

Q3 FY2023

Quarter Ending December 31, 2022

Earnings Call

Nautilus, Inc.

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: 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. 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



Focus on Operational Excellence ➡ **Gross Profit & EBITDA Improvement in Q3**



Address Retail Channel Headwinds ➡ **Positive EBITDA in 2024**



Confidence in Long Term Opportunity and Industry Trends

Q3 Results: Long-Term Progress while Delivering Improving Results



\$98M

Net Sales

+9% vs. FY20⁽²⁾

+50% vs. Q2-FY23



30%

Direct Segment Sales
Growth vs. FY20⁽¹⁾



-6%

Retail Segment Sales
Growth vs. FY20⁽²⁾



+300bps

Gross Margin
Expansion vs.
FY22



67%

Reduction in Adjusted
EBITDA⁽³⁾ Loss vs.
FY22



~450k

JRNY[®] Members
88% Growth



156k

JRNY[®] subscribers, 134%
Growth

⁽¹⁾ Sales growth versus the same period FY20 to provide comparisons to pre-pandemic results

⁽²⁾ Sales growth versus the same period FY20, excluding Octane, to provide comparisons to pre-pandemic results

⁽³⁾ See earnings release for reconciliation of non-GAAP financial measures

Cost Reduction Initiatives

\$30M Annual Cost Reduction

- ✓ Reduction in contract labor
- ✓ 15% Reduction in workforce

- ✓ Inventory levels down 40% vs. Q3-FY22
- ✓ Expect further reduction in coming quarters, per plan



Drive Profitability



Improve Cash Flow



Strengthen Balance Sheet

Go Forward Strategy: Continuing to make progress on North Star while responsibly balancing short-term objectives



