

Q4 FY2023

Quarter Ending March 31, 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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Focus on Operational Excellence ➡ **Gross Profit & EBITDA Improvement in Q4**

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

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**Confidence in Long Term Opportunity and Industry Trends**

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# Q4 Results: Long-Term Progress while Delivering Improving Results



**\$68M**

Net Sales

-19% vs. FY20<sup>(2)</sup>



**22%**

Direct Segment Strength  
Sales Growth vs. FY20<sup>(1)</sup>



**+250bps**

Gross Margin ex-Nautilus  
Brand vs. FY22<sup>(3)</sup>



**37%**

Reduction in Adjusted  
EBITDA Loss <sup>(3)</sup> <sup>(4)</sup> ex  
Nautilus Brand vs. FY22



**~508k**

JRNY<sup>®</sup> Members  
56% Growth



**156k**

JRNY<sup>®</sup> subscribers, 41%  
Growth

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

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

<sup>(3)</sup> Excludes impact of Nautilus Brand sales and gross margin

<sup>(4)</sup> See earnings release for reconciliation of non-GAAP financial measures

# Cost Reduction Initiatives

Taking proactive measures through cost reduction initiatives to alleviate temporary retail headwinds

## **\$30M** Annual Cost Reduction

- ✓ Reduction in contract labor
- ✓ 15% Reduction in workforce
- ✓ Reduction in Supply Chain facilities costs (Portland DC and storage locations)

- ✓ Inventory levels down 58% vs Q4 FY22
- ✓ Inventory levels will now move in-line with sales



**Drive Profitability**



**Improve Cash Flow**



**Strengthen Balance Sheet**

# Strategic Branding Approach to Sale of Nautilus Brand Assets

*From March 2021 Investor Day Presentation:*



## Adopt a Consumer-First Mindset

### FROM

- Product development led
- Focus on “Quick Results” Hero Products marketed to a segment that doesn’t like to exercise
- **Five equipment brands (Bowflex, Schwinn, Nautilus, Octane, Universal) plus JRNY**
- Outdated brand positioning
- “One and done” – minimal consumer touchpoints



### TO

- Consumer insights led
- Balanced Portfolio of Strength and Cardio designed to meet needs and wants of new target segments
- **Focused equipment brand portfolio (Bowflex, Schwinn) plus JRNY**
- Digitally forward, more modern positioning
- With consumers every day to help them achieve their fitness goals



# 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



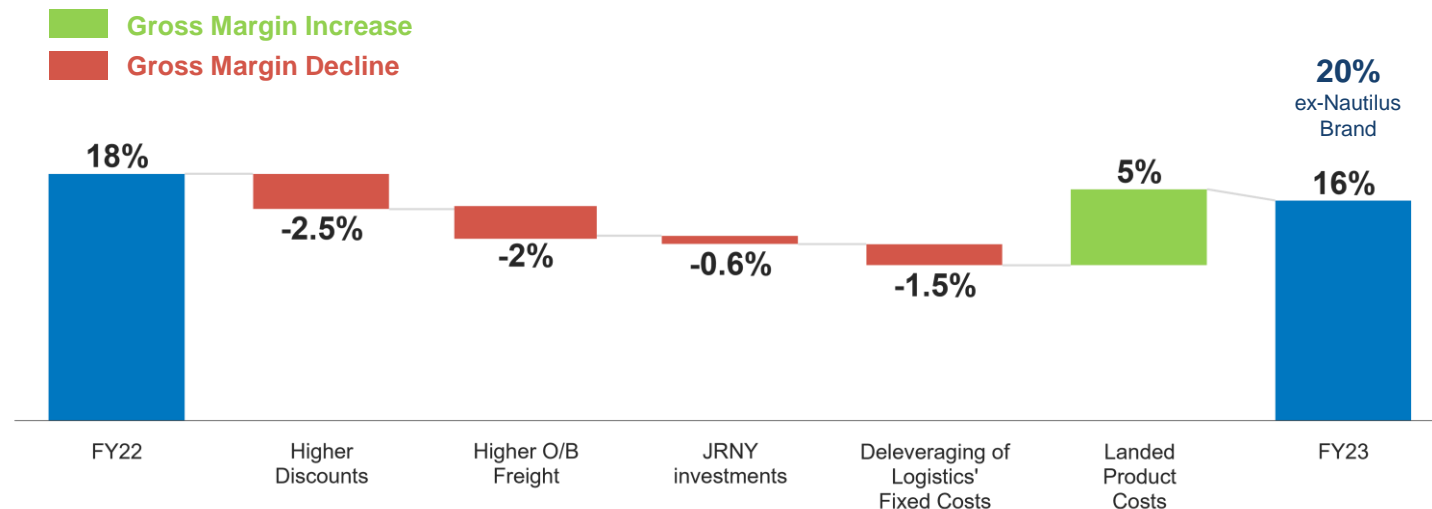
Combined with ever-improving JRNY digital platform



