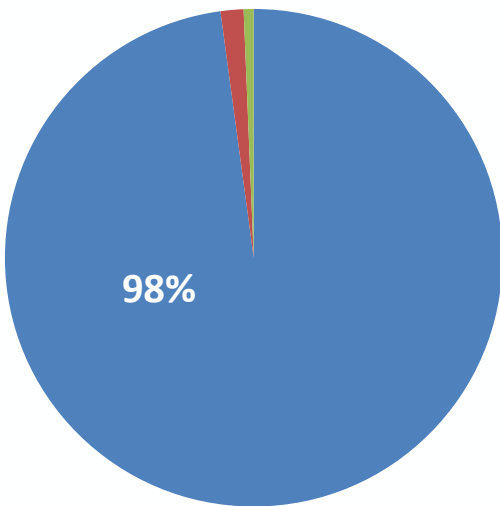
■ Direct ■ Retail ■ Specialty ■ Direct Commercial ■ Other

Consistent With Key Growth Drivers – International

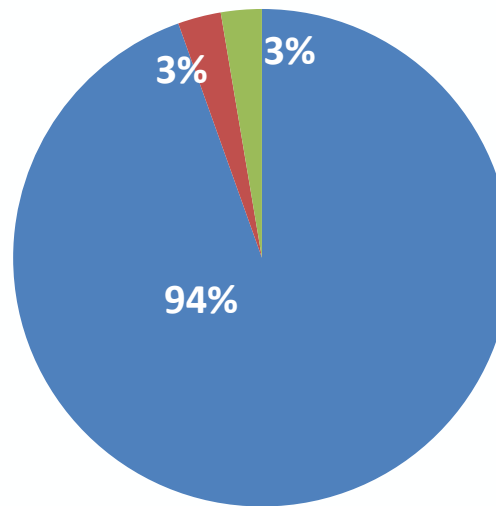
Accelerates Distribution in International Markets

- Represents 23% of Octane's 2015 projected sales
- Established distribution in major global markets with minor overlap to Nautilus'
- Opportunity to leverage companies' infrastructure

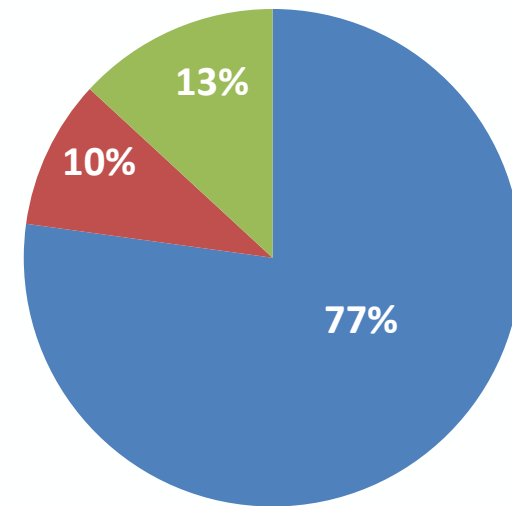
NLS Current Geography Mix



Combined Geography Mix



Octane Geography Mix



■ North America ■ EMEA ■ APLA

Platform Acquisition Creates Growth Synergies

Significant cross-selling opportunities

- Octane's strong brand known for unique high-quality products
- Broader product and brand portfolio enhances offering
- Accelerate efforts with Nautilus and Schwinn brands in Specialty channel leveraging Octane's strong distribution and customer relationships
- Octane's unique features and modalities well suited for Direct channel leveraging NLS' expertise and dominant position
- Larger scale more attractive to international distributors

Many opportunities to leverage common investments

- Enhanced innovation and product development capabilities
- Intellectual property
- Sales and marketing
- Long-term savings potential in sourcing and distribution

Key Growth Drivers Supported by Octane



Retail

- Octane products and innovation expand our product assortment in the retail space to new modalities and price points



New Distribution Opportunities

- Octane holds strong market position, and a sterling reputation, in the specialty and vertical market segment, as well as in selected commercial modalities



Innovation

- Both companies share a strong belief that product innovation is the key to growth. Octane growth has been fueled by innovation.