Adopt a **Consumer First** Mindset



Scale a **Differentiated Digital Offering**



Focus Investments on our **Core** Businesses



Evolve **Supply Chain** to be our Strategic Advantage



Build **Organizational Capabilities** to Win

Foundation to Become a Leader in Connected Fitness

Broad range of connected fitness products across all modalities

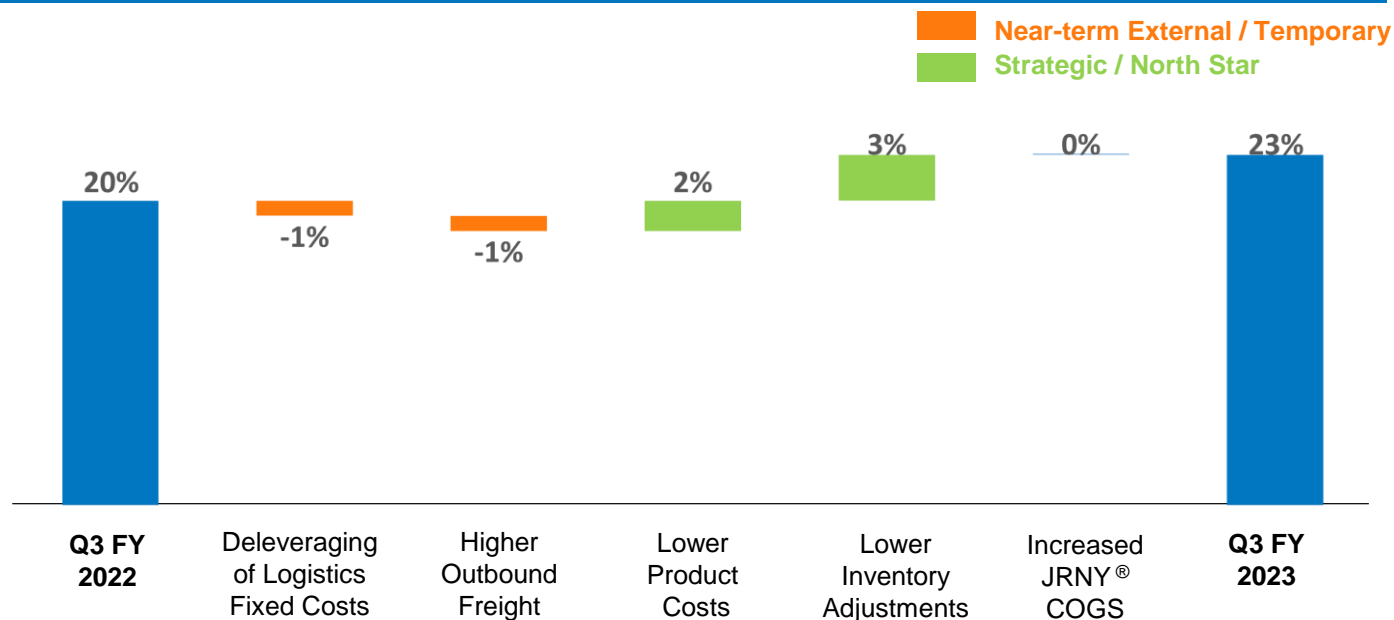


Combined with ever-improving JRNY digital platform

P&L: Q3 FY 2023, Qtr Ending December

- Net sales for the 3rd quarter were \$98M
 - 33% vs. FY22 (LY) and +9% vs. FY20^{(1) (2)}
 - Direct Segment Sales +30% vs. FY20⁽¹⁾
 - Retail Segment Sales -6% vs. FY20⁽²⁾
- Gross profit was \$23M and gross margins were 23%
 - GM% +3 pts vs. FY22 (LY)
 - GM% +6 pts vs. Q2-FY23

Gross Margin YoY Bridge for Qtr Ending December 2022 | GM Cause of Change



(1) We are comparing to the same quarter in FY20 as we believe comparing to the last pre-pandemic comparable period is helpful in demonstrating our North Star progress

(2) FY20 sales excluding Octane brand, sold in October of 2020

Due to rounding, some numbers may not foot



P&L: Q3 FY 2023, Qtr. Ending December – Adjusted

\$ in millions	Q3 23	Q3 22	TY vs. LY	
	3-mos ending Dec-22	3-mos ending Dec-21	\$ Var	% Var
Net Sales	98	147	(49)	-33%
Gross Profit	23	30	(7)	-24%
<i>Gross Margin %</i>	<i>23%</i>	<i>20%</i>	<i>3%</i>	
Adj. Operating Expenses ⁽¹⁾	33	49	(16)	-33%
<i>% of sales</i>	<i>33%</i>	<i>33%</i>	<i>0%</i>	
Selling & Marketing	17	32	(15)	-47%
<i>% of sales</i>	<i>18%</i>	<i>22%</i>	<i>-4%</i>	
Adj. G&A	10	11	(1)	-6%
<i>% of sales</i>	<i>10%</i>	<i>7%</i>	<i>3%</i>	
R&D	5	5	(0)	-5%
<i>% of sales</i>	<i>5%</i>	<i>4%</i>	<i>2%</i>	
Adj. Operating Loss ⁽¹⁾	(10)	(19)	9	-48%
<i>Adj. Operating Margin %</i>	<i>-10%</i>	<i>-13%</i>	<i>3%</i>	
Adj. EBITDA Loss from Continuing Operations ⁽¹⁾	(5)	(15)	10	-67%
<i>Adj. EBITDA Margin %</i>	<i>-5%</i>	<i>-10%</i>	<i>5%</i>	

(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	Q3 FY23 December 2022	Q4 FY22 March 2022
Cash and Investments	\$16	\$14
Inventory	77	111
Trade Receivables	43	61
Trade Payables	35	53
Debt	60	29
Revolver Availability	\$27	\$66

- \$44 million of liquidity⁽¹⁾ as of 12/31/22
- Quarter-Ending Inventory on plan
 - -40% vs 12/31/22 (LY) and -30% vs 3/31/22 (4Q22)
 - Inventory concentrated in best-selling SKUs
 - Over 25% of inventory cost in SelectTech Weights
- Free Cash Flow: -\$5M in 3Q23
 - Improvement of +\$2M vs. 2Q23 and +\$34M vs. 3Q22

(1) Total liquidity, defined as cash, investments, and available borrowing under the line of credit
Due to rounding, some numbers may not foot



FY23 Guidance

	Q4 23	Full Year
Revenue	About \$52M	About \$270M <i>(Previous: \$315M to \$365M)</i>
Adjusted EBITDA ⁽¹⁾	About -\$15M	About -\$50M <i>(Previous: -\$30M to -\$40M)</i>
JRNY Members		~500k

⁽¹⁾ See earning release for more information regarding non-GAAP financial measures





