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Nautilus, Inc. (NLS)

Q1 2024 Earnings Call

## **CORPORATE PARTICIPANTS**

John F. Mills

Aina E. Konold

Chief Financial Officer, Nautilus, Inc.

Managing Partner, ICR, Inc.

James Barr

Chief Executive Officer & Board Member, Nautilus, Inc.

## OTHER PARTICIPANTS

Michael Swartz

Analyst, Truist Securities, Inc.

**George Arthur Kelly** 

Analyst, ROTH Capital Partners LLC

## MANAGEMENT DISCUSSION SECTION

**Operator**: Good day and welcome to the Nautilus Fiscal First Quarter 2024 Earnings Results Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to John Mills with ICR. Please go ahead, sir.

### John F. Mills

Managing Partner, ICR, Inc.

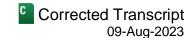
Thank you. Good afternoon, everyone. Welcome to Nautilus' fiscal 2024 first quarter ended June 30 conference call. Participants on the call today from Nautilus are Jim Barr, Chief Executive Officer; and Aina Konold, Chief Financial Officer. Please note this call is being webcast and will be available for replay for the next 14 days. We'll be happy to take your questions at the conclusion of our prepared remarks.

Our earnings press release was issued today at 1:05 PM Pacific Time and may be downloaded from our website at nautilusinc.com on the Investors page. The earnings release includes a reconciliation of the non-GAAP financial measures mentioned in today's call to the most directly comparable GAAP measures.

For today's call, we have a presentation that management will refer to during their prepared remarks. And on slide 2 is our full Safe Harbor statements, which we ask everyone to read. If you can access the presentation by going to the Investors page on our website and clicking on Events & Webcasts.

I'd like to remind everyone that during this conference call, Nautilus management will make certain forward-looking statements. These forward-looking statements are based on the beliefs of management and information currently available to us as of today. Such forward-looking statements are not guarantees of future performance, and therefore one should not place undue reliance on them. Our actual results may be affected by known and

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unknown risks, trends, uncertainties and factors that are beyond our control and ability to predict. For additional information concerning these factors, please refer to the Safe Harbor statement and to our SEC filings, which can be found in the Investor Relations section of our website.

And with that, it is my pleasure to turn the call over to Nautilus' CEO, Mr. Jim Barr.

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### James Barr

Chief Executive Officer & Board Member, Nautilus, Inc.

Thank you, John, and thank you all for joining us. To start, I'd like to emphasize four key topics that will be the focal points of today's call. First, our Q1 results show substantial progress on our path back to profitability, driven by strong gross margin improvement and operating expense reduction, resulting in a significant improvement in year-over-year adjusted EBITDA.

Second, consumer sentiment around home exercise is encouraging, with solid demand in Direct despite our seasonally low Q1 and some visible sell through in Retail. Third, through a series of proactive efforts, we strengthened our balance sheet, improved liquidity and created greater financial flexibility to better navigate an uncertain retail and macroeconomic landscape. Finally, with consumer demand in Direct, a stronger financial position and our confidence in the long-term industry opportunity, we are proud to begin introducing a new generation of BowFlex products, carrying our refreshed visual branding.

Turning to the first quarter, we are pleased with the results we achieved, which demonstrate our ability to navigate the challenges posed by the macro environment. For Q1, net sales were \$42 million, including Direct sales of \$22 million. Notably, Direct achieved a flat comp to last year in strength products. This bright spot can be attributed to enhancements we've made [audio gap] (00:04:12) strength portfolio, a topic we'll cover later when we discuss our exciting new product launches.

Results in our Retail segment were in line with our expectations, as retailers maintained a conservative approach to inventory. As I mentioned earlier, we are encouraged by the movement of some inventory in Retail and we believe we are well-positioned in this segment as we approach our peak Retail sales quarters of Q3 and Q4.

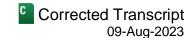
While the path back to profitability is our number one priority, scaling JRNY also remains a focus, and our efforts have been fruitful, with over 535,000 JRNY members at the end of Q1, representing 48% year-over-year growth. Among these members, 150,000 are subscribers, showcasing 17% year-over-year growth.

Our operational excellence efforts continue to gain traction. We delivered our seventh consecutive quarter of sequential improvement in our inventory position. We have now rightsized our inventory and reduced our lead times, enabling us to further optimize our working capital investments. Going forward, we will focus on aligning inventory with sales trends.

