



 **NAUTILUS** Inc

-  NAUTILUS
-  Universal
-  BOWFLEX
-  SCHWINN
-  Octane



Investor Meetings

November 2017



About This Presentation

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, long-term growth capability, demand for the Company's products, future plans for introduction of new products and the anticipated outcome of new business initiatives, estimates of market size and opportunities for growth, planned capital expenditures, and potential uses of our capital resources, including statements regarding potential share repurchases, acquisitions or dividend programs. 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, failure to successfully integrate acquired businesses, 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.

Financial Information

Unless otherwise indicated, all information regarding our operating results pertain to continuing operations.

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Agenda

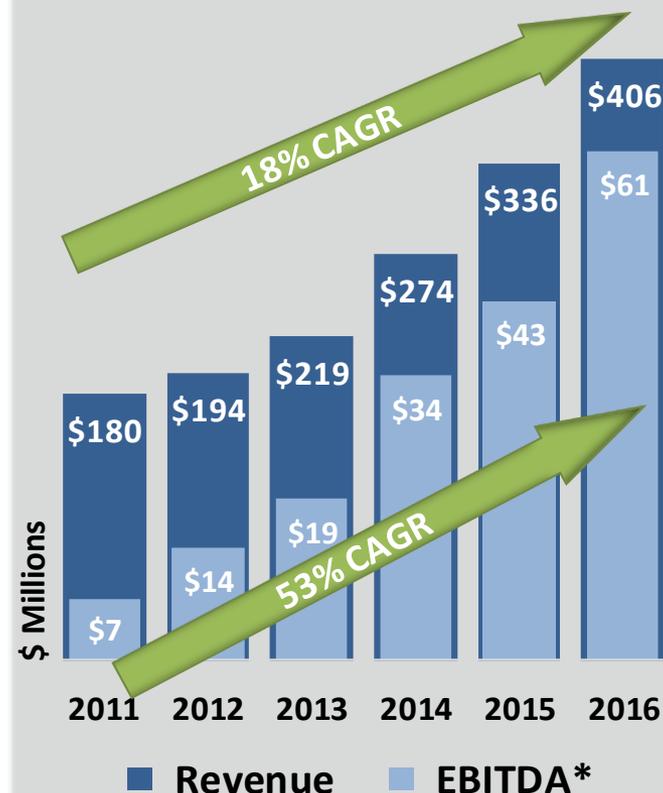
- Overview
- Financial Performance
- Growth Drivers
- Long-term Goals
- Key Takeaways

Who We Are

- Mission is to provide **innovative solutions** that make fitness more **attainable** and **motivate** people to live **healthier** lives
- We have a strong portfolio of **brands**, including three of the top five in the industry*
- Consumer insights driven **innovation** and new products pipeline
- **Multichannel** growth strategy to meet consumer needs wherever they shop
- Focused on **profitable growth** and increasing shareholder value

*Based on a 2016 national consumer research study

Double-digit Revenue Growth Coupled with Even Faster EBITDA* Growth



*EBITDA from Continuing Operations; Non-GAAP information, see Appendix for reconciliation to GAAP

Strong Brands

 **BOWFLEX**

SCHWINN

 **NAUTILUS**

Octane
FITNESS



Innovation
Quick, Proven Results

Quality and Value
High Awareness

Authentic
Professional Grade

Leader in Zero
Impact Cardio

Industry Leading Product Quality & Innovation

Award winning Bowflex Max Trainer® M7 model launched early 2016



Bowflex HVT™
Strength and cardio in one workout, launched May 2017



Octane XT-ONE™, the next generation cross-trainer
Walk, run, hike, and climb on one machine

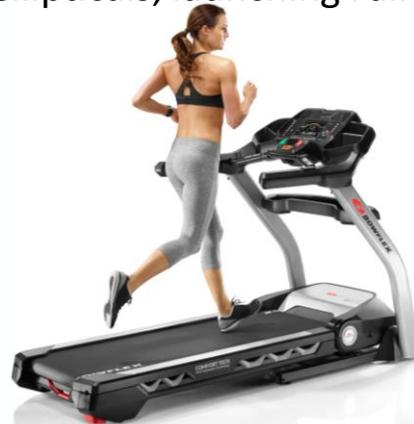


560 SelectTech® Dumbbells

Award winning first ever smart dumbbells



Bowflex Results Series™
Premium treadmills and ellipticals, launching Fall 2017



First of a kind Zero Runner® ZR8000

Enabling everyone to run safely and comfortably



Diversified Multichannel Growth Strategy

Direct to Consumer

- Unique innovative products
- Sold directly to consumers
- Significant investment in media