Appendix

P&L: FY 2023, 9-Months Ending December - Adjusted*

\$ in millions	YTD FY23	YTD FY22	TY vs. LY	
	9-mos ending Dec-22	9-mos ending Dec-21	\$ Var	% Var
Net Sales	218	470	(251)	-54%
Gross Profit	41	127	(86)	-68%
Gross Margin %	19%	27%	-8%	
Adj. Operating Expenses ⁽¹⁾	88	125	(36)	-29%
% of sales	40%	27%	14%	
Selling & Marketing	39	76	(36)	-48%
% of sales	18%	16%	2%	
Adj. G&A	32	33	(1)	-2%
% of sales	15%	7%	8%	
R&D	16	16	0	3%
% of sales	7%	3%	4%	
Adj. Operating Loss ⁽¹⁾	(47)	3	(50)	-1693%
Adj. Operating Margin %	-21%	1%	-22%	
Adj. EBITDA Loss from Continuing Operations ⁽¹⁾	(34)	14	(48)	-351%
Adj. EBITDA Margin %	-16%	3%	-18%	

(1) See earning press release for reconciliation of non-GAAP financial measures
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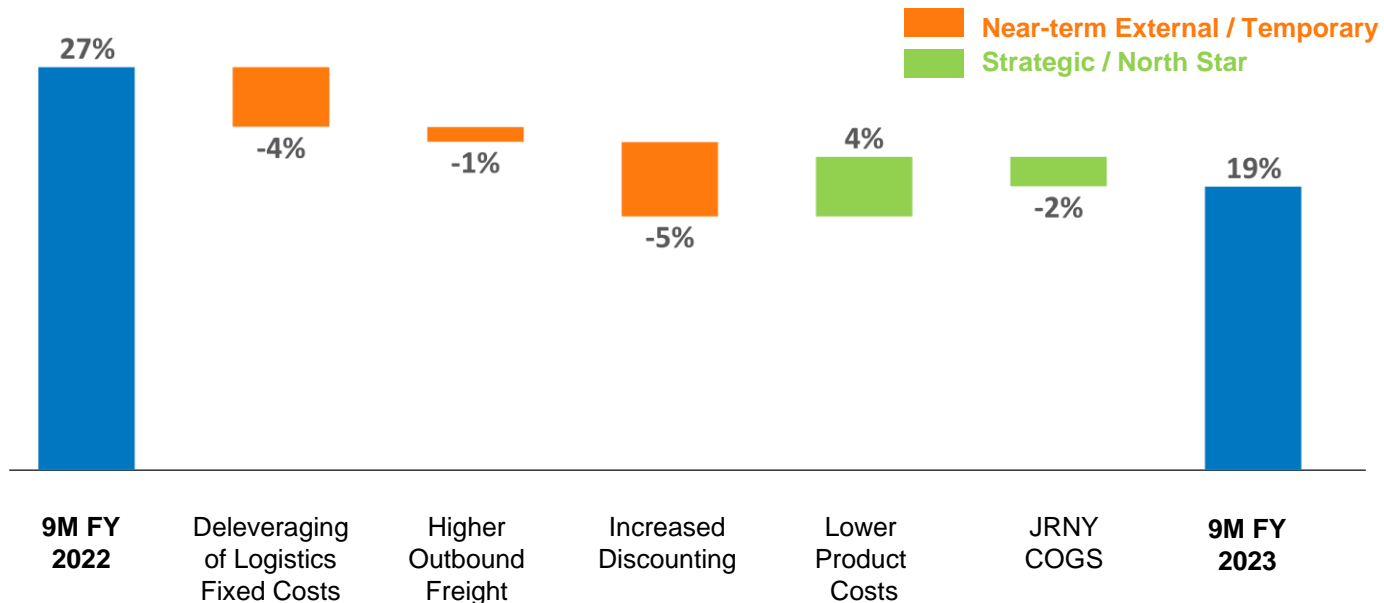


P&L: FY 2023 – Year-To-Date Results

9-Months Ending December

- Net sales for YTD FY23 were \$218M
 - 54% vs. FY22 (LY)
 - +13% vs. FY20⁽¹⁾ ⁽²⁾
 - Direct Segment Sales +34% vs. FY20⁽¹⁾
- Gross profit was \$41M and gross margins were 19%
 - 8 pts vs. FY22 (LY)

Gross Margin YoY Bridge for 9-Months Ending December 2022 | GM Cause of Change



(1) We are comparing to the same quarter in FY20 as we believe comparing to the last pre-pandemic comparable period is helpful in demonstrating our North Star progress
 (2) FY20 sales excluding Octane brand, sold in October of 2020
 Due to rounding, some numbers may not foot



