

Q2 FY2023

Quarter Ending September 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](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.

# Well-Positioned to Weather Short-Term Industry Challenges



**Broad product  
portfolio at a range  
of price points**



**Omnichannel  
go-to-market  
model**

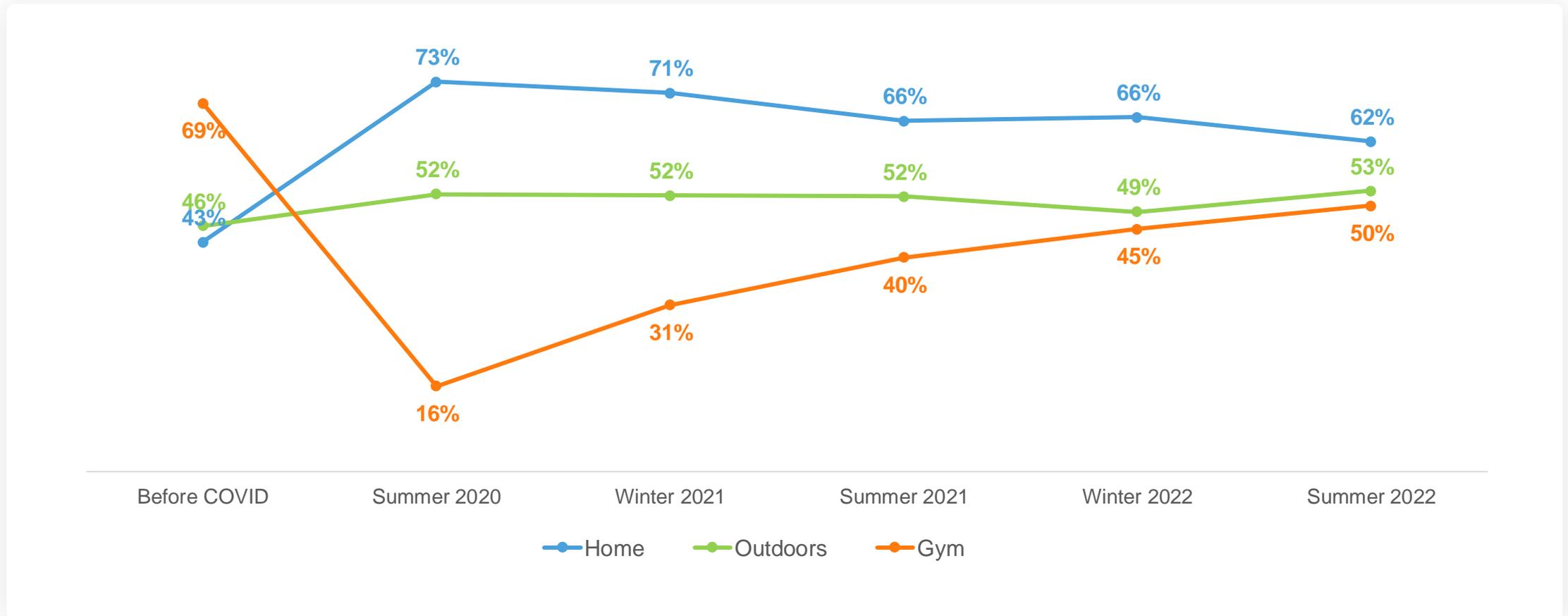


**Differentiated  
connected fitness  
platform**

# 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 ~60% of the time versus 40% of the time pre-pandemic



# Q2 Results: Long-Term Progress while Delivering Improving Results



**\$65M** Net Sales  
+24% vs FY20<sup>(1)</sup>  
+19% vs 1Q23



**51%** Direct Segment Sales  
Growth vs. FY20<sup>(3)</sup>



**+480bps** Gross Margin Expansion



**11%** Retail Segment Sales  
Growth vs. FY20<sup>(1)</sup>



Adjusted EBITDA <sup>(2)</sup> loss of \$10M –  
**half the loss of 1Q23**



**+400K** JRN<sup>®</sup> Members  
+116% vs FY22

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

<sup>(2)</sup> See earnings release for reconciliation of non-GAAP financial measures

<sup>(3)</sup> Sales growth versus the same period FY20 to provide comparisons to pre-pandemic results

# Advantages of our Flexible Business Model

---

**Flexibility of our business model drove significant sequential QoQ improvement of +19% revenue and ~\$10M improvement in adjusted EBITDA<sup>(1)</sup> loss**



Asset-light operating model with outsourced manufacturing

Utilize contractors for sprints and surges in software development

Streamlined product portfolio with +80% of volume in 2Q FY23 concentrated in top 25 SKUs

