

Q1 FY2023

Quarter Ending June 30, 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.

Q1 Results: Long-Term Progress while Delivering Short-Term Results



Achieved **high-end** of revenue guidance and beat Adjusted EBITDA⁽¹⁾ guidance



27% Direct Segment Sales Growth vs. FY20⁽²⁾



Guiding to **positive adjusted EBITDA⁽¹⁾** in back-half of **FY23**



-2% Retail Segment Sales Growth vs. FY20⁽³⁾



Reiterate guidance for full year revenue, adjusted EBITDA⁽¹⁾, and JRNY[®] member growth



360K JRNY[®] Members +133% vs FY22

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

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

⁽³⁾ Sales growth versus the same period FY20, excluding Octane, to provide comparisons to pre-pandemic results

Well-Positioned to Navigate Macro Headwinds



Diversified portfolio
with an attractively priced
digital platform

Asset-light operating model
and semi-variable cost
structure

Key moves to improve
gross margins in H2
FY23:

- Negotiated lower in-bound freight costs
- Removed fees and storage leases by managing down excess inventory
- Exiting Portland distribution center
- Renegotiated costs for top SKUs

Durable goods will
sell off-peak season
for good value

Outstanding comparative total
cost of ownership

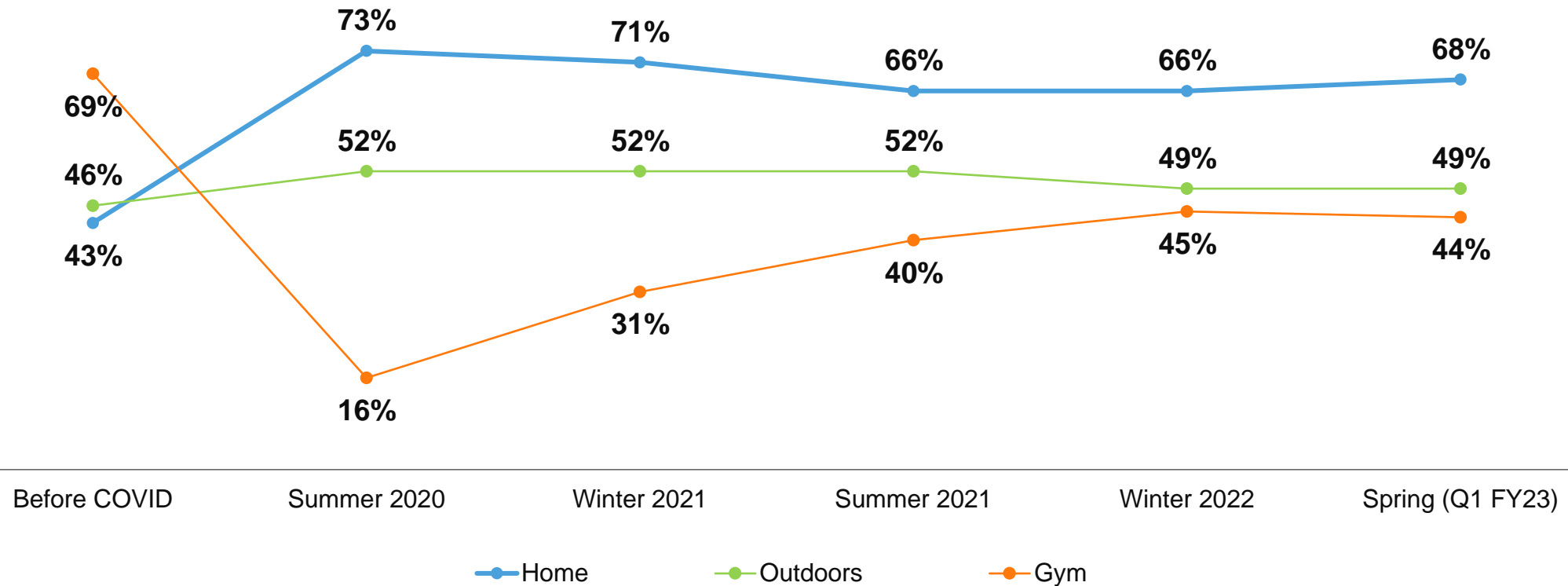
Annual Digital Membership:
\$149 (NLS)

Strong cost discipline:
matching SG&A costs with
sales

Long-Term Opportunity / Hybrid is Here to Stay

Workout Locations: Working out at home remains popular in the “new normal”

