

“Thinking Right”



Clayton Partners Investor Conference
March 23, 2012

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, 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.



Nautilus Profile

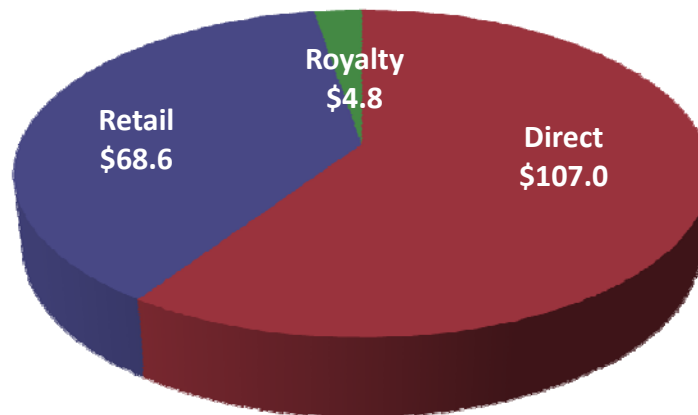


Introduction

- Nautilus is a leading provider of home fitness equipment with major consumer preferred brands and history of innovation



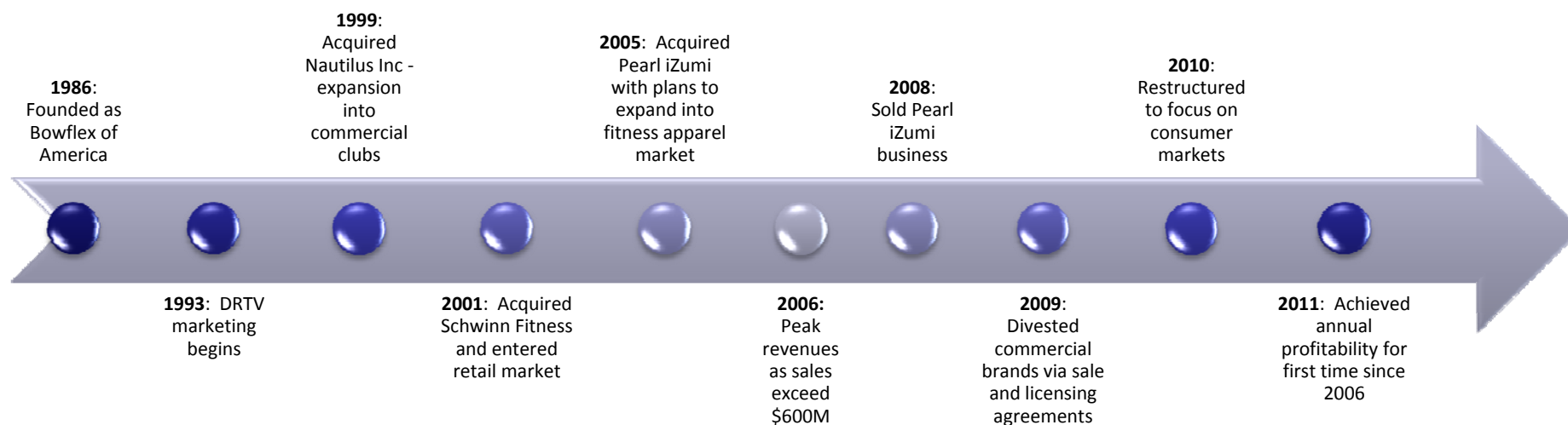
2011 Nautilus Net Revenue (\$Millions)



\$180.4M Total
7.1% growth in 2011
(continuing operations)



Nautilus History



- Revenues peaked at \$ 680M* in 2006, however profitability was eroding, cash dwindling and debt was rising
- Economic downturn in 2008 / 2009 negatively affected consumer discretionary purchases
- Commercial and Pearl Izumi businesses divested in 2008 / 2009 and largely eliminated debt while shoring up the balance sheet
- Restructured in 2009-2010 to focus on the consumer market
 - Direct to consumer via TV / Internet
 - Retail via both traditional store placement and leading e-commerce sites