Nimble, digital-focused marketing approach allows for dynamic shifting of marketing investments

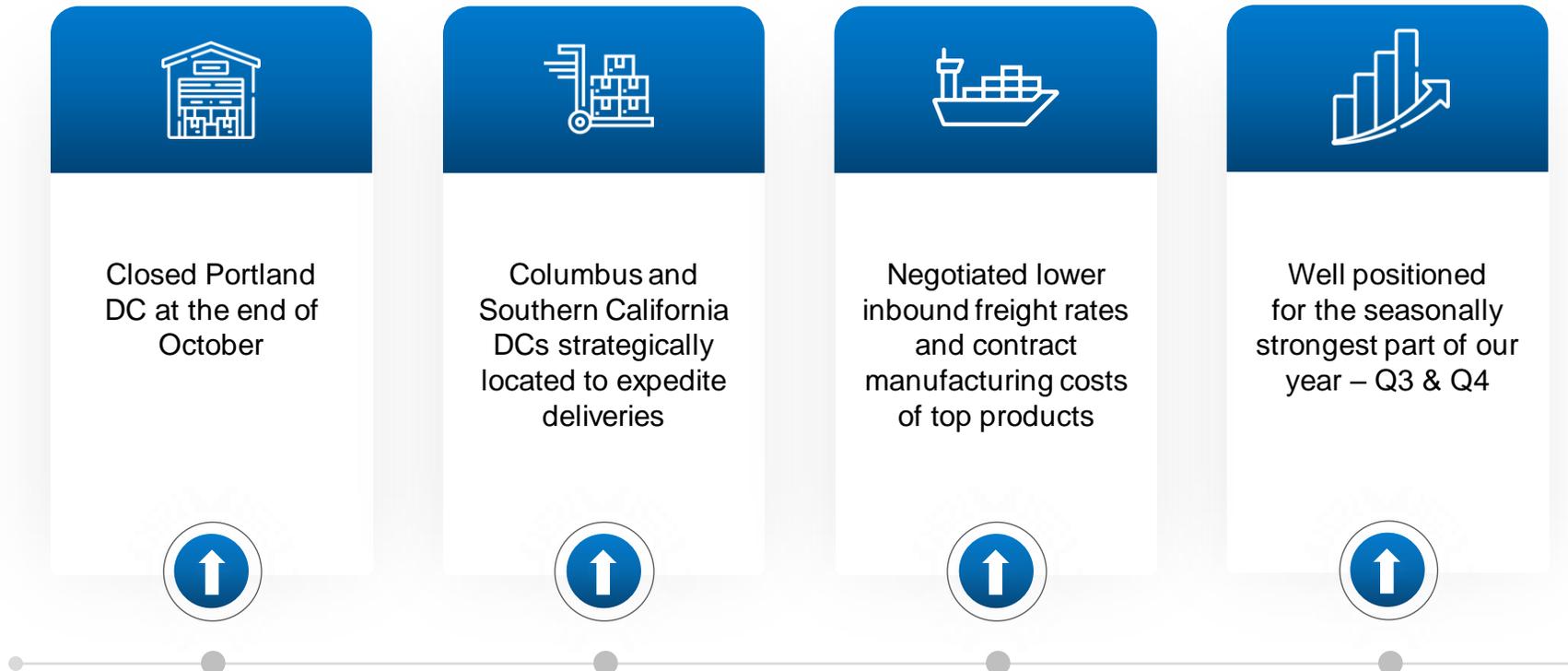
Ability to continuously regulate non-media OpEx for efficiencies and savings

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

# Supply Chain Update

---

Beginning to see return on supply chain investments with **gross margins improving sequentially by +480bps QoQ**, with **further improvement in 2H23** driven by:





**The adaptive fitness membership that evolves with you.**

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



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

**400k members**  
(+116% vs LY)  
**+40k members**  
in 2Q23

# More JRNY Enabled Modalities Arriving for the Holiday Season



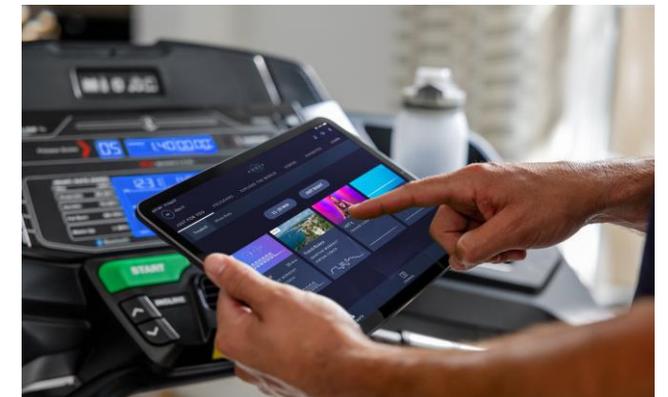
**Schwinn® 190 Upright Bike**



**Schwinn® 290 Recumbent Bike**



**Bowflex® BXT8J Treadmill**



# 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

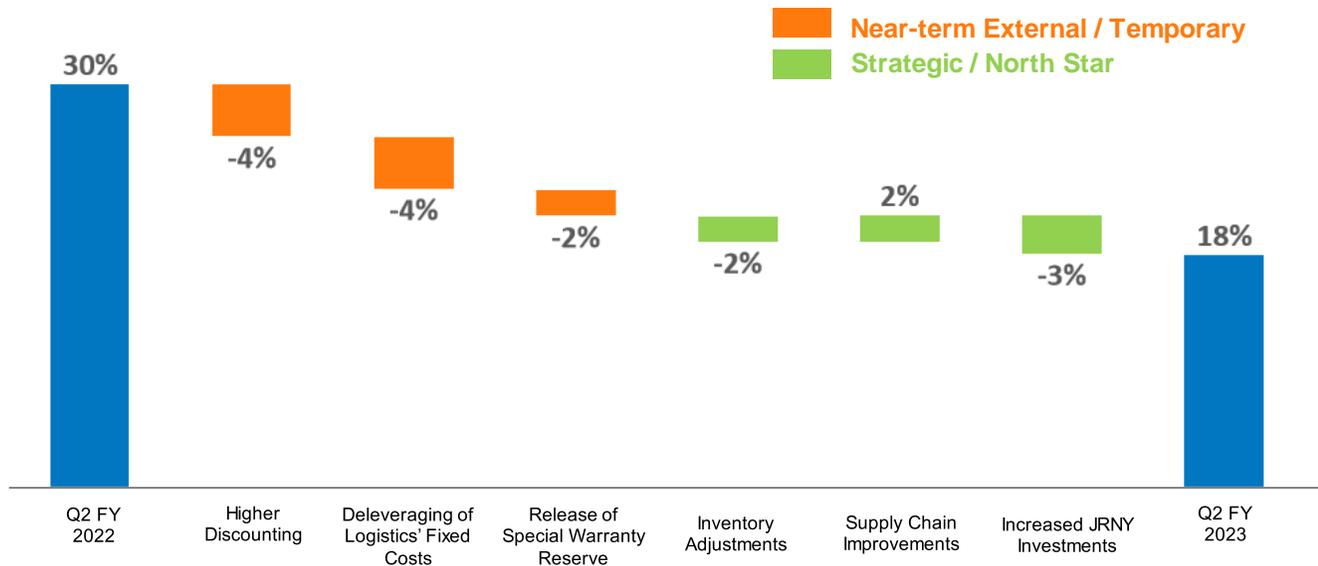


Build **Organizational Capabilities** to Win

# P&L: Q2 FY 2023, Qtr Ending September

- Net sales for the 2<sup>nd</sup> quarter were \$65M
  - 53% vs FY22 (LY) and +24% vs FY20<sup>(1)</sup>(<sup>2</sup>)
  - Direct Segment Sales +51% vs. FY20<sup>(1)</sup>
  - Retail Segment Sales +11% vs. FY20<sup>(2)</sup>
- Gross profit was \$11M and gross margins were 18%
  - 13 pts vs FY22 (LY)
  - +5 pts vs 1Q23

## Gross Margin YoY Bridge for Qtr Ending September 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: Q2 FY 2023, Qtr Ending September – Adjusted<sup>(1)</sup>