# P&L: Q4 FY 2023, Qtr Ending March

- Net sales were \$68M
  - 43% vs. FY22 (LY) and -19% vs. FY20<sup>(1)</sup> <sup>(2)</sup>
    - Direct Segment Sales -12% vs. FY20<sup>(1)</sup>
    - Retail Segment Sales -29% vs. FY20<sup>(2)</sup>
  - Q4 Net Sales excluding Nautilus Branded Product were \$62M
- Gross profit was \$11M and gross margins were 16%
  - GM% -2 pts vs. FY22's 18%
  - Q4 GM% excluding Nautilus Branded Product was 20%, +2.5 pts vs LY

## Gross Margin YoY Bridge for Qtr Ending March 2023 | 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



# Adjusted<sup>1</sup> P&L: Q4 FY 2023, Qtr Ending March

\$ in millions	Q4 23 3-mos ending Mar-23	Q4 22 3-mos ending Mar-22	TY vs LY	
			\$ Var	% Var
<b>Net Sales</b>	<b>68</b>	<b>120</b>	<b>(51)</b>	<b>-43%</b>
<b>Gross Profit</b>	<b>11</b>	<b>21</b>	<b>(10)</b>	<b>-49%</b>
<i>Gross Margin %</i>	<i>16%</i>	<i>18%</i>	<i>-2%</i>	
<i>Gross Margin % Ex Nautilus Brand</i>	<i>20%</i>			
<b>Adj. Operating Expenses<sup>(1)</sup></b>	<b>25</b>	<b>42</b>	<b>(17)</b>	<b>-40%</b>
<i>% of sales</i>	<i>37%</i>	<i>35%</i>	<i>2%</i>	
<b>Selling &amp; Marketing</b>	<b>12</b>	<b>24</b>	<b>(12)</b>	<b>-49%</b>
<i>% of sales</i>	<i>18%</i>	<i>20%</i>	<i>-2%</i>	
<b>Adj. G&amp;A</b>	<b>8</b>	<b>12</b>	<b>(4)</b>	<b>-32%</b>
<i>% of sales</i>	<i>12%</i>	<i>10%</i>	<i>2%</i>	
<b>R&amp;D</b>	<b>6</b>	<b>7</b>	<b>(1)</b>	<b>-20%</b>
<i>% of sales</i>	<i>8%</i>	<i>6%</i>	<i>2%</i>	
<b>Adj. Operating Loss<sup>(1)</sup></b>	<b>(15)</b>	<b>(21)</b>	<b>6</b>	<b>-30%</b>
<i>Adj. Operating Margin %</i>	<i>-22%</i>	<i>-18%</i>	<i>-4%</i>	
<b>Adj. EBITDA Loss from Cont. Operations<sup>(1)</sup></b>	<b>(13)</b>	<b>(17)</b>	<b>4</b>	<b>-26%</b>
<i>Adj. EBITDA Margin %</i>	<i>-18%</i>	<i>-14%</i>	<i>-4%</i>	
<b>Adj. EBITDA Loss from Cont. Operations<sup>(1)</sup> ex-Nautilus Brand</b>	<b>(11)</b>	<b>(17)</b>	<b>6</b>	<b>-37%</b>