We have also continued to deliver improvement on gross margin, reflecting an expansion of 800 basis points year-over-year in Q1 2024, a testament to the progress achieved through our supply chain initiatives. As a direct result of the deliberate cost-cutting actions announced in February, adjusted operating expenses were reduced by approximately \$12 million, or 40% year-over-year.

The notable gross margin expansion and lower adjusted operating expenses translated into a \$14 million improvement in adjusted EBITDA as we make headway on our efforts to return to profitability. We've also taken decisive steps to further fortify our financial position, enhance liquidity and strengthen our balance sheet.

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Throughout the quarter, we diligently pursued this core focus. Notably, we completed the sale of certain non-core assets, made amendments to our credit agreements, paid down debt and significantly improved our inventory position.

Additionally, in June, we made a public offering of common stock to raise additional cash for the balance sheet, as well as provide additional flexibility to opportunistically invest in marketing and drive sales growth. This places us in a better position as we prepare for our product launches in the upcoming fitness season.

At quarter end, net cash position was a positive \$2 million, a significant sequential improvement to our net cash position of negative \$10 million in Q4 of fiscal 2023. These proactive actions add fuel to maintain and grow our strong leadership in connected home fitness while effectively managing the complexities of the challenging and dynamic operating environment. At the same time, our comprehensive review of strategic alternatives is ongoing. Our board remains focused on identifying opportunities that will accelerate our company's transformation and deliver enhanced value to our shareholders.

Our expertise in crafting top-of-the-line equipment is evident through our powerful brands such as BowFlex and Schwinn. Guided by our consumer-first mindset under our North Star strategy, we are constantly evaluating opportunities to innovate and align our products with consumers' continually evolving preferences.

First, we've refreshed our number one brand. The fitness industry is a sea of sameness, and the new BowFlex brand is designed to stand apart. Our new brand identity is inclusive, empowering and inspiring, reflected outwardly in our visual system, like our imagery, emotive color selections and yes, a new logo.

The brand is also a mindset embodied with the following statement, at BowFlex, our job is to help you find, strengthen and follow the one inside you. That's why everything we make, every treadmill or set of weights, is a way for you to move and move closer to the you you already are. Our new branding and identity empower consumers to move towards what matters most to them.

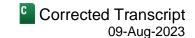
Next, our recent launch of our lower-priced digital-only JRNY SKU, featuring rep counting and form coaching and strength training has been extremely well-received and it is just beginning – it is just the beginning of JRNY in strength. This fall, we are also thrilled to be announcing a robust first wave of updated, connected fitness equipment featuring our brand-new BowFlex visual branding.

Ahead of the holiday fitness season, we are enhancing our cardio offerings with two new products under the new BowFlex branding, the BowFlex C6 SE, an update of our wildly popular C6 bike; and the new Max SE, a quieter version of our top selling Max Trainer high-intensity interval training machine, which takes up about half the space of the treadmill at an excellent value.

We are also launching a new elliptical under the Schwinn brand. Schwinn Elliptical 490 delivers a very strong value, features a compact footprint, terrain control and thousands of structured workouts and hundreds of virtual routes via JRNY and third-party apps. We plan to follow up this wave of exciting new BowFlex products and JRNY features in calendar 2024 in both strength and cardio portfolios. Stay tuned.

To complement these launches, we have enhanced the shopping experience by introducing a new navigation website design and product imagery, all under the new brand-new identity system. The goal is to elevate an engaging experience for our customers as they explore our offerings.

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In addition to these exciting developments, the recent sale of the Nautilus brand has further strengthened our strategic direction. As a result, we are currently in the process of executing a total company rebrand by the end of the calendar year. This corporate rebranding initiative will reinforce our identity [audio gap] (00:10:45) leader in the connected home fitness industry. Our dedication to quality and innovation remains at the core of our identity, and we are enthusiastic about the future.

I would also like to touch on our fiscal 2024 outlook, where we have reiterated our full year guidance for revenue, adjusted EBITDA and JRNY member count. Our diligence in testing and learning with JRNY is driving steady member growth. Conversion rate from trial to paid subscriptions has always - has also improved over 30% in July as we enhanced our – and our welcome communications and moved towards a greater mix of two-month trials.

In tandem, our unwavering focus on driving operational excellence stands as a crucial pillar in our path back to profitability. With efficient and streamlined operations, we are paving a clear and viable framework to regain profitability. As a result, we anticipate a significant year-over-year improvement in adjusted EBITDA for the full year 2024. Our dedication to innovation, operational efficiency and consumer-centric equipment and services positions us to deliver long-term value for our shareholders.