International

- Octane has better international presence and existing relationships in markets where Nautilus is not yet fully represented



Strategic Opportunities

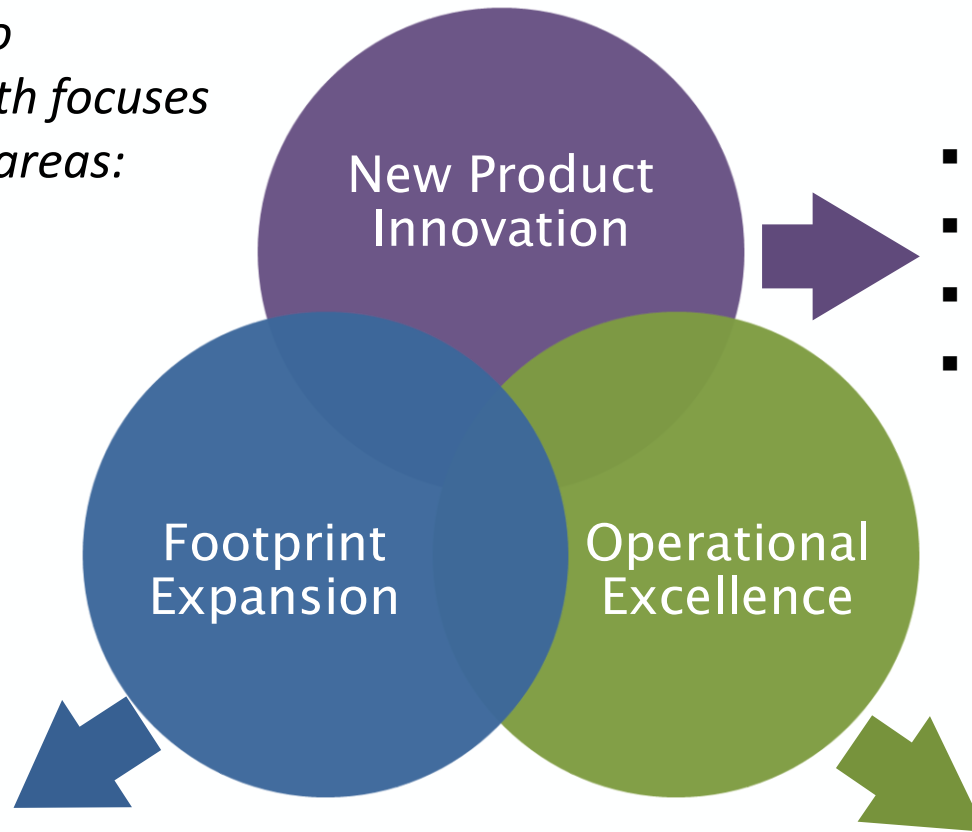
- Adding Octane's strong position in Specialty fitness to Nautilus' capabilities in Direct, Retail and Online, increases our share of the overall fitness market while further diversifying our revenue stream



Long-term Goals

“The Road Map” for Profitable Growth

Our approach to profitable growth focuses on three major areas:



- Process Rigor
- IP Portfolio
- Brand Engagement
- Margin Discipline

- New Price Points
- New Core Categories
- Plus Growth Opportunities
- Access to Broader Audience

- Leverage Infrastructure
- Continuous Cost Improvements
- Supply Chain Efficiency
- Media Planning

Targeted Operating Metrics

Currently Being Revised

	Revenue Growth	Operating Income Growth	Operating Income % of Revenue
Long-term Run Rate	10-12%	Growth in excess of revenue growth	9-13%
2013 Results	12.8%	48.5%	7.2%
2014 Results	25.4%	91.8%	11.0%
2015 Results	22.3%	33.6%	12.0%

- Long-term Run Rate metrics are currently under review and are expected to be revised during the first half of 2016
- Long-term Run Rate reflects management assessment of Nautilus' organic growth capability over the next 5-7 years
- Annual results will fluctuate within stated Long-term Run Rate due to industry dynamics and specific product life cycles