(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	Q4 FY23 March 2023	Q4 FY22 March 2022
Cash and Investments	\$18	\$14
Inventory	47	111
Trade Receivables	21	61
Trade Payables	29	53
Debt	28	29
Revolver Availability	\$15	\$66

- \$33 million of liquidity<sup>(1)</sup> as of 3/31/23
- Quarter-Ending Inventory on plan
  - -58% vs 3/31/22 (4Q22) and -71% vs 9/30/21 (2Q22)
- Free Cash Flow:
- +\$29M in 4Q23. Improvement of +34M vs 3Q23 (last quarter) and +\$8M vs 4Q22 (LY)
  - +\$6M for Full Year. Improvement of \$86M vs. FY22's - \$80M

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





# FY24 Guidance

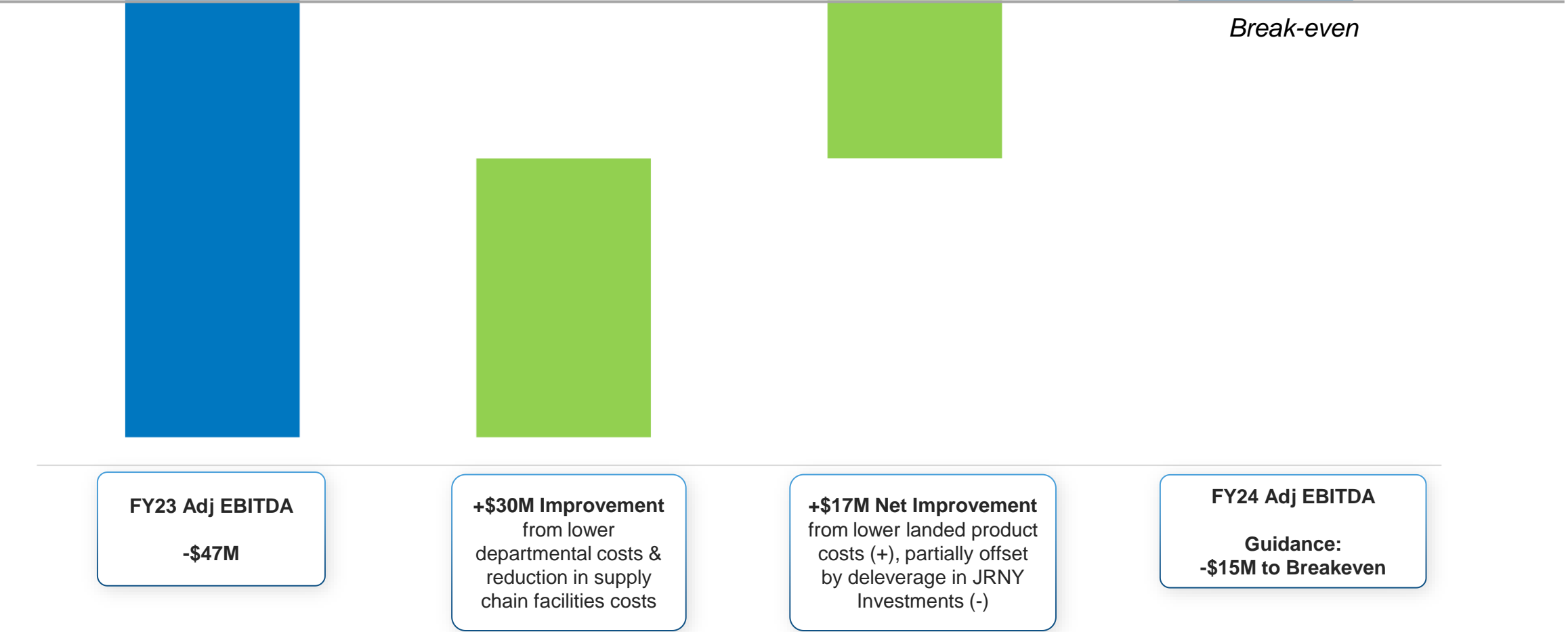
Full Year 2024	
Revenue	Between \$270M - \$300M
Revenue Guidance Midpoint	\$285M
@Midpoint	
Growth vs FY23	-1%
Growth vs FY20 as reported	-11%
Growth vs FY20 excluding Octane	+3%
Adjusted EBITDA <sup>(1)</sup>	Between \$15M loss to break-even
JRNY Members	~625k