**Includes income from discontinued and continuing operations*



Nautilus Cardio Product Lines



TreadClimber by Bowflex

Schwinn Fitness



Nautilus



Nautilus Strength Product Lines



**Bowflex / Nautilus
SelectTech Dumbbells**



**Bowflex Revolution and Rod Based
Home Gyms**

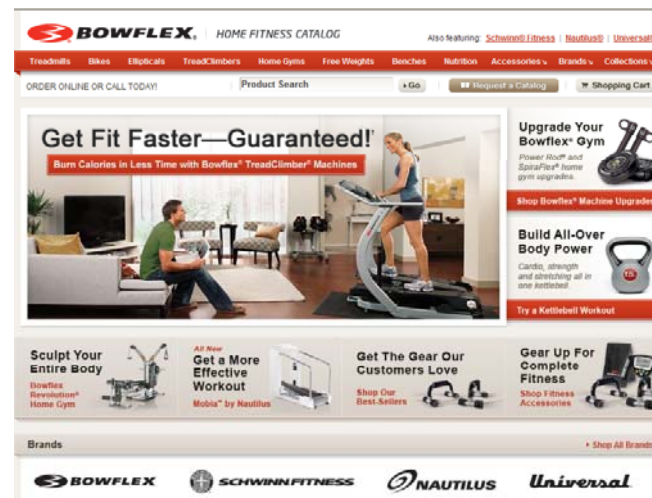


Universal Strength Accessories



Consumer Reach - Direct

- Direct to Consumer
 - Our direct to consumer business utilizes television and online advertising, in addition to social media, to drive sales via our websites and call center



Consumer Reach - Retail

- Retail
 - Distributes products via multiple third-party retailers located in the US and Canada, as well as through leading e-commerce sites such as Amazon.com

