

Q2 2020

Earnings Call

Nautilus, Inc.

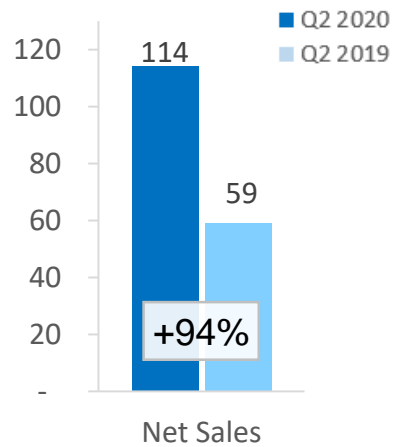
Safe Harbor Statement

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 or forecasted financial and operating results, 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, including with respect to our exploration of the sale of Octane Fitness® and the risks and uncertainties as to the terms, timing, structure, benefits and costs of any divestiture or separation transaction and whether one will be consummated at all, and the impact of any divestiture or separation transaction on our remaining business. 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 caused by the COVID-19 pandemic; an inability to pass along or otherwise mitigate the impact of raw material price increases and other cost pressures, including unfavorable currency exchange rates; 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; risks related to not completing, or not completely realizing the anticipated benefits from a sale of Octane Fitness; changes in the financial markets, including changes in credit markets and interest rates 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.

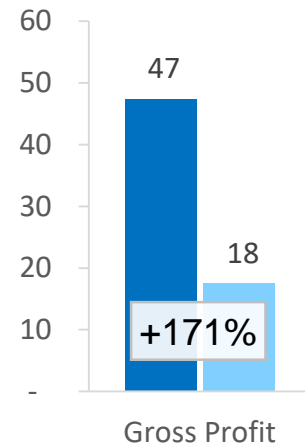
Q2 2020 Highlights

Excellent Operating Results

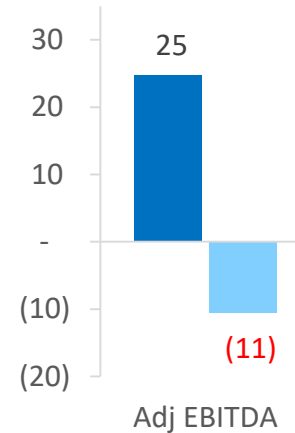
Net Sales (\$M)



Gross Profit (\$M)



Adj. EBITDA (\$M)



Q2 2020 Highlights

- Sales:
 - **Best YoY growth** in history
 - **Highest Q2 sales** in the last decade
 - Strong **growth in both segments**
- Gross margin rate **+1200 bps**
- Adjusted **EBITDA improvement** +\$35 million



2020 Priorities

- #1 priority: **health and safety** of our employees and partners
- **Deliver for customers**
- **Take full advantage of the current at-home fitness trend**
- **Balance short-term** results with continued progress on **long-term transformation**



Capturing the Opportunity in Q2

Actively managed the business to maximize results



Increased supply chain capacity



Agile profitability-driving decisions



Invested in omnichannel model and retail partnerships



Accelerated work on websites' optimization



Overcame COVID-19 roadblocks to deliver new product launches on schedule



Perspective on Next Few Quarters

Highly volatile environment

- Magnitude and duration of at-home fitness trend unknown
- Future behavior of gym-goers a key factor
 - When will gyms re-open?
 - When will gym-goers return to pre-COVID behavior?

A certain % of elevated demand = temporary

- Demand may decline when gym-goers feel safe enough to return

A certain % of elevated demand = permanent

- Up to 25% of gym-goers may never return to the gym
- Others may want fitness equipment at home as insurance