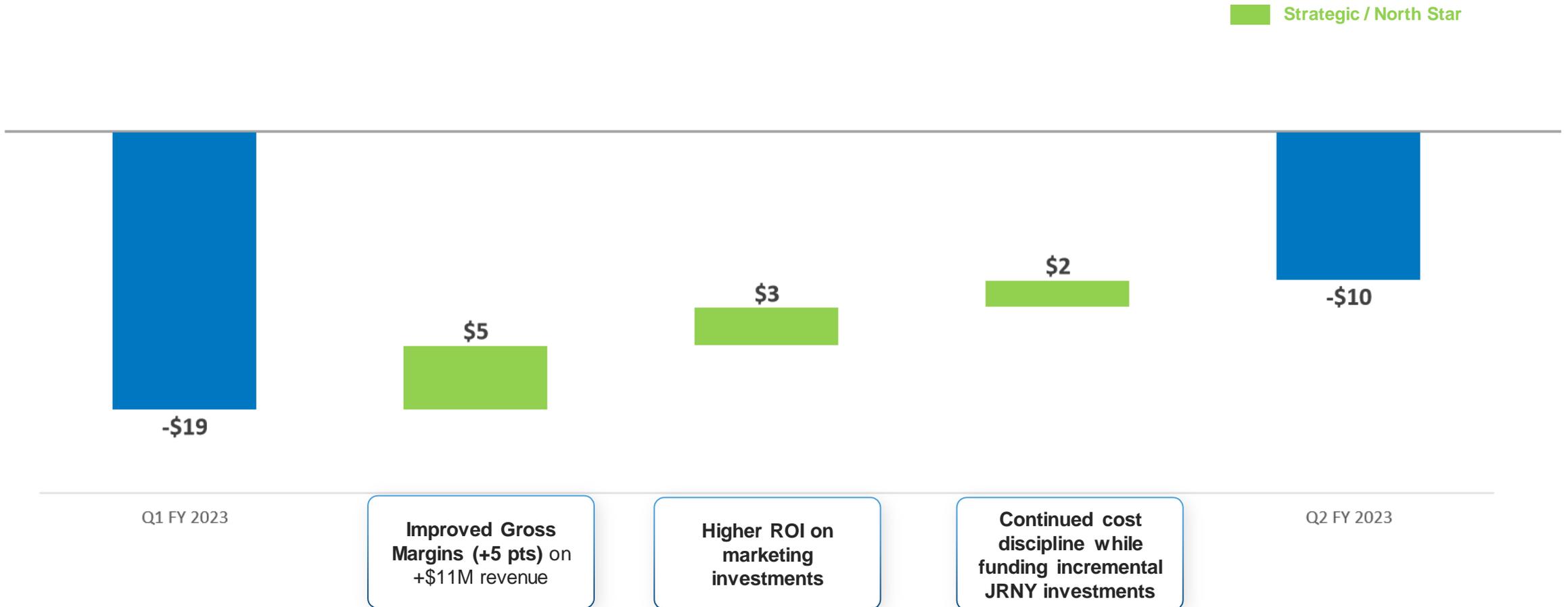
\$ in millions	Q2 FY23	Q2 FY22	TY vs. LY	
	3-mos ending Sep-22	3-mos ending Sep-21	\$ Var	% Var
<b>Adj. Operating Expenses<sup>(1)</sup></b>	<b>25</b>	<b>39</b>	<b>-13</b>	<b>-35%</b>
<i>% of sales</i>	<i>38%</i>	<i>28%</i>	<i>+11 pts</i>	
<b>Selling &amp; Marketing</b>	<b>9</b>	<b>22</b>	<b>-13</b>	<b>-57%</b>
<i>% of sales</i>	<i>14%</i>	<i>16%</i>	<i>-2 pts</i>	
<b>G&amp;A</b>	<b>10</b>	<b>11</b>	<b>-1</b>	<b>-5%</b>
<i>% of sales</i>	<i>16%</i>	<i>8%</i>	<i>+8 pts</i>	
<b>R&amp;D</b>	<b>5</b>	<b>6</b>	<b>0</b>	<b>-5%</b>
<i>% of sales</i>	<i>8%</i>	<i>4%</i>	<i>+4 pts</i>	
<b>Adj. Operating Loss<sup>(1)</sup></b>	<b>-14</b>	<b>4</b>	<b>-17</b>	
<i>Adj. Operating Margin %</i>	<i>-21%</i>	<i>3%</i>	<i>-23 pts</i>	
<b>Adj. EBITDA Continuing Operations<sup>(1)</sup></b>	<b>-10</b>	<b>7</b>	<b>-17</b>	
<i>Adj. EBITDA Margin %</i>	<i>-15%</i>	<i>5%</i>	<i>-20 pts</i>	
<b>Adj. Operating Expenses<sup>(1)</sup> excluding Advertising</b>	<b>22</b>	<b>26</b>	<b>-4</b>	<b>-15%</b>

