NAUTILUS Inc.

14TH ANNUAL B. RILEY & CO. INVESTOR CONFERENCE
MAY 2013
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. 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, 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.*
2012 Highlights

Our company achieved growth and significantly improved profitability

Capabilities were built to deliver long term profitability

Overall margins improved and Retail margins stabilized

Cost Improvement initiatives have become part of our culture / normal course of doing business

Strategic growth opportunities were identified and are being pursued

Balance sheet was strengthened with cash and remaining debt was paid off in March 2012
Business Transformation (2007 to Today)

**Business Profile**

- **Operations**: 3 Significant Global Ops
  - 20+ facilities
  - Owned manufacturing
- **Employee Base**: 1700
- **Financial Discipline**: Sales Growth Oriented
- **Balance Sheet**: $7.9M Cash*, $79M Debt*

* As of December 31, 2007

**Then ...**

- **Business Units**: 3
- **Operations**: Significant Global Ops
  - 20+ facilities
  - Owned manufacturing
- **Employee Base**: 1700
- **Financial Discipline**: Sales Growth Oriented
- **Balance Sheet**: $7.9M Cash*, $79M Debt*

* As of December 31, 2007

**Now ...**

- **Business Units**: 1 (singular focus)
- **Operations**: Lean Structure
  - 1 major facility
  - 2 warehouses
- **Employee Base**: 330
- **Financial Discipline**: Focus on Sales and Profitable Growth
  - Leveraged and Tightly Controlled Expenses
- **Balance Sheet**: $28.7M Cash*, No Debt

* As of March 31, 2013
Revenue and Net Income Progress

Revenue and Income from both Discontinued and Continuing Operations

* Includes one time (non-cash) cumulative translation adjustment in Discontinued Operations
Sales Growth in Excess of Industry Rate

[Graph showing sales growth from Q1 2011 to Q1 2013, with blue line representing NLS Sales Growth and red line representing Industry Average.]

* Source: 2012 SGMA Data
Gross Margin Trend

The Transformation

The Progress

The Potential

- Direct
- Retail
- Combined (Direct and Retail)
- Combined with Royalty

Q112: 23.8%
Q212: 19.2%
Q312: 21.4%
Q412: 24.1%
Q113: 24.9%
Increasing Gross Margin and Declining Expense Ratio

⇒ Generates Operating Margin Improvement; At 5.5% in 2012
The Transformation

The Progress

The Potential

Operating Income From Continuing Operations

Millions (USD)

Trajectory of quarterly improvements is positive
Consistent Profit Improvement & Strong Balance Sheet

- Direct model allows for growth with little additional working capital
- Tight controls on operating expense and working capital provide significant leverage

*Non-GAAP Information, see Nautilus’ website under “Investor Relations” for a reconciliation to GAAP
*EBITDA is rolling four quarter total, Continuing Operations
Leading Brands Poised for Growth

**Strong Brand Equity**

**Market Leader Position:**
- Awareness
- Quality
- Reputation
- Customer service

**Clearly Differentiated**

**Bowflex:** Innovative, quick and proven results
**Nautilus:** Authentic, serious fitness
**Schwinn:** Quality cardio, good value
**Universal:** American heritage, strength

**Expansion:**
- Alternative Fitness
- New Price Points
- New Licensing Opportunities
- International Markets

Note: Based on National Consumer Research Study Completed in 2011
Increased Focus on New Product Development

• R&D spend and resources were stepped up in 2011 and 2012

• Expansion into new price points and alternative fitness in 2012
  – CoreBody Reformer, UpperCut

• Extensive complementary network of outside idea resources is yielding positive results

• Rigorous new product development process ensures market traction and drives improved margins

Sales growth, margin improvement, and product reviews prove that the strategy is working
Unique Multi-Channel Business Model

- Growth into new categories and price points
- Product cascading extends life cycles

Direct

Retail

Licensing

- Big market; low share
- International opportunities
- Leverage Direct Marketing capabilities

- High margins
- New category opportunities
- Helps build brands
- Leverage IP assets

Synergies provide additional levers for growth
Strategic Goal - Run Rates Generating EPS Growth

Revenue Growth: Sustaining 9 - 10% / Year
Gross Margin Improvement: 2 – 3 Points Higher
Operating Expense Leverage: 1 – 3 Points Better

Operating Income @ 7 – 10%
(increasing at double digit pace)
+ Cash Generation

Strong EPS Growth / Year
2013 Focus Areas – “the big 3” (same as 2012)

1) Continue emphasis on new product development
   - Expanding our product portfolio
   - Integration of consumer insights to improve product success

2) Improve our product margins

3) Tightly manage our operating costs and create leverage as we grow revenues

Continue to deliver short term improvements while building strong foundation for future profitable growth
Why Consider Nautilus

Our company is achieving growth and significantly improved profitability

Capabilities built to deliver long term profitability
- New product development
- Supply Chain efficiencies

Cost improvement initiatives have become part of our culture / normal course of doing business

Strategic growth opportunities identified and are being pursued
- New price points and new categories
- Branding / Licensing
- International opportunities

Strong asset position is leverageable
- Balance sheet
- Talented employees
- Unique and complimentary business segments
- Strengths not easily replicated
The Transformation is complete

The Progress is evident

The Potential is significant

The Focus Areas are clear and the Plan is achievable
Thank You