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



# Path to Break-even Adjusted EBITDA

## Adjusted EBITDA FY23 Bridge vs. FY24





# Appendix



# P&L: FY 2023 Net Sales

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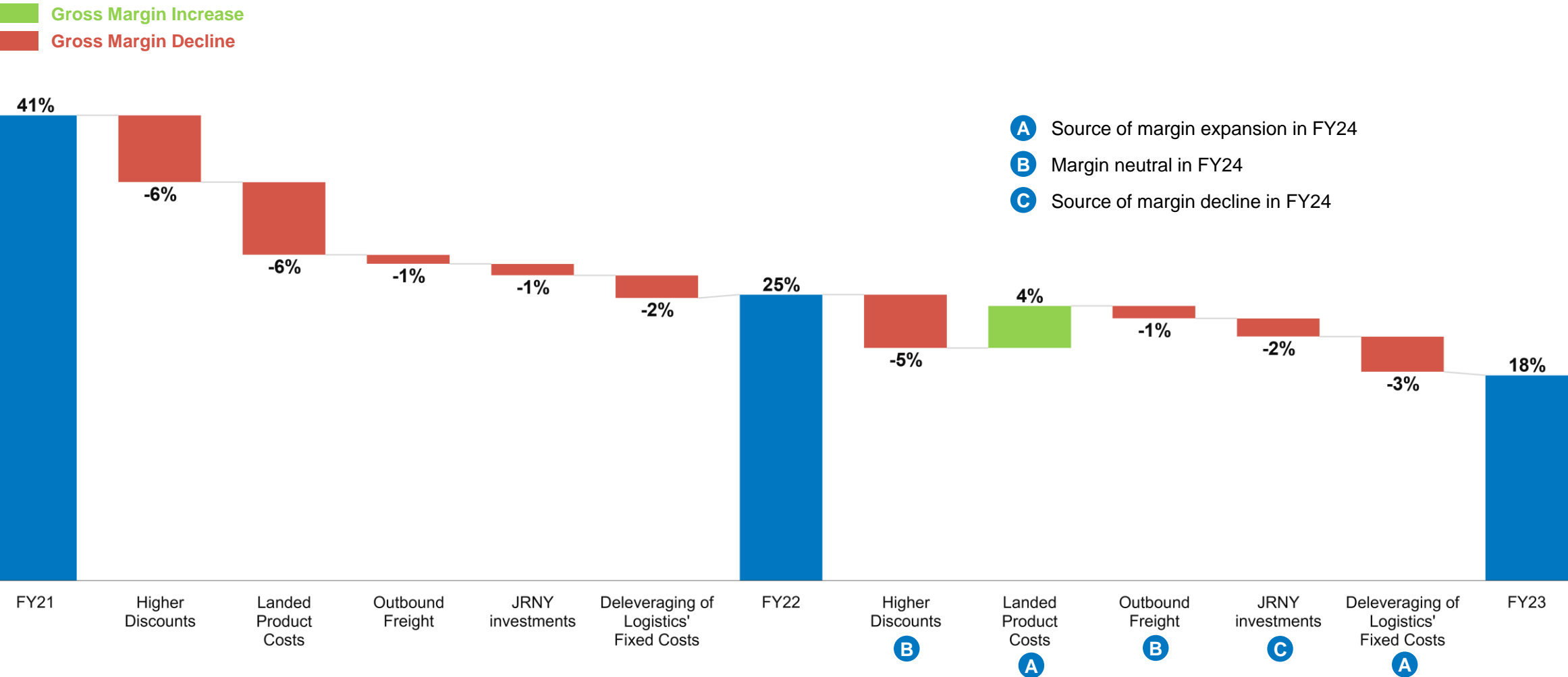
- Net sales for FY23 were \$287M
  - -51% vs FY22 (LY)
    - Direct Segment -37%
    - Retail Segment -60%
  - -3% vs FY20 <sup>(1)</sup> <sup>(2)</sup>
    - Direct Segment +16% <sup>(1)</sup>
    - Retail Segment -7% <sup>(1)</sup> <sup>(2)</sup>