I will now turn it over to Aina, who will give us more detail on the first quarter results and our fiscal 2024 guidance. Aina?

### Aina E. Konold

Chief Financial Officer, Nautilus, Inc.

Thank you, Jim. And good afternoon, everyone. Today, I'll be speaking to results of the first guarter of fiscal 2024 and will provide guidance for the full year. Please go to our website to view our press release and the slides accompanying this call for more information.

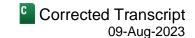
Turning to slide 9, total company P&L results with comparisons to last year. Net sales for the first guarter were \$42 million, down 24%, versus last year. Direct segment declined by about 17%, driven by cardio. We're pleased with the continued momentum and strength where sales were flat to LY. Retail segment declined by 29% as retailers continue to take conservative approach to inventory purchases. Gross profit was \$9 million, up 24% to last year, and gross margins were 21%, up 800 basis points from last year.

I'll now go through the drivers of the significant gross margin expansion from last year. About 1,100 basis points of improvement were due to lower landed product costs. In the US, we've now cleared through older inventory that was burdened by pandemic-related detention and demurrage and higher inbound freight.

New imports are benefiting from our efforts to optimize our distribution network, resulting in lower inbound freight. Additionally, we've negotiated lower factory costs for our top SKUs. 200 basis points of the improvement are due to decreased discounting, primarily in Retail, demonstrating our disciplined approach to promotions. 100 basis points of the improvement is due to favorable logistics overhead, driven by the cost-cutting actions we took in February 2023.

Partially offsetting these margin gains are 100 basis points of decline related to outbound freight, driven primarily by mix as this year, the Direct segment saw higher portion of sales versus last year. 500 basis points of deleverage related to JRNY COGS. JRNY COGS are increasing year-over-year, primarily due to depreciation. If we exclude depreciation, JRNY COGS deleverage is about 300 basis points.

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Turning now to adjusted operating expenses on slide 10, the next few lines of the P&L have been adjusted to exclude the impact of non-cash impairment charges and restructuring costs. Please see our press release for a reconciliation to GAAP.

Adjusted operating expenses were \$19 million, down \$12 million or 40% versus last year. The key drivers of the decrease were: \$4 million less in advertising, as we reallocated marketing dollars to later quarters to support our seasonally stronger back half; \$4 million decrease in personnel expenses and \$2 million decrease in contracted services, reflecting actions we took in February 2023; 1 million decrease in variable selling and marketing expenses; and the rest of the decrease coming from all other expenses. Excluded from adjusted operating expenses are restructuring and exit charges of about \$400,000. Adjusted operating loss was \$10 million, an improvement of \$14 million versus last year. And adjusted EBITDA loss was \$6 million, an improvement of \$14 million versus last year's \$20 million loss.

Turning now to the balance sheet as of June 30, cash was \$18 million, in line with our cash position at fiscal year-end 2023. Debt was \$16 million and our liquidity at the end of June was \$28 million. We use the proceeds from our non-core asset sales to pay down a portion of our term loan. As of June 30, we had a minimal balance on our ABL and our net cash position was positive \$2 million, an improvement to our net cash position of negative \$10 million last quarter, negative \$43 million at the end of third quarter fiscal 2023 and negative \$28 million at the end of the same quarter last year. For Q1, fiscal 2024, we improved our free cash flow by \$6 million. Free cash flow was negative \$4 million this year versus negative \$10 million for the same quarter last year.

Other key callouts in the balance sheet. For our plan, we rightsized our inventory in the quarter ending Q1 with inventory of \$40 million, down 15% versus year-end fiscal 2023 and down 62% versus the same quarter last year. Looking ahead, we will continue to be disciplined with inventory purchases and we'll work to align inventory with sales. AR was \$13 million and trade payables were \$21 million, both down from year end.

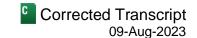
Turning now to guidance, we are reaffirming guidance for full year revenue, full year adjusted EBITDA and year end fiscal 2024 JRNY members. We're guiding to full year net revenue of between \$270 million and \$300 million. We expect retailers to continue being conservative with reorders and based on the seasonality of our business, expect the second half to represent between 60% and 65% of revenue.

Given the sale of the Nautilus brand, we expect full year royalty revenue to be about \$1.8 million. We're focused on returning to profitability and are targeting breakeven adjusted EBITDA for fiscal 2024. However, given the uncertain macro and our net revenue guidance range, we are guiding to a range of adjusted EBITDA loss of negative \$15 million to breakeven.