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



# P&L: Sequential Adjusted EBITDA Improvement (Q2 FY23 vs Q1 FY23)

## Adjusted EBITDA QoQ Bridge for Q2 FY23 vs. Q1 FY23



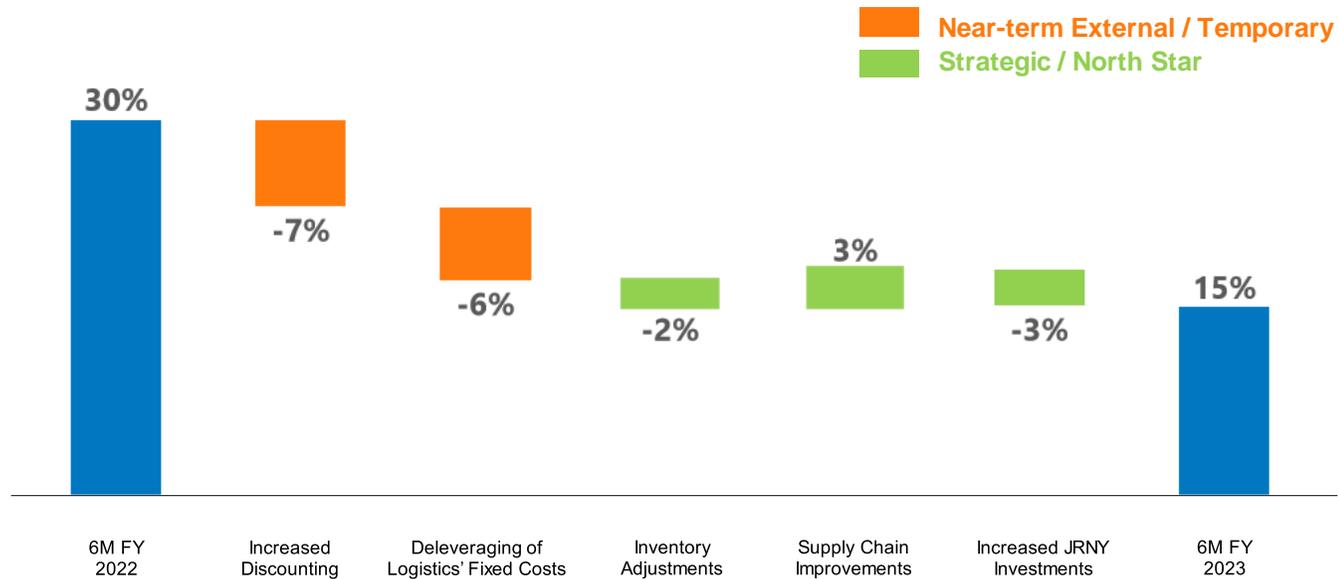
\* See earning release for reconciliation of non-GAAP financial measures

# P&L: FY 2023 – 1<sup>st</sup> Half Results

## 6-Months Ending September

- Net sales for FY23 1H were \$120M
  - 63% vs FY22 (LY)
  - +17% vs FY20<sup>(1) (2)</sup>
  - Direct Segment Sales +38% vs. FY20<sup>(1)</sup>
- Gross profit was \$18M and gross margins were 15%
  - 15 pts vs FY22 (LY)

### Gross Margin YoY Bridge for 6-Months Ending September 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: FY 2023, 6-Months Ending September - Adjusted\*

\$ in millions	YTD FY23	YTD FY22	TY vs. LY	
	6-mos ending Sep-22	6-mos ending Sep-21	\$ Var	% Var
Adj. Operating Expenses <sup>(1)</sup>	56	76	-20	-27%
<i>% of sales</i>	46%	24%	+23 pts	
<b>Selling &amp; Marketing</b>	22	43	-21	-48%
<i>% of sales</i>	19%	13%	+5 pts	
<b>G&amp;A</b>	22	22	0	0%
<i>% of sales</i>	18%	7%	+12 pts	
<b>R&amp;D</b>	11	11	1	7%
<i>% of sales</i>	9%	3%	+6 pts	
Adj. Operating Loss <sup>(1)</sup>	-37	22	-59	
<i>Adj. Operating Margin %</i>	-31%	7%	-38 pts	
Adj. EBITDA Continuing Operations <sup>(1)</sup>	-29	28	-57	
<i>Adj. EBITDA Margin %</i>	-24%	9%	-33 pts	
Adj. Operating Expenses <sup>(1)</sup> excluding Advertising	47	52	-5	-10%

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



# Balance Sheet and Liquidity

\$ in millions	Q2 FY23 September 2022	Q4 FY22 March 2022
Cash and Investments	\$7	\$14
Inventory	99	111
Trade Receivables	34	61
Trade Payables	37	53
Debt	47	29
<b>Revolver Availability</b>	<b>\$22</b>	<b>\$66</b>