(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



# Gross Margin: FY 2023 vs FY 2022 and FY 2021

Total Gross Margin Bridge for FY Ending March 2023



# Adjusted<sup>1</sup> P&L Summary: FY 2023

\$ in millions	YTD FY23	YTD FY22	TY vs LY	
	12-mos ending Mar-23	12-mos ending Mar-22	\$ Var	% Var
Net Sales	287	590	(303)	-51%
Gross Profit	52	148	(97)	-65%
Gross Margin %	18%	25%	-7%	
Adj. Operating Expenses <sup>(1)</sup>	114	167	(53)	-32%
% of sales	40%	28%	11%	
Selling & Marketing	52	99	(48)	-48%
% of sales	18%	17%	1%	
Adj. G&A	40	45	(4)	-10%
% of sales	14%	8%	6%	
R&D	22	23	(1)	-4%
% of sales	8%	4%	4%	
Adj. Operating Loss <sup>(1)</sup>	(62)	(18)	(43)	
Adj. Operating Margin %	-21%	-3%	-18%	
Adj. EBITDA Loss from Continuing Operations <sup>(1)</sup>	(47)	(3)	(43)	
Adj. EBITDA Margin %	-16%	-1%	-16%	

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





# Q4 2023 P&L Summary (GAAP)

\$ in millions, except EPS	Q4 FY23 3-months ending Mar 2023	Q4 FY22 3-months ending Mar 2022	3-months ending Mar, FY23 VS FY22	
			\$ Var	% Var
<b>Net Sales</b>	<b>\$68</b>	<b>\$120</b>	<b>\$(51)</b>	<b>-43%</b>
<b>Gross Profit</b>	<b>11</b>	<b>21</b>	<b>(10)</b>	<b>-49%</b>
<i>Gross Margin %</i>	<i>16%</i>	<i>18%</i>	<i>+2 pts</i>	
<b>Operating Expenses</b>	<b>28</b>	<b>43</b>	<b>-15</b>	<b>-34%</b>
<i>% of Sales</i>	<i>41%</i>	<i>36%</i>	<i>+5 pts</i>	
<b>Operating (Loss) Income</b>	<b>(18)</b>	<b>(22)</b>	<b>4</b>	
<i>Operating Margin %</i>	<i>-26%</i>	<i>-18%</i>	<i>+7pts</i>	
<b>(Loss) Income Continuing Ops</b>	<b>(21)</b>	<b>(18)</b>	<b>(3)</b>	
<b>Diluted EPS, Cont Ops</b>	<b>(\$0.66)</b>	<b>(\$0.58)</b>	<b>\$(0.08)</b>	