To achieve breakeven adjusted EBITDA, we need to deliver \$47 million of year-over-year improvement. About \$30 million of the improvement will come from lower costs, resulting primarily from the restructuring that we implemented in February 2023. As we demonstrated in Q1, these cost reductions will result in lower operating expenses and gross margin expansion as some of these costs are part of COGS. The rest of the EBITDA improvement will come from lower landed product costs, which will drive further gross margin expansion as we demonstrated in Q1.

Partially offsetting these gross margin gains will be some deleverage in JRNY COGS, as fiscal 2024 dollar spend is planned to be higher year over year, primarily due to the depreciation. While we saw reduced discounting in our Retail segment in Q1, we continue to expect no improvement in the discounting environment for the full year, which is reflected in our guidance. While we have rightsized our inventory and exit Q1 in a position of strength, our competitors and the retailers continue to be pressured on the inventory front. So, we have planned discounts

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to be flattish year over year. And lastly, we expect JRNY members to be about 625,000 at year end, approximately 23% growth versus last year.

Like many other companies, we are preparing for a continuation of a difficult operating environment. We have secured the financial flexibility necessary to navigate the current landscape and we'll remain focused on operational excellence while continuing to execute on our North Star strategy.

I'll now turn it back over to Jim.

#### James Barr

Chief Executive Officer & Board Member, Nautilus, Inc.

Thank you, Aina. We're excited by the momentum of our operational excellence efforts and for the launch of our portfolio of new connected fitness features and equipment ahead of the holiday season, which reinforces our strong belief in the enduring long-term shift towards home fitness. We are committed to staying agile and adaptable in the face of any challenge or opportunities that may arise. Our focus remains on driving strong cash flow and supporting our path back to profitability.

We are pleased with our performance to start the year, but recognize that there's still a long way to go in fiscal 2024. We are committed to delivering exceptional equipment and experiences to consumers and charting a course that leads to a sustained long-term growth. Finally, I would like to thank our employees and partners for their passion to deliver winning products and experiences for our customers.

And with that, I'd like to turn it over for questions. Operator?

## **QUESTION AND ANSWER SECTION**

**Operator**: We will now begin the question-and-answer session. [Operator Instructions] The first question comes from Michael Swartz with Truist Securities. Please go ahead.

#### Michael Swartz

Analyst, Truist Securities, Inc.

Hey, good afternoon. Maybe just first question, I think you made some comments about retail. The retail environment is still – you're still kind of cautious around it and retailers have worked down inventory. But maybe give us a little bit of your visibility into the back half of the year around maybe their ordering plans or merchandising plans for the fitness category.

### James Barr

Chief Executive Officer & Board Member, Nautilus, Inc.

Yeah, I'll start and I'll see if Aina wants to add anything to this. So, retail, of course, is always going to be an important part of our omni-channel approach to the market, right? And so, we believe in retail. The retail environment remains uncertain. We're definitely encouraged by a few things we're seeing. We're seeing sell-through not only in Direct, which is indicative of consumer demand, but also as retailers work down that inventory, as we stated on the call. So, that is a good leading indicator.



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The rebuy is only the rebuy when they make it. But we look for these types of leading indicators there. So, we know our products are moving in Direct. That gives us greater confidence in Retail as well, same products in many cases. And we haven't seen any structural changes in Retail like we've been watching whether certain retailers would get out of the fitness category or deemphasize the fitness category in any way. I'd say a positive event was Amazon's Prime Day. It was very encouraging, though it's off-season. It – the sell-through there far exceeded our expectations, especially in the strength category. And it's another leading indicator for us that our brands and portfolio are strong as we get into the replenishment season.

That said, the holiday ordering typically happens in late second quarter or early third quarter, as you're well aware. So, even with reduced lead times, we're hopeful that we start to see those orders. We're getting some of them, but we expect to see them in that timeframe. So, anything you would add, Aina?

Aina E. Konold

Chief Financial Officer, Nautilus, Inc.

No, I think you covered it, Jim.

Michael Swartz

Analyst, Truist Securities, Inc.

Okay. That's great. Thank you for the color. And then maybe just with the rebranding and I think you talked about two rebrandings. One of them the BowFlex brand...

James Barr

Chief Executive Officer & Board Member, Nautilus, Inc.

Yeah.

Michael Swartz

Analyst, Truist Securities, Inc.

...and then also the corporate rebranding. Maybe just walk us through high level, your thoughts around doing that. And then two, were there – I would assume there's costs related to that. And were those costs already embedded in your prior guidance?