Capital Deployment Initiatives

Organic Growth

New Product Introductions

Expanding Distribution

Infrastructure Investments

Acquisition Strategy

Enhance or Accelerate Revenue Growth Drivers

Opportunistically Expand IP Portfolio

Return Capital to Shareholders

\$15M Share Buyback Program Announced Q4 2014

Potential for Special/Ongoing Dividend Program

Priority

#1

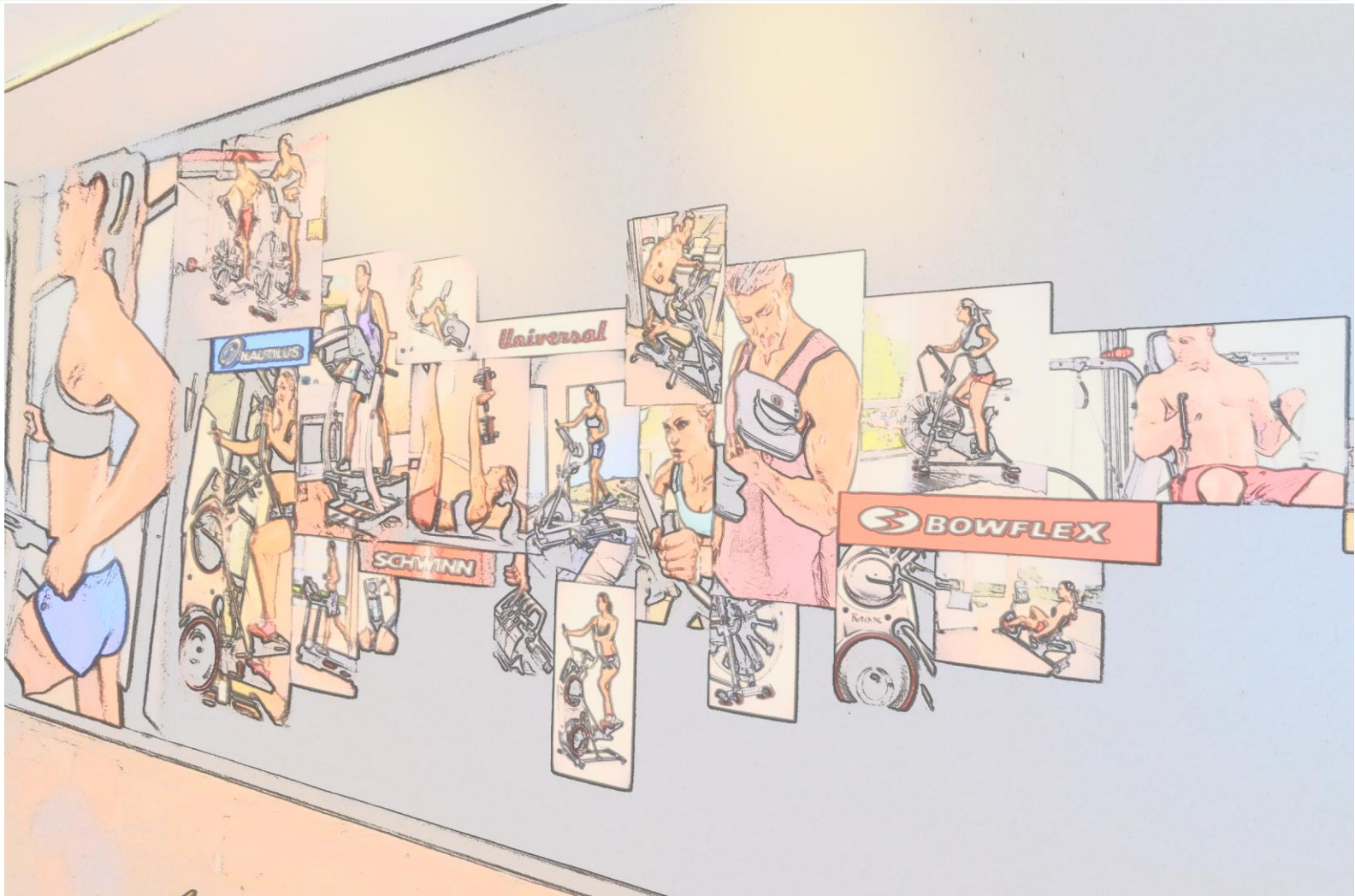
#2

#3

Key Takeaways

- ✓ Leading portfolio of fitness brands
- ✓ Unique & innovative products and IP
- ✓ Solid sales & earnings growth; significantly improved profitability
- ✓ Strong financial condition
- ✓ Scalable platform & infrastructure
- ✓ Experienced management team that delivers on expectations