Due to rounding, some numbers may not foot



# FY 2023 P&L Summary (GAAP)

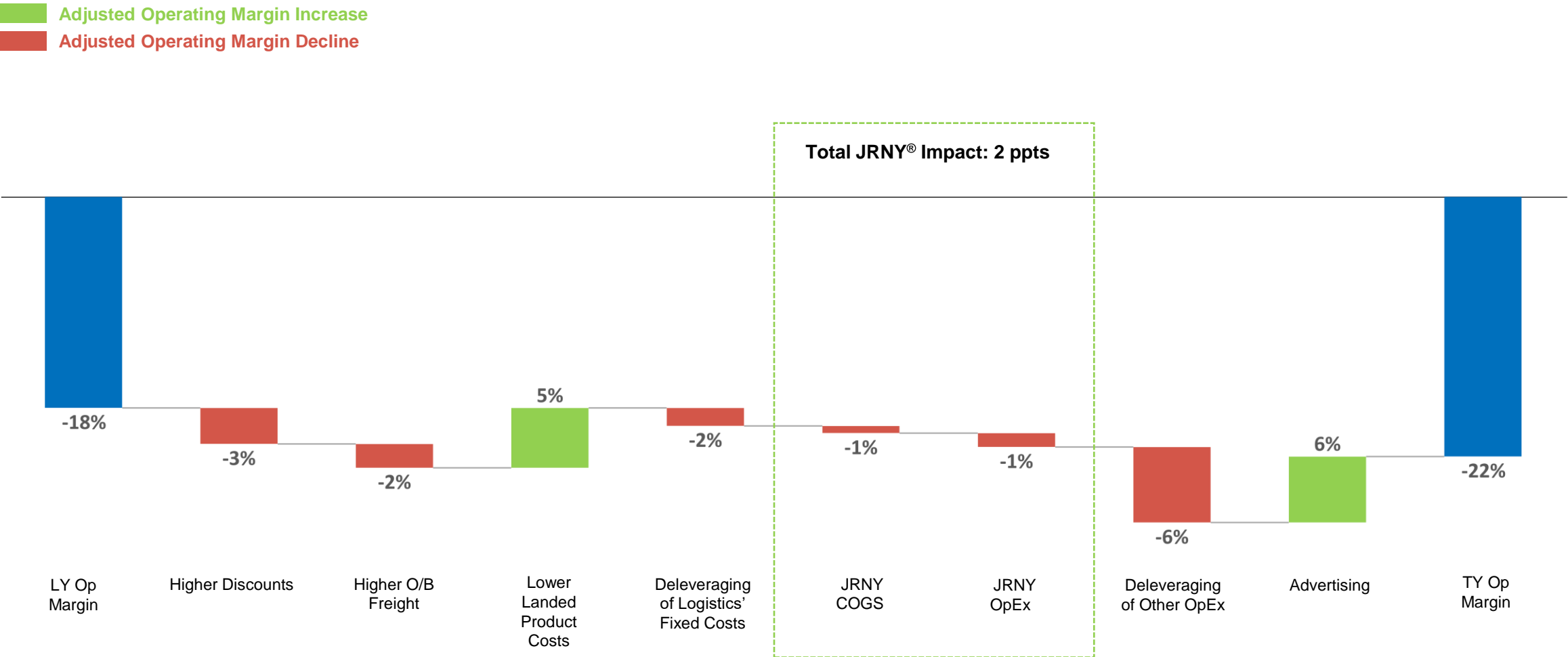
\$ in millions, except EPS	YTD FY23 12-months ending Mar 2023	YTD FY22 12-months ending Mar 2022	12-months ending Mar, FY23 VS FY22	
			\$ Var	% Var
<b>Net Sales</b>	<b>\$287</b>	<b>\$590</b>	<b>\$(303)</b>	<b>-51%</b>
<b>Gross Profit</b>	<b>52</b>	<b>148</b>	<b>(97)</b>	<b>-65%</b>
<i>Gross Margin %</i>	<i>18%</i>	<i>25%</i>	<i>-7 pts</i>	
<b>Operating Expenses</b>	<b>145</b>	<b>174</b>	<b>(28)</b>	<b>-16%</b>
<i>% of Sales</i>	<i>51%</i>	<i>29%</i>	<i>+21 pts</i>	
<b>Operating (Loss) Income</b>	<b>(93)</b>	<b>(25)</b>	<b>(68)</b>	
<i>Operating Margin %</i>	<i>-33%</i>	<i>-4%</i>	<i>-28pts</i>	
<b>(Loss) Income Continuing Ops</b>	<b>(107)</b>	<b>(22)</b>	<b>(85)</b>	
<b>Diluted EPS, Cont Ops</b>	<b>(\$3.40)</b>	<b>(0.72)</b>	<b>(\$2.68)</b>	