Q3 2023 P&L Summary (GAAP)

\$ in millions, except EPS	Q3 FY23 3-months ending Dec 2022	Q3 FY22 3-months ending Dec 2021	3-months ending Dec, FY23 VS. FY22	
			\$ Var	% Var
Net Sales	\$98	\$147	\$(49)	-33%
Gross Profit	23	30	(7)	-24%
<i>Gross Margin %</i>	<i>23%</i>	<i>20%</i>	<i>+3 pts</i>	
Operating Expenses	33	49	-16	-33%
<i>% of Sales</i>	<i>34%</i>	<i>33%</i>	<i>+0 pts</i>	
Operating (Loss) Income	(10)	(19)	9	
<i>Operating Margin %</i>	<i>-10%</i>	<i>-13%</i>	<i>+3pts</i>	
(Loss) Income Continuing Ops	(11)	(13)	2	
Diluted EPS, Cont Ops	(\$0.35)	(\$0.43)	\$0.08	

Due to rounding, some numbers may not foot



YTD 2023 P&L Summary (GAAP)

\$ in millions, except EPS	YTD FY23 9-months ending Dec 2022	YTD FY22 9-months ending Dec 2021	9-months ending Dec, FY23 VS. FY22	
			\$ Var	% Var
Net Sales	\$218	\$470	\$(251)	-54%
Gross Profit	41	127	(86)	-68%
<i>Gross Margin %</i>	<i>19%</i>	<i>27%</i>	<i>-8 pts</i>	
Operating Expenses	117	131	-14	-11%
<i>% of Sales</i>	<i>54%</i>	<i>28%</i>	<i>+26 pts</i>	
Operating (Loss) Income	(76)	(3)	(72)	
<i>Operating Margin %</i>	<i>-35%</i>	<i>-1%</i>	<i>-34pts</i>	
(Loss) Income Continuing Ops	(87)	(4)	(83)	
Diluted EPS, Cont Ops	(\$2.75)	(0.13)	(\$2.62)	

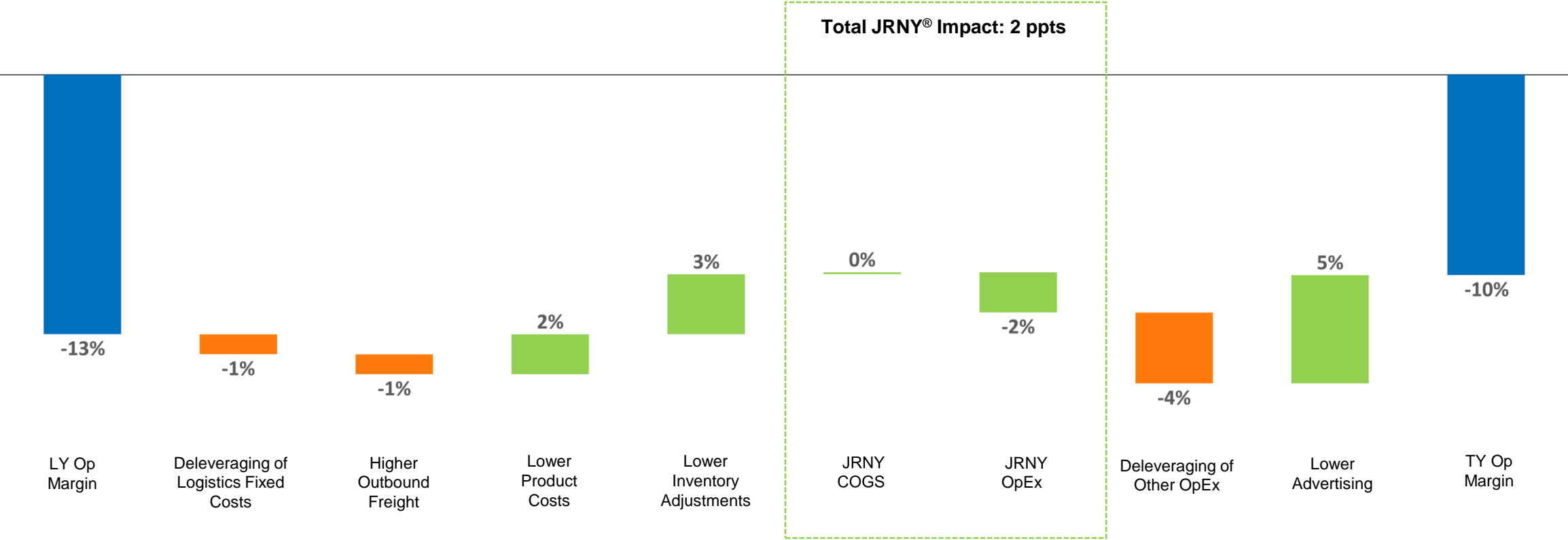
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P&L: Q3 FY 2023, Qtr. Ending December - Adjusted*