Plus...multiple initiatives underway to build additional platforms for growth



THANK YOU



Appendix

P&L Summary

All values in \$ millions except per share amounts

	2010	2011	2012	2013	2014	2015
Retail Revenue	\$ 67.8	\$ 68.6	\$ 63.9	\$ 76.8	\$ 93.2	\$ 106.2
Direct Revenue	96.7	107.1	125.0	136.7	175.6	225.6
Royalties	4.0	4.8	5.1	5.4	5.6	4.0
Total Revenue	168.4	180.4	193.9	218.8	274.4	335.8
Retail Gross Margin	18.7	16.0	14.4	19.5	23.7	26.9
% of Retail Rev	27.6%	23.4%	22.5%	25.3%	25.4%	25.3%
Direct Gross Margin	54.0	57.7	71.6	81.7	111.2	142.4
% of Direct Rev	55.9%	53.9%	57.3%	59.7%	63.3%	63.1%
Royalty	4.0	4.8	5.1	5.4	5.6	4.0
Total Gross Margin	76.7	78.5	91.0	106.5	140.6	173.2
% of Rev	45.6%	43.5%	46.9%	48.7%	51.2%	51.6%
Selling and Marketing	64.0	54.5	58.6	66.5	81.1	101.6
General and Administrative	19.4	17.1	17.7	18.7	22.1	21.4
Research and Development	2.9	3.2	4.2	5.6	7.2	9.9
Total Operating Expense	86.3	74.9	80.4	90.8	110.4	133.0
% of Rev	51.2%	41.5%	41.5%	41.5%	40.2%	39.6%
Retail Operating Income	11.4	9.5	7.9	11.4	13.3	12.9
% of Retail Rev	16.8%	13.8%	12.3%	14.9%	14.2%	12.1%
Direct Operating Income (Loss)	(10.8)	3.0	12.5	14.1	29.3	39.9
% of Direct Rev	-11.1%	2.8%	10.0%	10.3%	16.7%	17.7%
Royalties and Unallocated Corporate	(10.2)	(8.8)	(9.7)	(9.8)	(12.5)	(12.5)
Total Operating Income (Loss)	\$ (9.6)	\$ 3.6	\$ 10.6	\$ 15.7	\$ 30.2	\$ 40.3
% of Rev	-5.7%	2.0%	5.5%	7.2%	11.0%	12.0%
Other Expense (Income)	(0.3)	0.4	0.2	(0.3)	(0.1)	0.2
Pretax Income (Loss)	\$ (9.2)	\$ 3.2	\$ 10.4	\$ 16.0	\$ 30.2	\$ 40.0
Pretax Income (Loss) per Diluted share	\$ (0.30)	\$ 0.10	\$ 0.34	\$ 0.51	\$ 0.95	\$ 1.27
Income Tax Expense (Benefit)	0.6	0.7	(0.2)	(32.1)	9.8	13.2
Net Income (Loss) from Continuing Operations	\$ (9.8)	\$ 2.5	\$ 10.6	\$ 48.1	\$ 20.4	\$ 26.8
Net Income (Loss) per Diluted share	\$ (0.32)	\$ 0.08	\$ 0.34	\$ 1.53	\$ 0.64	\$ 0.85

Reconciliation of Non-GAAP Financial Measures

Pretax Income per Diluted Share from Continuing Operations (unaudited):

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Pretax income (loss) per diluted share from continuing operations	\$ (0.30)	\$ 0.10	\$ 0.34	\$ 0.51	\$ 0.95	\$ 1.27
Income (loss) per diluted share from income tax provision	(0.02)	(0.02)	0.01	1.02	(0.31)	(0.42)
Net income (loss) per diluted share from continuing operations⁽¹⁾	\$ (0.32)	\$ 0.08	\$ 0.34	\$ 1.53	\$ 0.64	\$ 0.85

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) (unaudited):

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Income (loss) from continuing operations	\$ (9.8)	\$ 2.5	\$ 10.6	\$ 48.1	\$ 20.4	\$ 26.8
Interest expense (income), net	0.1	0.4	(0.1)	0.0	(0.0)	(0.2)
Income tax expense (benefit) of continuing operations	0.6	0.7	(0.2)	(32.1)	9.8	13.2
Depreciation and amortization	6.6	3.8	3.3	3.3	4.0	3.4
EBITDA from continuing operations⁽¹⁾	\$ (2.5)	\$ 7.4	\$ 13.6	\$ 19.4	\$ 34.2	\$ 43.2

(1) May not add due to rounding

Reconciliation of Non-GAAP Financial Measures

2015 Adjusted Results from Continuing Operations (unaudited):

	<u>Operating</u> <u>Income, \$M</u>	<u>Earnings per</u> <u>Diluted Share</u>
Non-GAAP Adjusted Measure	\$ 47.1	\$ 0.93
Transaction expenses related to Octane acquisition	(0.6)	(0.02)
Arbitration settlement expense	(2.5)	(0.05)
Nutrition inventory write-off	(1.4)	(0.03)
Disputed royalties	(1.4)	(0.03)
Reserve for bad debt	(0.9)	(0.02)
Release of valuation allowance	0.00	0.06
GAAP Measure⁽¹⁾	\$ 40.3	\$ 0.85

(1) May not add due to rounding