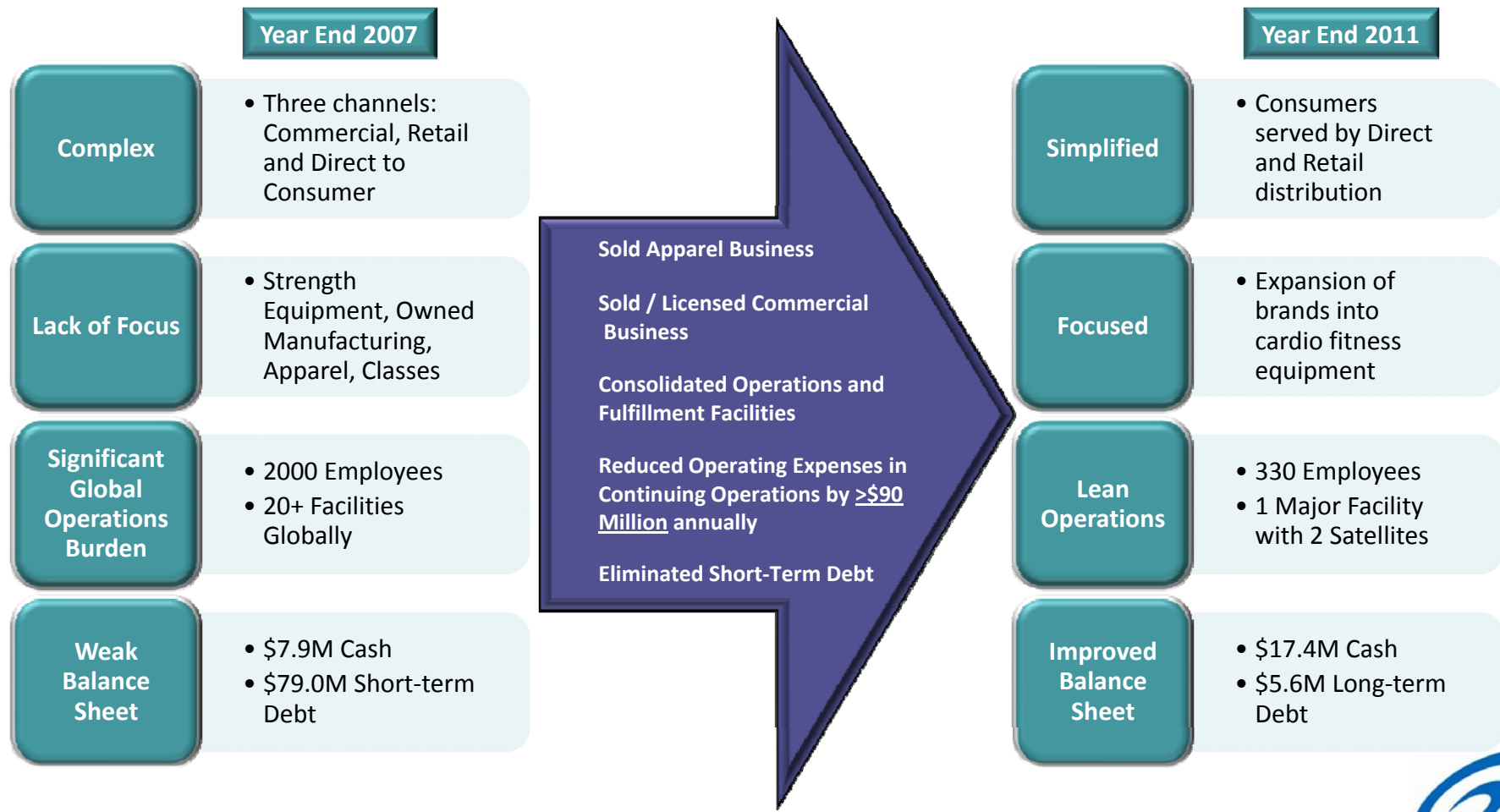


Thinking Right



Recession Impact / Restructuring Results

- The economic downturn of 2008 combined with large debt, high fixed costs, and low consumer/commercial credit availability required significant restructuring:



Thinking Right – Culture of Improvement & Opportunity



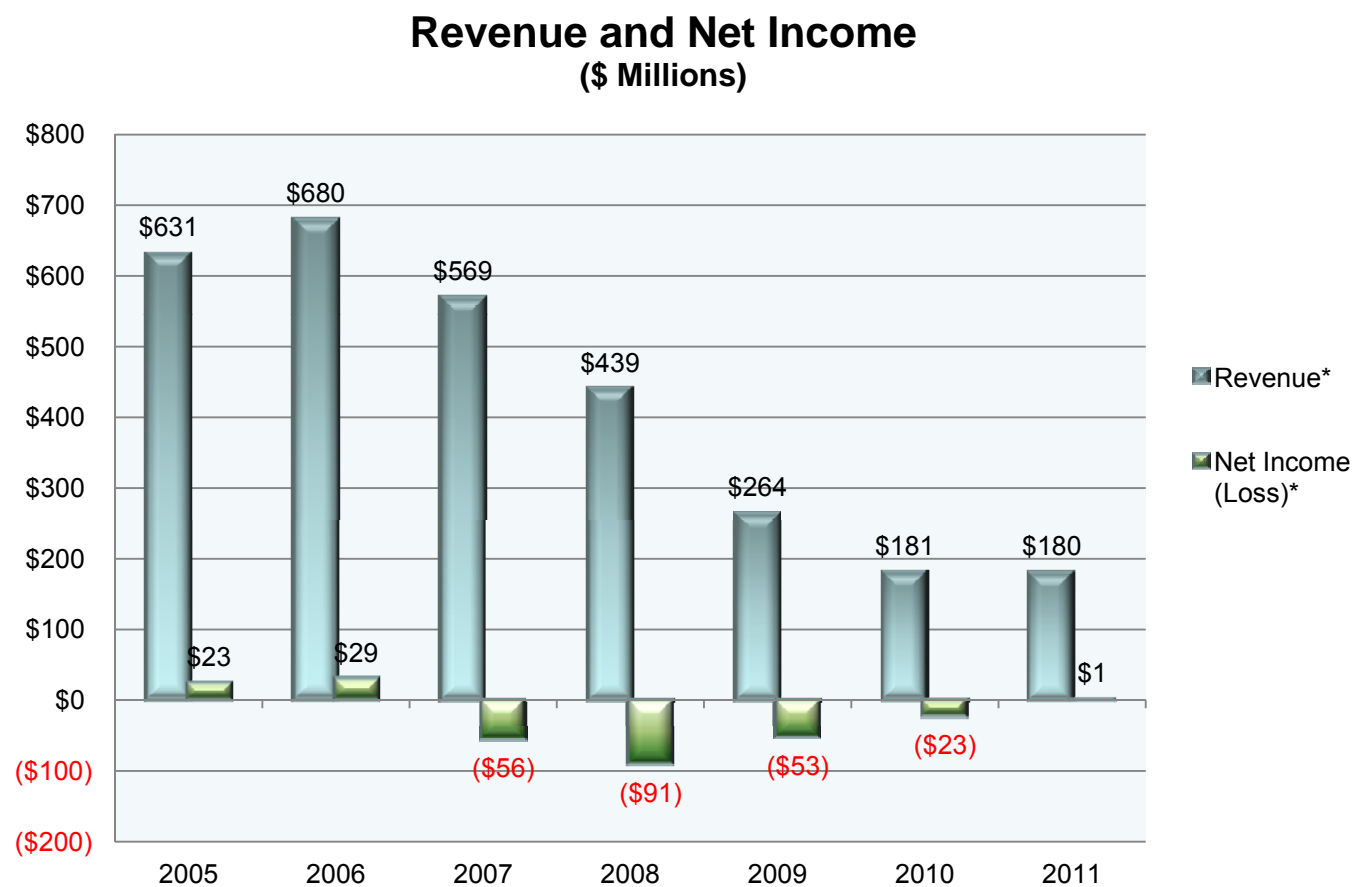
Positioning for Growth

- In 2011 we assessed our planning, processes, and organization against our desire to focus on long-term, profitable growth versus short-term turnaround efforts
- Key Findings and Responses:

	Finding	Response / Action Plan
1)	New products will drive our growth. However, we are under-equipped to launch those products	Shifted resources within the organization to enhance our New Product Introduction team, led by a new VP Product Development
2)	We have strong brand recognition but a small share of market space	Initiated a Market and Brand Research initiative to develop a brand strategy roadmap and identify new licensing opportunities
3)	Our margins have declined in recent years and trend was not favorable	Launched a Value Engineering and Cost Optimization program designed to find cost savings that will mitigate currency, labor and commodities pricing pressures
4)	Employee base motivated but had been through very difficult times	Develop and communicate the Plan ; introduce Organizational Excellence
5)	Supply chain was narrow, with limited capability	Diversify Manufacturing Base to improve costs, expand capacity, and minimize reliance on single source manufacturers



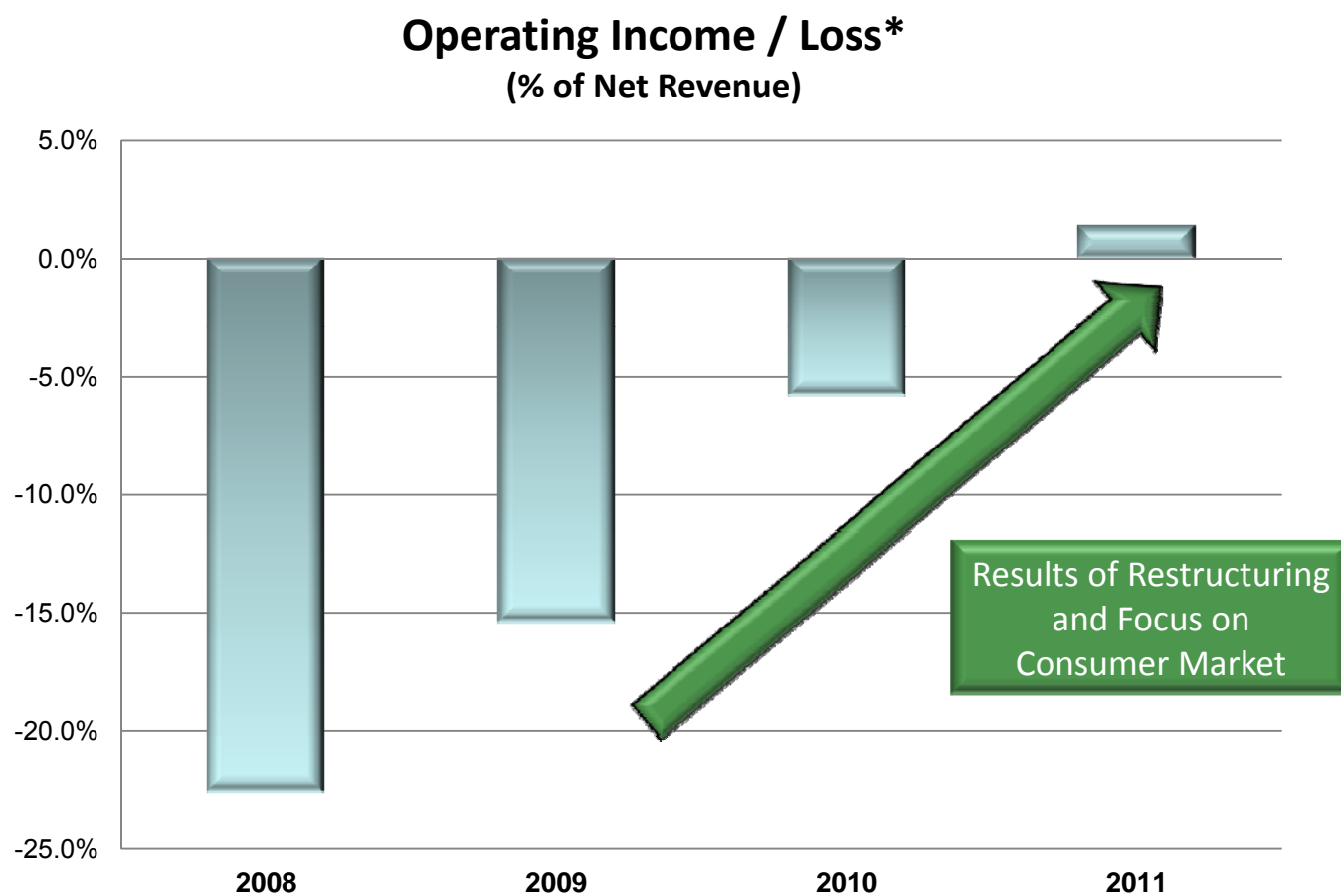
Net Income Progress



**Revenue and income from discontinued and continuing operations*



Operating Income Progress

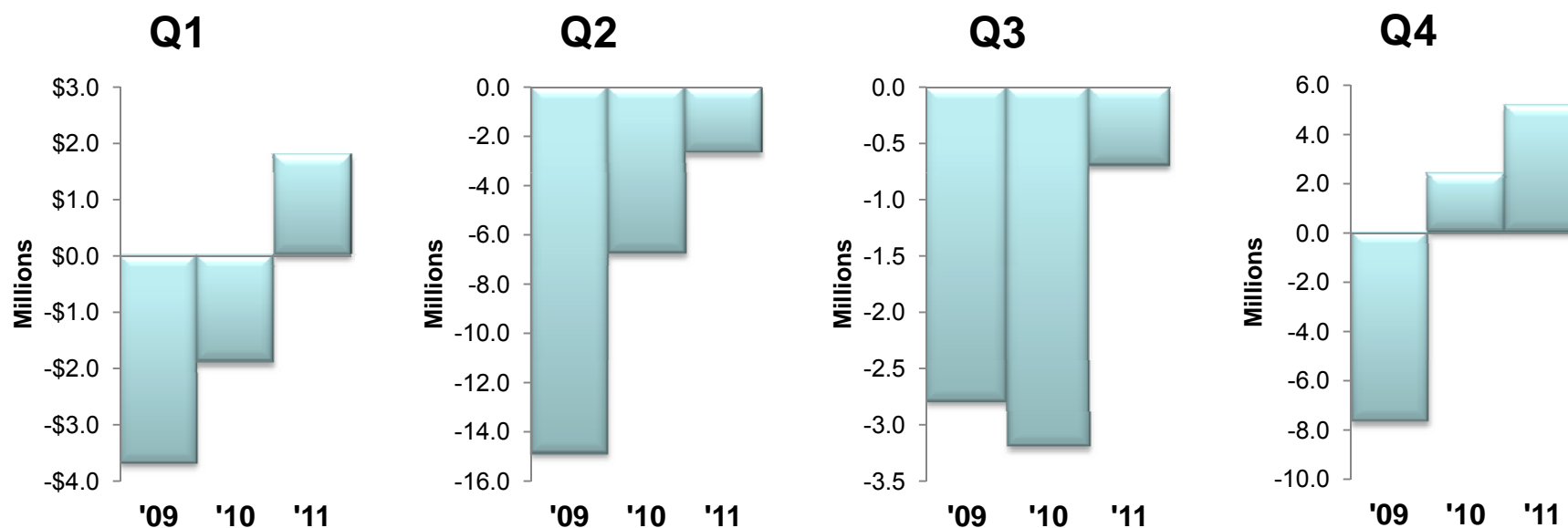


**Continuing operations only*



Operating Income Progress

Operating Income / Loss by Quarter



Quarterly results are unaudited



Strong Balance Sheet Provides Flexibility / Options

As of December 31, 2011:

- Cash balance of \$17.4M
- No short-term debt, and low long-term debt of \$5.6M
- Effective inventory controls and rapid turns (9.5 turns in December 2011)
- Deferred tax assets over \$60M (before 100% valuation allowance)
- Healthy DSO; minimal aging in A/R
- Complementary business channels from a net working capital perspective