- \$29 million of liquidity<sup>(1)</sup> as of 9/30/22
- Quarter-Ending Inventory on plan
  - -39% vs 09/30/21 and -11% vs 3/31/22
  - Inventory concentrated in best-selling SKUs
    - Over 25% of inventory cost in SelectTech Weights

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



# FY23 Guidance

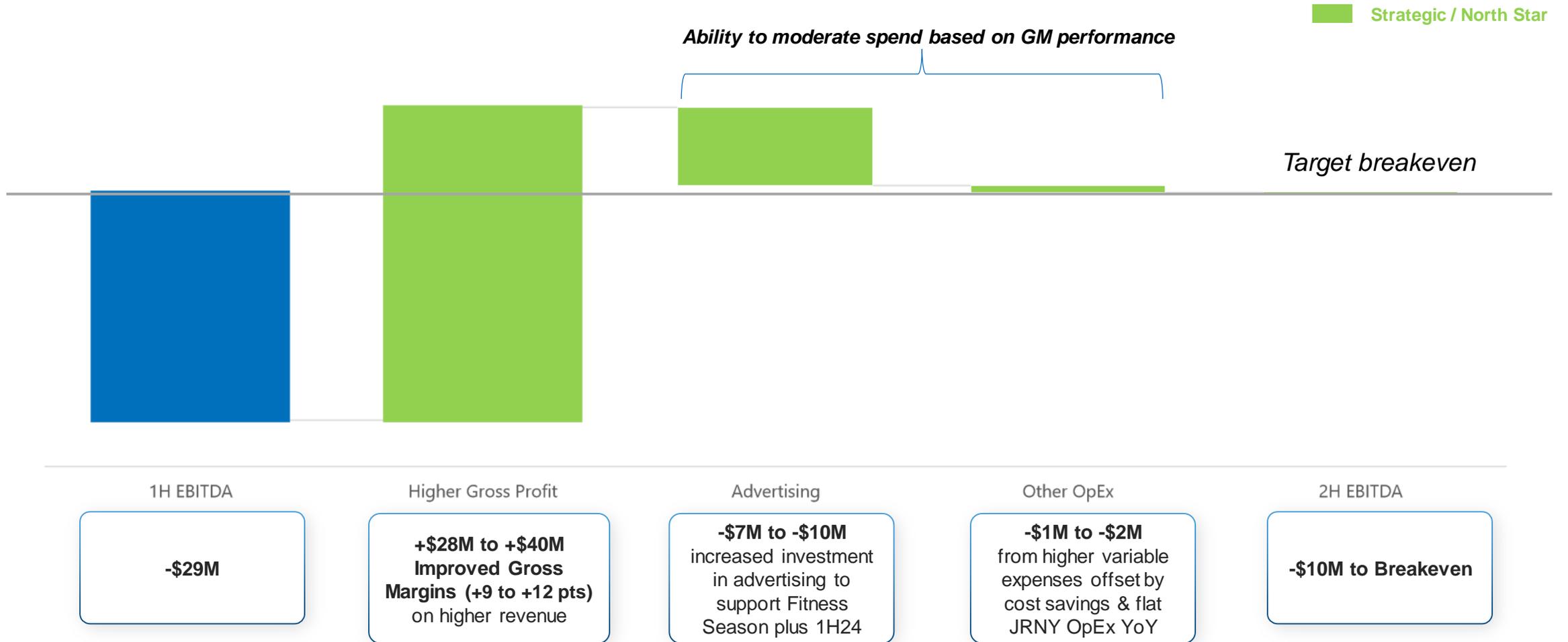
	2H	Full Year
<b>Revenue</b>	\$195M to \$245M	\$315M to \$365M <i>(Previous: \$380M to \$460M)</i>
<b>Revenue Mid-point</b>	\$220M	\$340M <i>(Previous: \$420M)</i>
<b>GM%</b>	24% to 27% <i>(Previous: 27% to 30%)</i>	
<b>Adjusted EBITDA<sup>(1)</sup></b>	\$0 to -\$10M	-\$30M to -\$40M <i>(Previous: -\$25M to -\$35M)</i>
<b>JRNY Members</b>		500k+