NLS Q2 2020 P&L Summary - Adjusted¹

\$ in millions, except
per share amounts

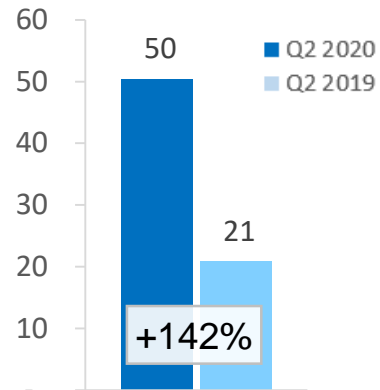
	Q2 2020	Q2 2019	\$ Var
Net Sales	\$114	\$59	\$55
Gross Profit	47	18	30
<i>Gross Margin %</i>	<i>42%</i>	<i>30%</i>	<i>12 pts</i>
Operating Expenses ¹	25	31	(5)
<i>% of Sales</i>	<i>22%</i>	<i>52%</i>	<i>-30 pts</i>
Operating Income /(Loss) ¹	22	(13)	35
<i>Operating Margin % ¹</i>	<i>19%</i>	<i>-23%</i>	<i>42 pts</i>
Inc/(Loss) - continuing ops ¹	17	(10)	27
Net income / (loss) ¹	17	(10)	27
<i>Net income / (loss) % ¹</i>	<i>15%</i>	<i>-17%</i>	<i>31 pts</i>
Diluted income/(loss) per share			
Continuing Ops ¹	\$0.56	(\$0.33)	\$0.89
Diluted net income/(loss) per share ¹	\$0.56	(\$0.33)	\$0.89
<i>EBITDA from continuing ops ¹</i>	<i>25</i>	<i>(11)</i>	<i>35</i>

¹ Adjusted for loss on disposal group in Q220 and impairment in Q219



Direct Q2 2020 Segment Results

Net Sales (\$M)

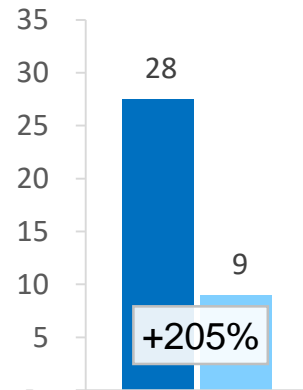


Net Sales

Cardio +183%

Strength +2%

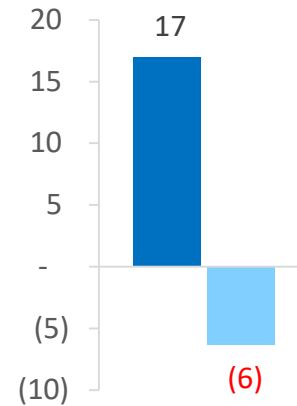
Gross Profit (\$M)



Gross Profit

	'20	'19
GM%	55%	43%

Contribution (\$M)



Contribution

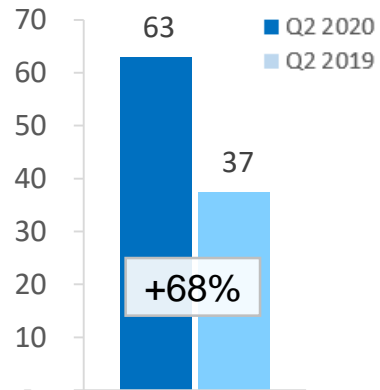
Highlights

- After years of sales decline, delivered **2nd consecutive quarter of sales growth**
- Entered Q3 with **\$21 million in backlog**
- Segment **Contribution up \$23 million**



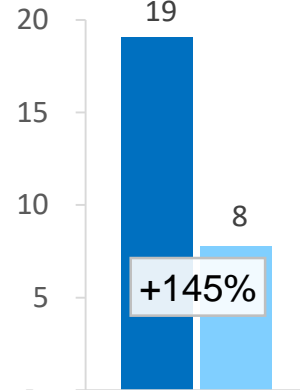
Retail Q2 2020 Segment Results

Net Sales (\$M)



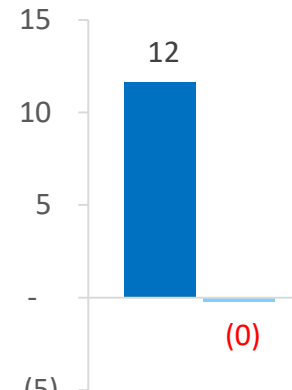
Net Sales
Cardio +88%
Strength +22%

Gross Profit (\$M)