Due to rounding, some numbers may not foot



# Adjusted Operating Margin: Q4 FY 2023, Qtr. Ending March

## Adjusted Operating Margin YoY Bridge for Qtr. Ending March 2023

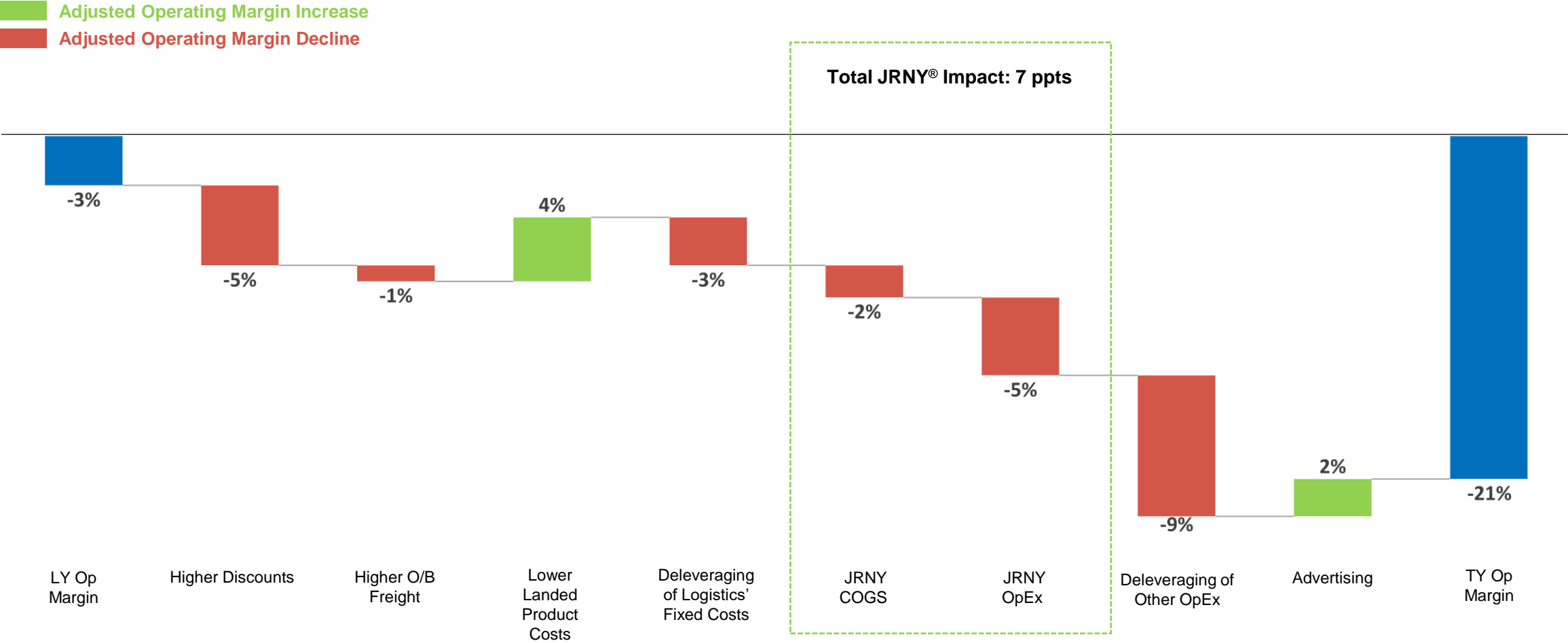


Due to rounding, some numbers may not foot



# Adjusted Operating Margin: FY 2023, 12-months Ending March

## Adjusted Operating Margin YoY Bridge for YTD Ending March 2023



Due to rounding, some numbers may not foot



**NAUTILUS** *Inc*

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