Consumers who value fitness now work out at home ~70% of the time versus 40% of the time pre-pandemic



North Star: 5 Strategic Pillars

Our Path to Digital Transformation



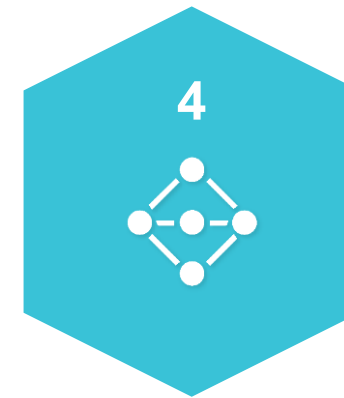
Adopt a **Consumer First** Mindset



Scale a **Differentiated Digital Offering**



Focus Investments on our **Core** Businesses



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



Build **Organizational Capabilities** to Win



The adaptive fitness membership that evolves with you.

Only **\$19.99/mo** or **\$149/yr.**

~80%
of units
sold are **JRNY®**
compatible

Continuously
evolving and
improving digital
fitness experience

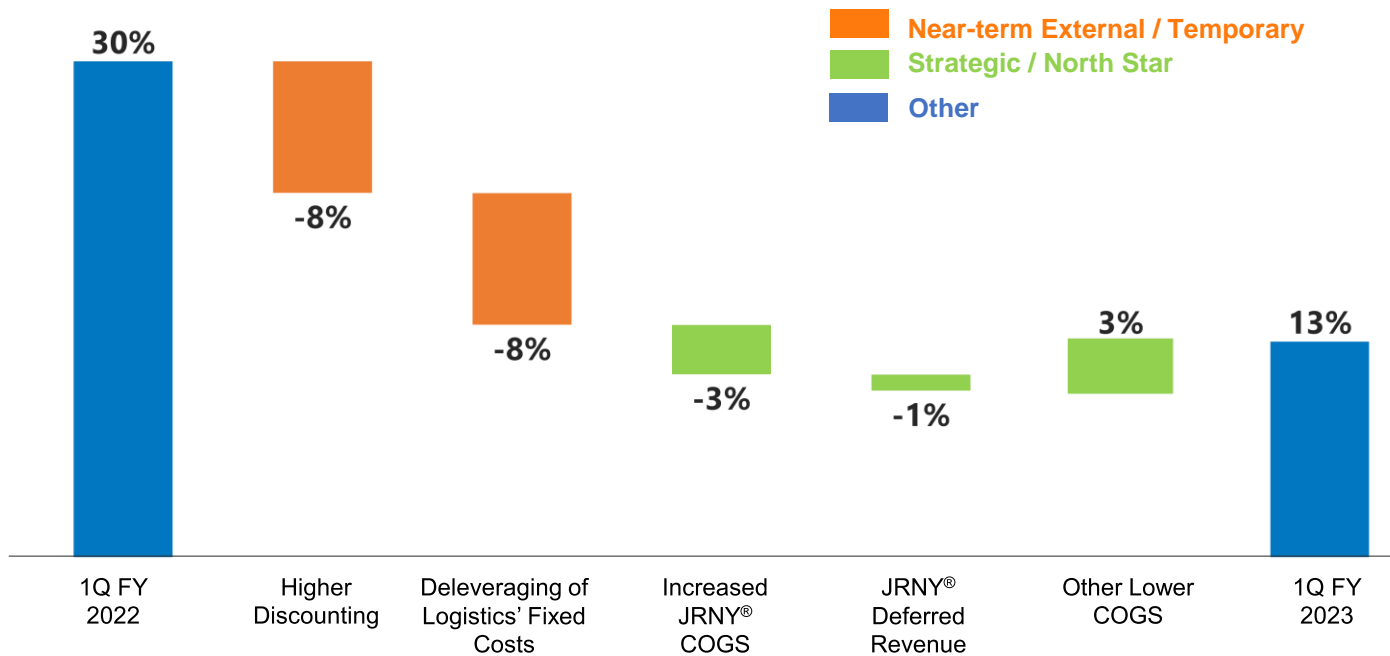
Integrated
marketing with


360k members
(+133% vs LY)
127k subscribers
(+290% vs LY)

P&L: Q1 FY 2023, Qtr Ending June

- Net sales for the 1st quarter were \$55M
 - -70% vs FY22 (LY)
 - +11% vs FY20⁽¹⁾ (2)
- Gross profit was \$7M and gross margins were 13%
 - -17 pts vs FY22 (LY)

Gross Margin YoY Bridge for Qtr Ending June 2022



(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.