Gross Profit
'20 '19
GM% 30% 21%

Contribution (\$M)



Contribution

Highlights

- Delivered **3rd highest quarterly sales** in segment history
- Excluding Octane brand, **Net Sales grew 95%**
- Entered Q3 with **\$14 million in backlog**
- Segment **Contribution up \$12 million**



NLS Balance Sheet and Other Key Highlights for Q2

\$ in millions	Q2 2020 ¹	Q4 2019
Cash	\$48	\$11
Debt	15	14
Accounts Receivable	34	55
Trade Payables	45	74
Inventory	21	55



- \$29 million available to borrow against Wells Fargo Facility @ 6/30/2020
- For Q2 2020, \$12 million of inventory reclassified into held-for-sale disposal group
- Non-cancellable purchase obligations at each quarter-end:
 - Q2 20: \$128M; Q1 20: \$35M; Q419: \$28M; Q319: \$47M; Q219: \$20M

¹ Q2 2020 balance sheet impacted by certain 'held-for-sale' reclassifications and the loss on disposal group related to Octane sale process

Expectations for 2nd Half

Continued highly volatile environment; no specific guidance for the 2nd Half

Sales growth dependent on uninterrupted supply chain

- Expect continued elevated consumer demand
- Structural supply chain constraints could be a barrier
- Unforeseen disruptions to supply chain will impact growth

Gross margins will continue to be pressured

- Increased logistics costs – inbound and outbound

Operating Expenses will be higher versus adjusted 1st Half ¹

- Increased marketing to support new product launches

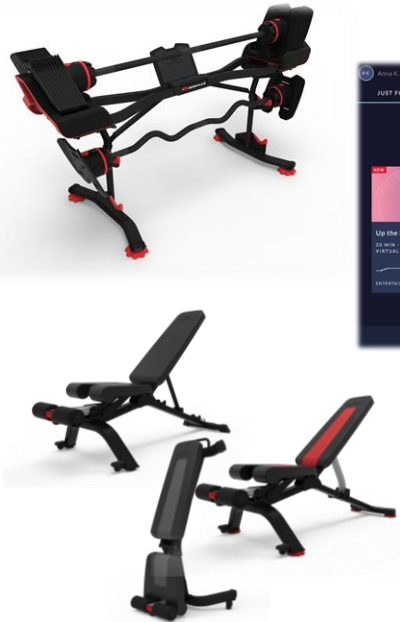
Capital Expenditures remains \$8 million and \$10 million for FY

¹ Adjusted 1st Half operating expenses exclude loss on disposal group charge in Q220