Growth Opportunities



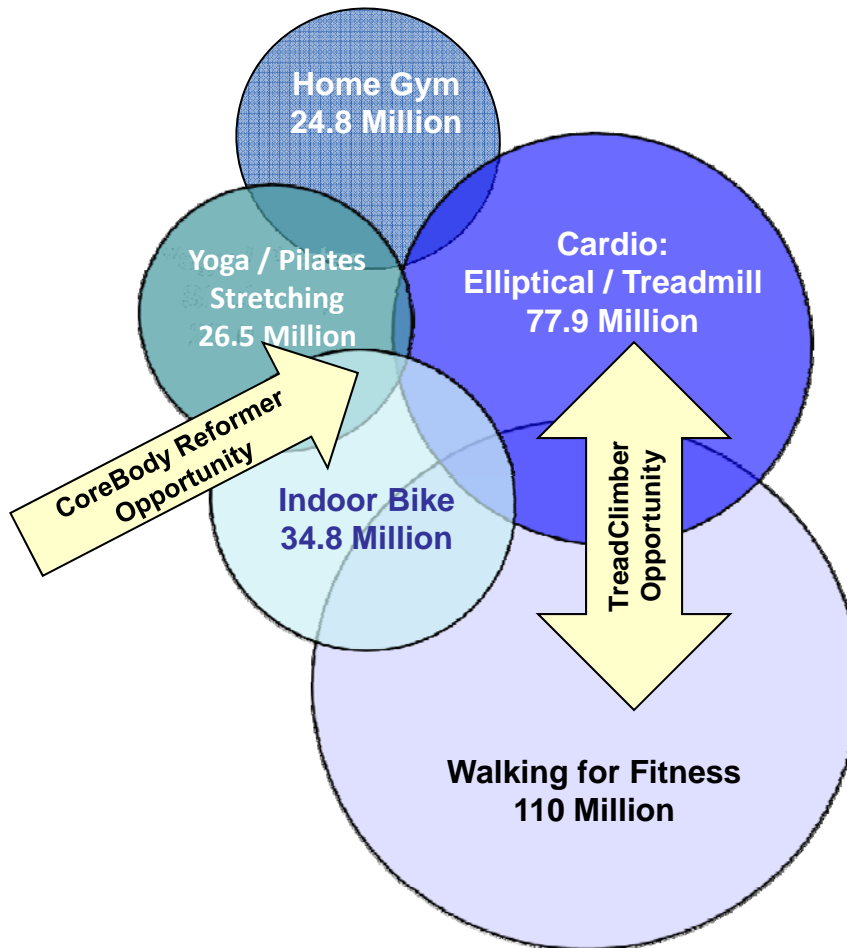
Positioning for Growth

- For 2012 we are building on our 2011 foundation and layering in more new products, new customers, and new ways of doing business
- Our objectives include:
 - Achieving **profitable growth** in both Direct and Retail business units
 - Delivering **improved gross profit margins** for the full year
 - Improving further on our **net working capital** position
 - Achieving **traction with new product launches**
 - Continuing to **diversify our product portfolio** to include incremental price points and categories
 - **Growing Retail sales** via targeted online marketing and other new initiatives
 - Exploring **international Retail distribution** opportunities
 - Optimizing **supply chain** capabilities



Advantages of a Cardio Focus

U.S. Fitness Participation (2010)*



*Source: SGMA 2010 - Tracking the Fitness Movement

TreadClimber
by **BOWFLEX**

- The most popular fitness activity in the U.S. is **walking** (110M participants). **TreadClimber** bridges walking behavior with effective results previously sought on Treadmills and Elliptical machines
- The **CoreBody Reformer** is targeted to a new market segment roughly equal to our very successful indoor bike category while complimentary to nearly all segments

CoreBody
REFORMER



Shifting Target Demographics – e.g. TreadClimber

- **Television and Online Media Target High Value Consumers**
 - Creative and network placement allow for tailoring the product message to a specific audience
 - Improved buyer demographics
 - Significant social media participation by these consumers lead to additional interaction opportunities

Gender Profile					
	Male		Female		
Rod Based Gym	71%		29%		
TreadClimber	43%		57%		

Age Profile					
	18-24	25-34	35-44	45-54	55+
Rod Based Gym	15%	24%	27%	22%	12%
TreadClimber	4%	14%	26%	35%	18%

- High gross margins in Direct business combined with low capital requirements for growth



Investment Highlights

- Four highly regarded brand names are currently sub-optimized
- Opportunity for greater participation in the larger cardio equipment market, while maintaining position in the strength market
- Unique capability to reach consumers with branded innovated products across multiple distribution channels
- Strong balance sheet provides flexibility for growth
- Superior market testing capabilities support media efficiency and improved credit approval levels
- Direct model allows for growth with little additional working capital required
- Tight controls on operating expense and working capital provides significant leverage

Plus . . . building significant new product development capability