Adjusted Operating Margin YoY Bridge for Qtr. Ending December 2022

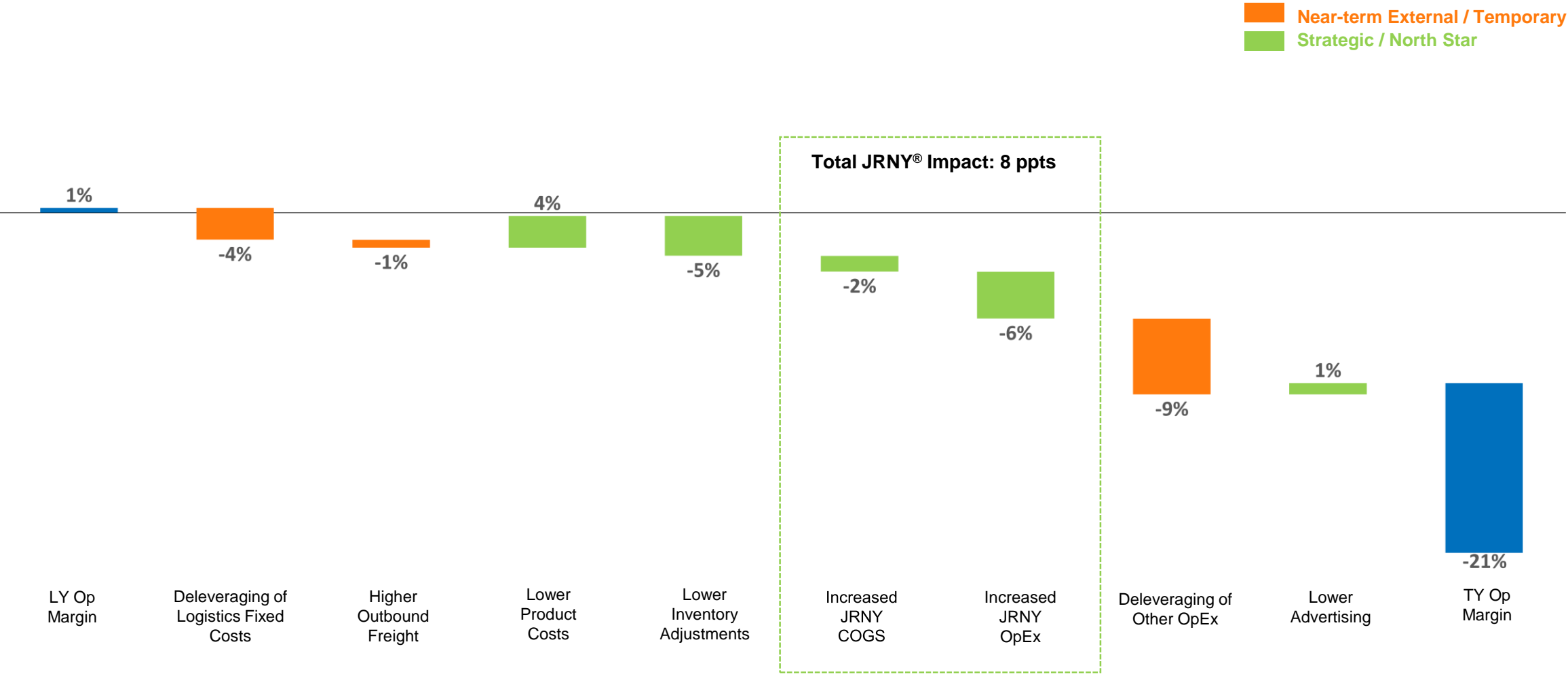
■ Near-term External / Temporary
■ Strategic / North Star



Due to rounding, some numbers may not foot

P&L: FY 2023, 9-Months Ending December - Adjusted*

Adjusted Operating Margin YoY Bridge for YTD Ending December 2022



Due to rounding, some numbers may not foot



NAUTILUS *Inc*

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