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



# P&L: Adjusted EBITDA Improvement (2H FY23 vs 1H FY23)

## Adjusted EBITDA 2H FY23 Bridge vs. 1H FY23



\* See earning release for reconciliation of non-GAAP financial measures

# Well-Positioned to Weather Short-Term Industry Challenges



**Broad product  
portfolio at a range  
of price points**



**Omnichannel  
go-to-market  
model**



**Differentiated  
connected fitness  
platform**



# Appendix

# Q2 2023 P&L Summary (GAAP)

\$ in millions, except EPS	Q2 FY23 3-months ending Sep 2022	Q2 FY22 3-months ending Sep 2021	3-months ending Sep, FY23 VS. FY22	
			\$ Var	% Var
<b>Net Sales</b>	<b>\$65</b>	<b>\$138</b>	<b>\$(73)</b>	<b>-53%</b>
<b>Gross Profit</b>	<b>11</b>	<b>42</b>	<b>(31)</b>	<b>-73%</b>
<i>Gross Margin %</i>	<i>18%</i>	<i>31%</i>	<i>-13 pts</i>	
<b>Operating Expenses</b>	<b>26</b>	<b>44</b>	<b>-18</b>	<b>41%</b>
<i>% of Sales</i>	<i>39%</i>	<i>32%</i>	<i>+8 pts</i>	
<b>Operating (Loss) Income</b>	<b>(14)</b>	<b>(2)</b>	<b>(12)</b>	
<i>Operating Margin %</i>	<i>-22%</i>	<i>-1%</i>	<i>-20pts</i>	
<b>(Loss) Income Continuing Ops</b>	<b>(15)</b>	<b>(5)</b>	<b>(11)</b>	
<b>Diluted EPS, Cont Ops</b>	<b>(\$0.48)</b>	<b>(\$0.15)</b>	<b>(\$0.33)</b>	



# YTD 2023 P&L Summary (GAAP)

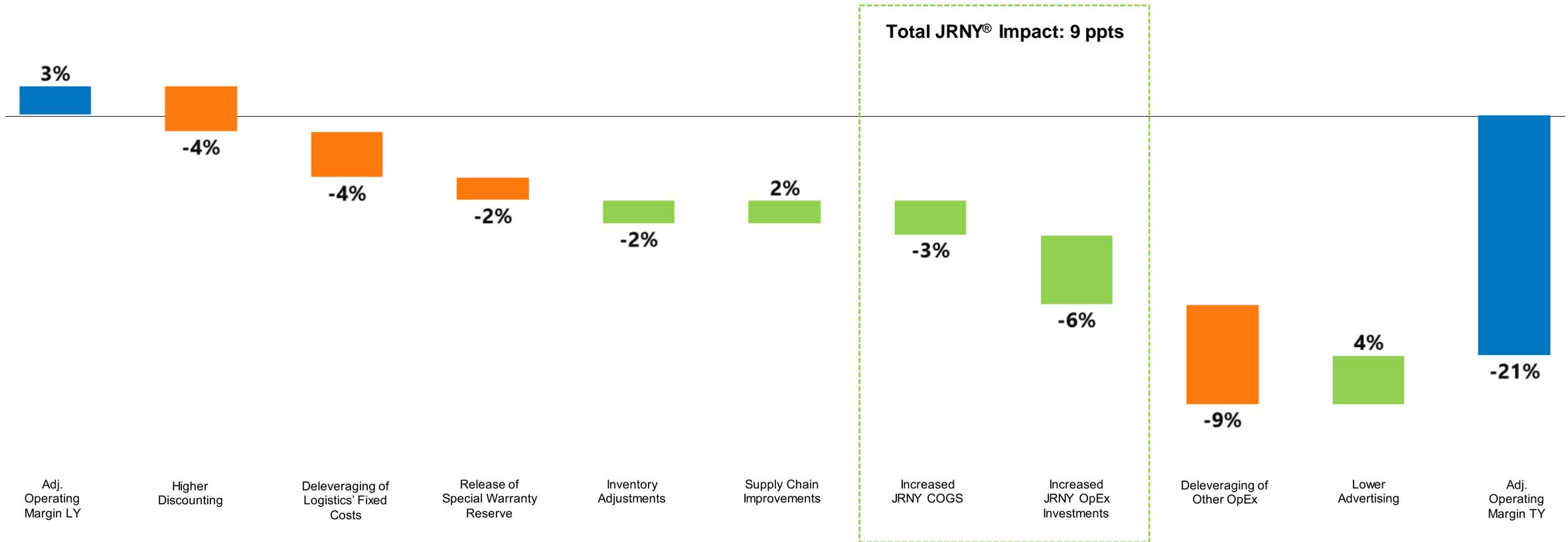
\$ in millions, except EPS	YTD FY23 6-months ending Sep 2022	YTD FY22 6-months ending Sep 2021	6-months ending Sep, FY23 VS. FY22	
			\$ Var	% Var
<b>Net Sales</b>	<b>\$120</b>	<b>\$323</b>	<b>\$(202)</b>	<b>-63%</b>
<b>Gross Profit</b>	<b>18</b>	<b>98</b>	<b>(79)</b>	<b>-81%</b>
<i>Gross Margin %</i>	<i>15%</i>	<i>30%</i>	<i>-15 pts</i>	
<b>Operating Expenses</b>	<b>84</b>	<b>82</b>	<b>2</b>	<b>3%</b>
<i>% of Sales</i>	<i>70%</i>	<i>25%</i>	<i>+44 pts</i>	
<b>Operating (Loss) Income</b>	<b>(66)</b>	<b>16</b>	<b>(81)</b>	
<i>Operating Margin %</i>	<i>-54%</i>	<i>5%</i>	<i>-59pts</i>	
<b>(Loss) Income Continuing Ops</b>	<b>(75)</b>	<b>9</b>	<b>(85)</b>	
<b>Diluted EPS, Cont Ops</b>	<b>(\$2.40)</b>	<b>0.29</b>	<b>(\$2.69)</b>	