James Barr

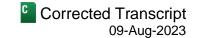
Chief Executive Officer & Board Member, Nautilus, Inc.

Yes, the answer to that is the costs are already in there. As I mentioned, we wanted – the reason – one of the reasons we wanted to get enhanced balance sheet is to be able to flex up and down on the opportunity and marketing in particular. And so, we'll definitely do that.

But look, BowFlex is a great brand. It has tremendous equity, stands for quality, particularly in the strength category, we've made it an excellent cardio brand on top of that. But it needs refreshing, right? Because I think still people think about the old [ph] rod gyms (00:23:56) and maybe a Chuck Norris commercial and the guy never actually worked for us. So, that's kind of some of the vision and the cloud that we hear.

And so, it's time to modernize it. And we modernized it around – some of the statements I made [audio gap] (00:24:11) in the slide, you see the imagery. But it's really about getting out of this sea of sameness. Everything's black and red in this whole industry, and we're changing it up a bit. We know that equipment now fits in the living room, and it's got to look great and sleek and so you see that in our branding on our products. But it's just time to

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really take advantage of the emotional aspects of exercise and why people do it. And we feel very strongly about bringing this to market and then, of course, the first manifestation of the products that I mentioned as well.

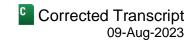
Aina, anything you would add? Aina E. Konold Chief Financial Officer, Nautilus, Inc. No, I just would want to echo what Jim said about how important it is for us to elevate this really remarkable asset. BowFlex is one of the leading brands in the fitness category, and it really harkens back to like our North Star strategy. We've always said we're going to focus on short-term responsibility, but never lose sight of the long term. And this is the result of several – many quarters of effort to bring the BowFlex – the new rebranded BowFlex to market. **James Barr** Chief Executive Officer & Board Member, Nautilus, Inc. And then you're absolutely right, and that was a great way to parse it. There will also be a company rebranding. We haven't announced the new name yet. We kind of want you to be on the edge of your seats. We'll announce that a bit later and plan to complete it by the end of the calendar year. Michael Swartz Analyst, Truist Securities, Inc. Okay, great. Thank you. James Barr Chief Executive Officer & Board Member, Nautilus, Inc. Thank you. Operator: [Operator Instructions] The next question comes from George Kelly with ROTH MKM. Please go ahead. George Arthur Kelly Analyst, ROTH Capital Partners LLC Hey, everybody. Thanks for taking my questions. James Barr Chief Executive Officer & Board Member, Nautilus, Inc. Hi, George. George Arthur Kelly Analyst, ROTH Capital Partners LLC So, I have three for you. The first one on your media spending. I was curious if you could disclose the advertising

spend in the quarter. And I see just even before getting that number, it was - looks like it was down quite a bit



year over year. And so...

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James Barr

Chief Executive Officer & Board Member, Nautilus, Inc.

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Yeah.

### George Arthur Kelly

Analyst, ROTH Capital Partners LLC

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...just curious, like, what's the strategy there when you plan to turn it back on, more aggressive, maybe it's around these new products, but any kind of information on that would be helpful.

James Barr

Chief Executive Officer & Board Member, Nautilus, Inc.

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Sure. Why don't we start with the facts, Aina?

Aina E. Konold

Chief Financial Officer, Nautilus, Inc.



So, advertising was about \$1 million this year, so down versus last year, [ph] about – so it was (00:26:28) about \$5 million last year. And our intent really was to focus the spend on our highest revenue quarters. So, you'll see it increase in Q2 and then our highest spend is in Q3 quarter ending December, and the next highest spend will be in Q4 because January is a big month for us.

James Barr

Chief Executive Officer & Board Member, Nautilus, Inc.



And I'll just add that, given that spend, which is extraordinarily low, I was very pleased with our Direct performance, right? That's where most of that spend goes. And despite that low spend, we were able to drive revenue. And I think it goes back to what Aina was saying before. You have got a known brand, you've got a choiceful portfolio of both strength and cardio at different price points, and [indiscernible] (00:27:14) front and center in a low seasonal quarter, they're still buying from you and we still see demand there. So, we were pleased on that. In terms of the trajectory, I mean, obviously, as Aina said, it's Q2 a little bit, but mostly Q3 where we're planning to up our spend. But it's in both our guidance and our profitability numbers that we plan on spending more in advertising.