P&L: Q1 FY 2023, Qtr Ending June – Adjusted⁽¹⁾

\$ in millions	1Q FY23	1Q FY22	TY vs. LY	
	3-mos ending Jun-22	3-mos ending Jun-21	\$ Var	% Var
Adj. Operating Expenses ⁽¹⁾	31	38	-6	-17%
<i>% of sales</i>	57%	20%	+36 pts	
Selling & Marketing	13	21	-8	-39%
<i>% of sales</i>	24%	12%	+12 pts	
G&A	12	12	1	8%
<i>% of sales</i>	23%	6%	+16 pts	
R&D	6	5	1	21%
<i>% of sales</i>	11%	3%	+8 pts	
Adj. Operating (Loss) Income ⁽¹⁾	-24	18	-42	
<i>Adj. Operating Margin %</i>	-44%	10%	-54 pts	
Adj. EBITDA Continuing Operations ⁽¹⁾	-20	21	-41	
<i>Adj. EBITDA Margin %</i>	-36%	12%	-48 pts	

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



Balance Sheet and Liquidity

\$ in millions	Q1 FY23 June 2022	Q4 FY22 March 2022
Cash and Investments	\$9	\$14
Inventory	104	111
Trade Receivables	27	61
Trade Payables	27	53
Debt	37	29
Revolver Availability	\$35	\$66

- \$44 million of liquidity⁽¹⁾ as of 6/30/22
- Inventory down 6% vs \$111M @3/31/22, in-line with expectations
 - Inventory concentrated in best-selling SKUs
 - Nearly 30% of inventory cost in SelectTech Weights
 - 8% in-transit

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



FY23 Guidance

	2H	Full Year
Sales	65% to 70% of Full Year	\$380M to \$460M
GM%	Range of 27% to 30%	
Adjusted EBITDA ⁽¹⁾	Positive Adj EBITDA	-\$25M to -\$35M
JRNY Members		500k+

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















Appendix

Q1 2023 P&L Summary (GAAP)

\$ in millions, except EPS	1Q FY23 3-months ending June 2022	1Q FY22 3-months ending June 2021	3-months ending June, FY23 VS. FY22	
			\$ Var	% Var
Net Sales	\$55	\$185	\$(130)	-70%
Gross Profit	7	56	(49)	-87%
<i>Gross Margin %</i>	<i>13%</i>	<i>30%</i>	<i>-17 pts</i>	
Operating Expenses	58	38	21	54%
<i>% of Sales</i>	<i>106%</i>	<i>20%</i>	<i>+86 pts</i>	
Operating (Loss) Income	(51)	18	(69)	
<i>Operating Margin %</i>	<i>-93%</i>	<i>10%</i>	<i>-103 pts</i>	
(Loss) Income Continuing Ops	(60)	14	(74)	
Diluted EPS, Cont Ops	(\$1.92)	\$0.43	(\$2.35)	



Total Cost of Ownership Comparison

Bowflex Treadmill 22 \$2,699				Add to Cart	
					
	Treadmill 22	Peloton Tread	NordicTrack 2450		
Estimated List Price	\$2,699	\$2,695*	\$2,895*		
Shipping	\$0	\$0	\$149		
First Year Subscription Cost	1-Year JRNY Membership Included ¹ (\$149)	\$528 Peloton Membership ²	1-Year iFit Membership Included ² (\$396)		
Estimated 3-Year Total Cost ³	\$2,997 Three-Year Total Cost	\$4,279 Three-Year Total Cost	\$3,836 Three-Year Total Cost		
Streaming Entertainment ⁴	    				


Source: Bowflex.com

(1) This offer's availability is subject to change without notice. At end of free trial, JRNY membership automatically renews at current membership rates until canceled.

(2) Can be cancelled at anytime. \$528 annual cost based on the \$44 monthly Peloton Membership subscription. Annual iFit membership cost based on \$396/yr + tax; monthly membership cost based on \$39/mo + tax.

(3) Includes estimated list price, shipping cost, and subscription cost. Assumes subscription is maintained for the 3-year period. Does not include the cost of taxes. Subscription fees subject to change.

(4) Streaming service memberships not included. JRNY membership required to access streaming services.



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