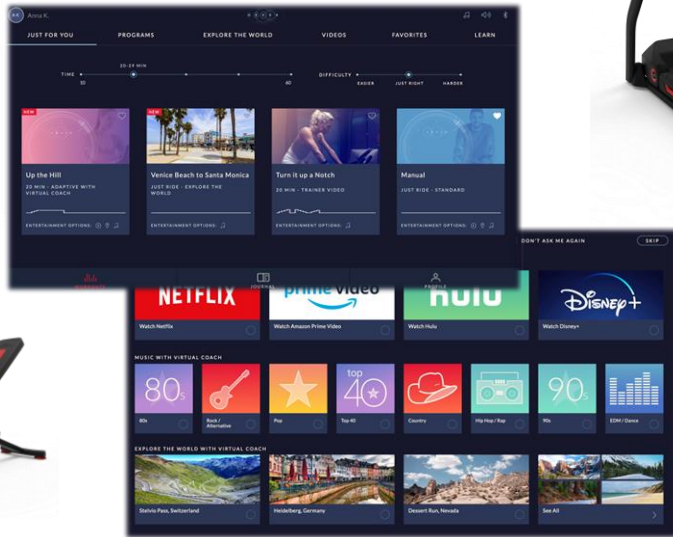


Exciting 2020 Product Launches

Strength Additions



JRNY® Releases



Connected Treadmills



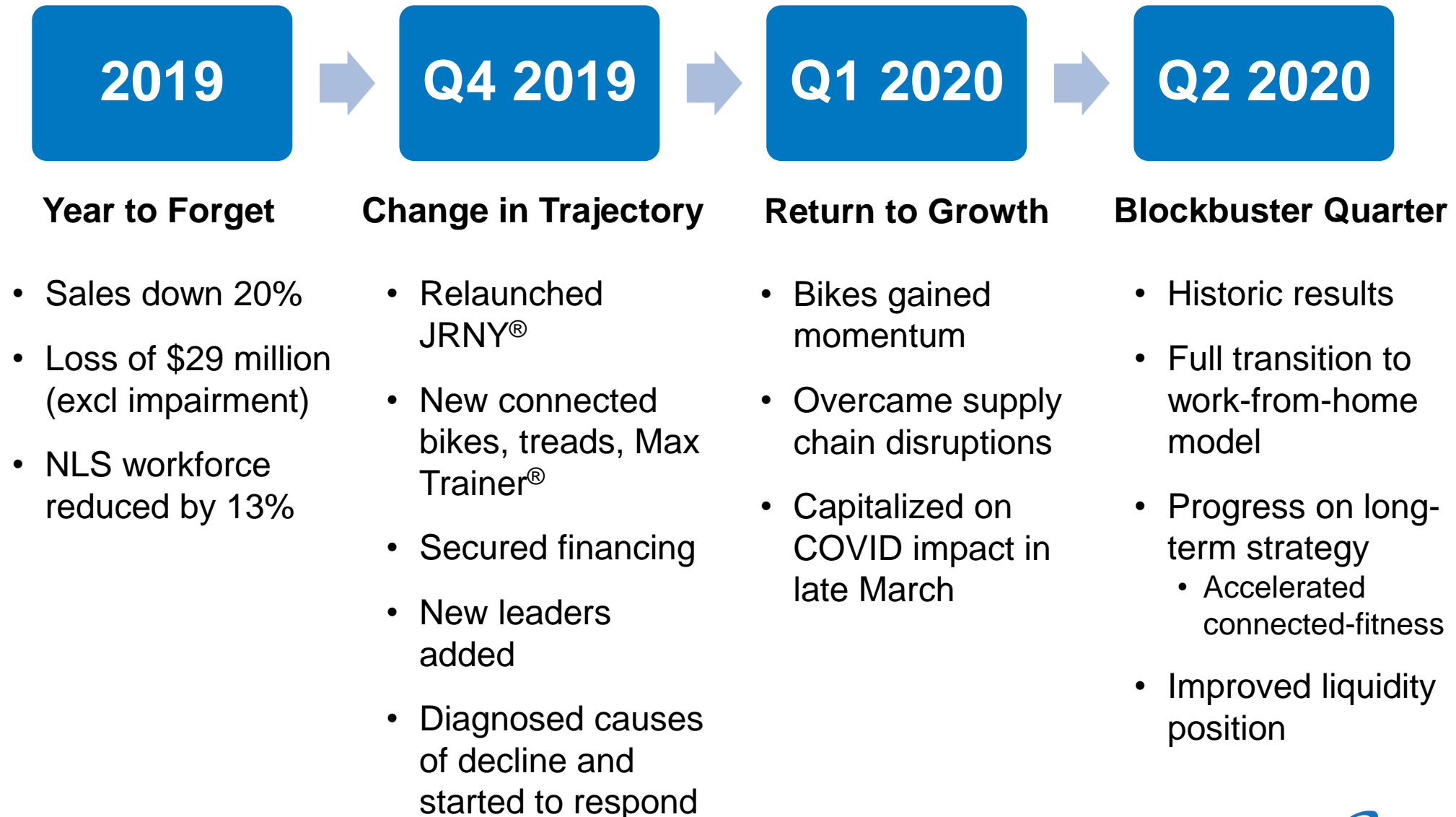
Connected Max Trainer®



Connected Bikes



Recap of Progress





NAUTILUS *Inc*

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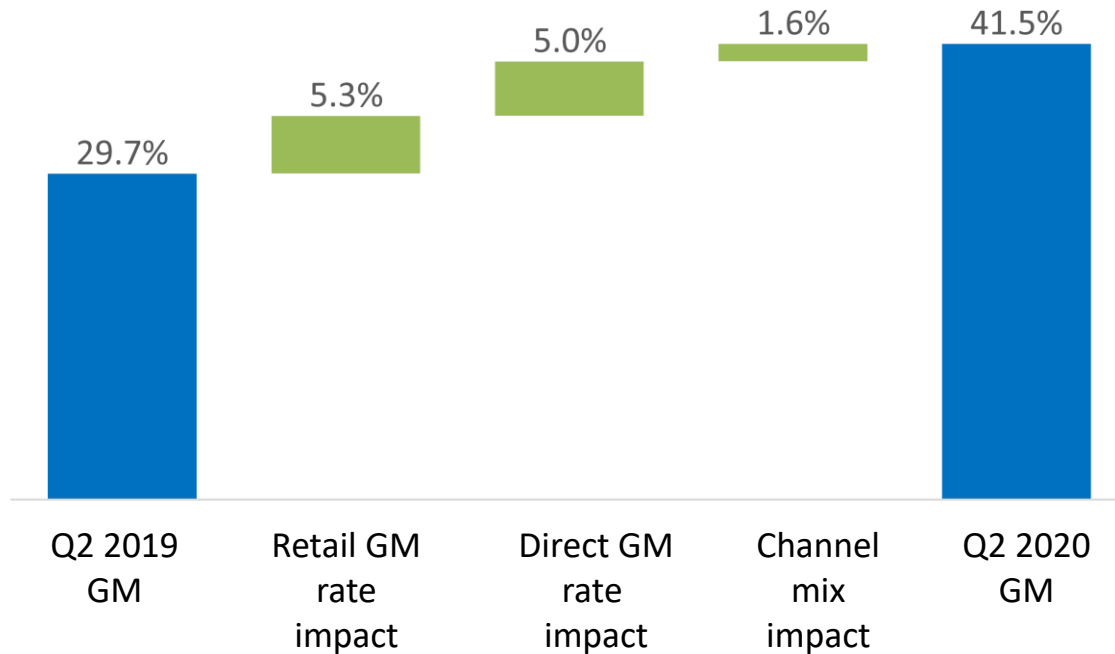




Appendix

NLS Q2 2020 Gross Margins

Gross Margin YoY Bridge



- Retail Gross Margins were up 10 pts YoY, driven by favorable sales mix and expense leverage, partially offset by higher product costs
- Direct Gross Margins were up 11 pts YoY, driven by favorable product mix and expense leverage, partially offset by higher product cost
- Channel mix accounted for 1.6 pts of gross margin gains as Direct channel increased from 35% of NLS sales in Q2 2019 to 44% in Q2 2020



NLS Q2 2020 P&L Summary (GAAP)

\$ in millions, except
per share amounts

	Q2 2020	Q2 2019	\$ Var
Net Sales	\$114	\$59	\$55
Gross Profit	47	18	30
<i>Gross Margin %</i>	<i>42%</i>	<i>30%</i>	<i>12 pts</i>
Operating Expenses	55	103	(48)
<i>% of Sales</i>	<i>48%</i>	<i>174%</i>	<i>-127 pts</i>
Operating Income /(Loss)	(7)	(85)	78
<i>Operating Margin %</i>	<i>-6%</i>	<i>-145%</i>	<i>139 pts</i>
Inc/(Loss) - continuing ops	(5)	(79)	74
Net income / (loss)	(5)	(79)	74
<i>Net income / (loss) %</i>	<i>-4%</i>	<i>-134%</i>	<i>129 pts</i>
Diluted income/(loss) per share			
Continuing Ops	(\$0.17)	(\$2.65)	\$2.48
Diluted net income/(loss) per share	(\$0.17)	(\$2.66)	\$2.49
EBITDA from continuing ops	(4)	(83)	78