George Arthur Kelly



Analyst, ROTH Capital Partners LLC

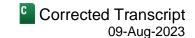
Okay, great. And then second question for me on your inventory. I was curious, Aina, you said in your prepared remarks a couple times that you might tweak around your inventory just to make it commensurate with sales or I forget the exact language. But just curious, I mean, should we expect you to start building inventory again or like what's the near-term outlook for your inventory?

Aina E. Konold



Chief Financial Officer, Nautilus, Inc.

Yes, you should expect us to start building inventory again, especially for Direct, we want to make sure that the inventory is in our DCs, ready to meet consumer demand by November. So, we've started buying it. You'll start seeing it increasing. Will reflect higher balances in September.



#### James Barr

Chief Executive Officer & Board Member, Nautilus, Inc.

I think it's extraordinary and I applaud our people for managing the inventory balance the way that they have. I mean, I recall having about \$160 million of inventory in October 2021 as we all went into what we thought was going to be the second COVID holiday season. And from that point on, I would put our team up against anyone in the way that they've really worked down those inventory balances. And as Aina says, when you have opportunity and you're talking about getting year-over-year growth in the back half of the year, as we expect, you want to make sure that you've got the fuel for that in the inventory. So, we will be building those positions commensurate with our sales expectations.

### George Arthur Kelly

Analyst, ROTH Capital Partners LLC

Got you. Got you. Okay. And then last question from me – or I guess to two quick ones on your full year guidance, on your revenue guidance. The two – or the first one is, can you help just with high level split between Direct and Retail? I mean, I'm using a 50% rough split between the two. Does that seem reasonable? And then the second question is, what hints are you looking at right now? I'm sure your Retail order book is one, but what else do you look just to get comfort around the holiday season? And how do you try to gauge that this early?

#### **James Barr**

Chief Executive Officer & Board Member, Nautilus, Inc.

Sure. I'll start maybe with your second question and while Aina looks up what we can tell you to try to be helpful on that side. So, I did mention before what we have seen in Retail. The inventory balances are coming down. The sell-through is good. The good Amazon Prime Day, which actually leaks over into our own Direct business in July a bit as well. So, we're seeing demand for our products. We're [ph] not (00:30:14) seeing structural changes in who carries the business. We are still seeing the CFOs of many retailers being very cautious in their inventory positions overall. I said we'd worked ours down very well, but not all of them. They have many more categories than we do, so they haven't worked that down. And so, they're still cautious. We have a retailer CFO on our board and she reiterates that – from that that we're hearing that kind of conservative nature that's going on in Retail right now.

So, the demand seems good for the products. The products seem to be moving. We look over to Direct. It's acting seasonally as expected, especially like I mentioned with the slow – the low ad spend. So, to get that out of the low ad spend, that tells us something. We feel more in control in the Direct business, of course. We have that marketing lever. We have a new refreshed brand that people love. We have new products coming as well. So, all of those things give us a fair amount of optimism going into the holidays. And yeah, we're excited about it. We feel like the whole thing is, look, we've showed meaningful progress on our path to profitability. And that gives us kind of the wherewithal and the confidence to do these rebranding, these new products, additional marketing, those types of things.

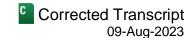
#### Aina E. Konold

Chief Financial Officer, Nautilus, Inc.

And then I'll try to be helpful. I think, for – like if I look at it for the full year, I would say assuming they're about 50/50 is fair, because it's been that way in normal times if you kind of remove some of the COVID movement. And then I'll just remind you of the typical seasonality for each segment, they're a little bit different. Direct's highest volumes would be the quarter ending December, and then next highest is quarter ending March because January is such a big month for Direct.



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For Retail, their highest, it starts actually building up a little bit in the quarter ending September because that's when some of the early orders come in and then their highest is December. And their quarter ending March is not as high because if they're going to sell it to customers in January, they need it to have bought it from us and receipted it in the quarter ending December. So, hopefully that helps you with the quarterly seasonality.

George Arthur Kelly

Analyst, ROTH Capital Partners LLC

It does. Thank you.

James Barr
Chief Executive Officer & Board Member, Nautilus, Inc.

Thanks, George.

**Operator**: This concludes our question-and-answer session. I would like to turn the conference back over to Jim Barr for any closing remarks.

#### **James Barr**

Chief Executive Officer & Board Member, Nautilus, Inc.

Thank you to everyone on the call today for your continued support of Nautilus. We eagerly anticipate providing our next update on our second quarter of fiscal year 2024 earnings call in November. Have a great rest of the day.

**Operator**: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

#### Disclaimer

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