# P&L: Q2 FY 2023, Qtr Ending September - Adjusted\*

## Adjusted Operating Margin YoY Bridge for Qtr Ending September 2022

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

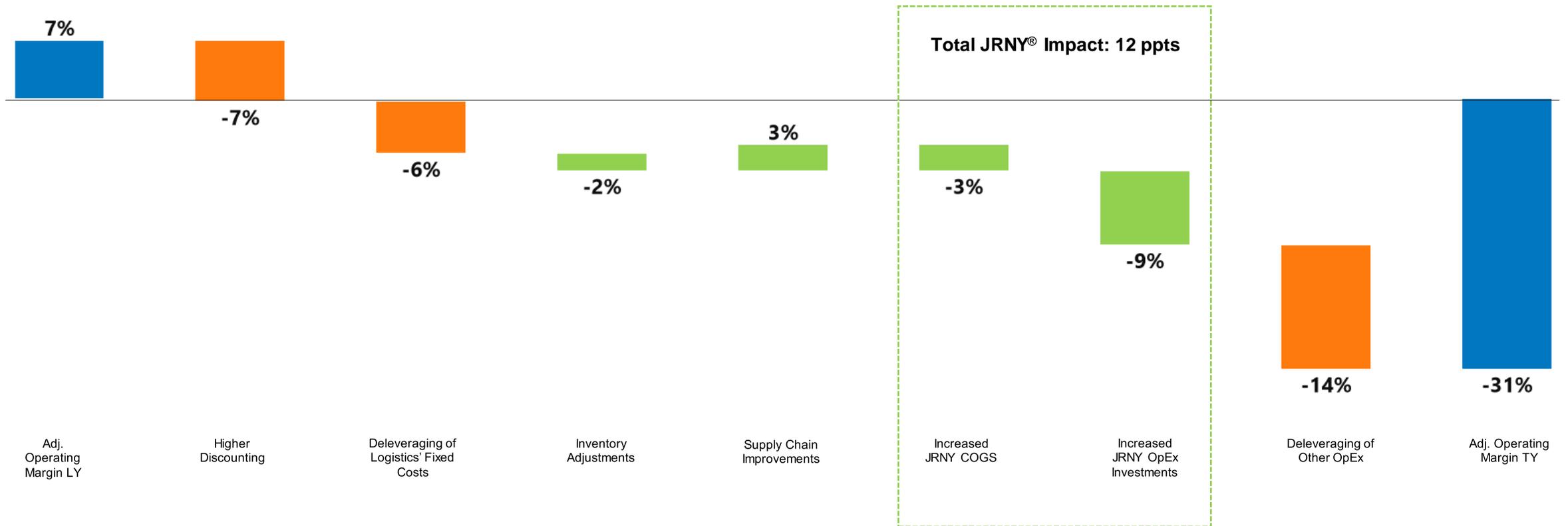


\* See earning release for reconciliation of non-GAAP financial measures

# P&L: FY 2023, 6-Months Ending September - Adjusted\*

## Adjusted Operating Margin YoY Bridge for YTD Ending September 2022

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



\* See earning release for reconciliation of non-GAAP financial measures



**NAUTILUS** *Inc*

**FOR MORE INFORMATION PLEASE CONTACT**

**Investor Relations:**

John Mills  
ICR, LLC  
646-277-1254  
john.mills@ICRinc.com

**Media Contacts:**

John Fread  
Nautilus, Inc.  
360-859-5815  
jfread@nautilus.com