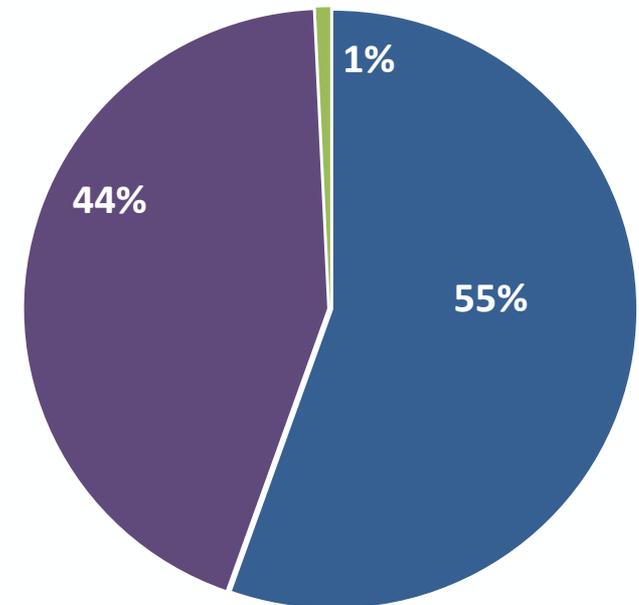
Retail Channel

- Wide assortment of fitness products
- Sold to distributors, retailers, and specialty fitness
- International sales and commercial

Royalty

- License revenue related to trademarks and patents

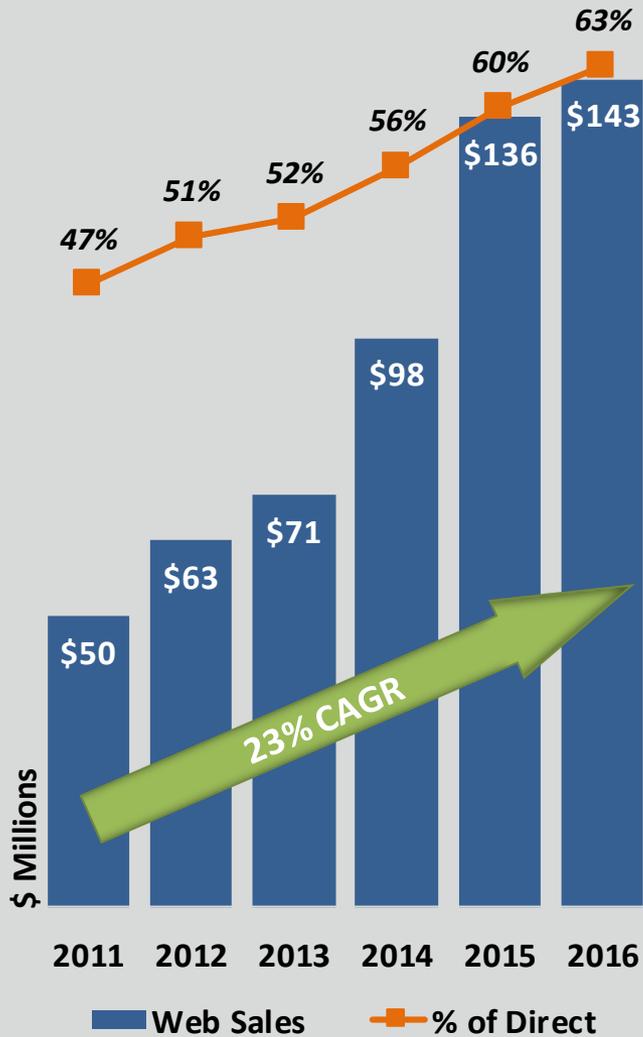
Combined Channel Mix



■ Direct ■ Retail ■ Royalty

Embracing Ecommerce

Robust Direct Channel Web Sales Growth

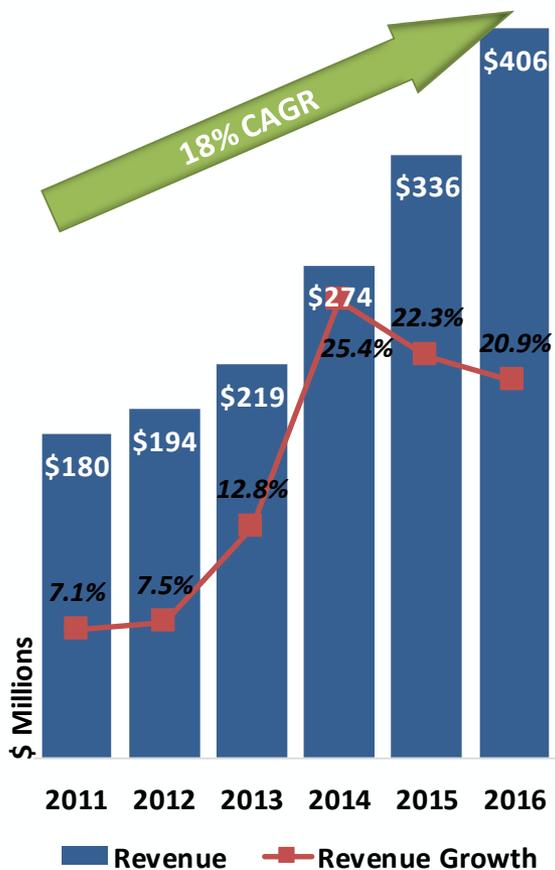


Increasing Share of Mass Retail Sales Sold Through Ecom Partners

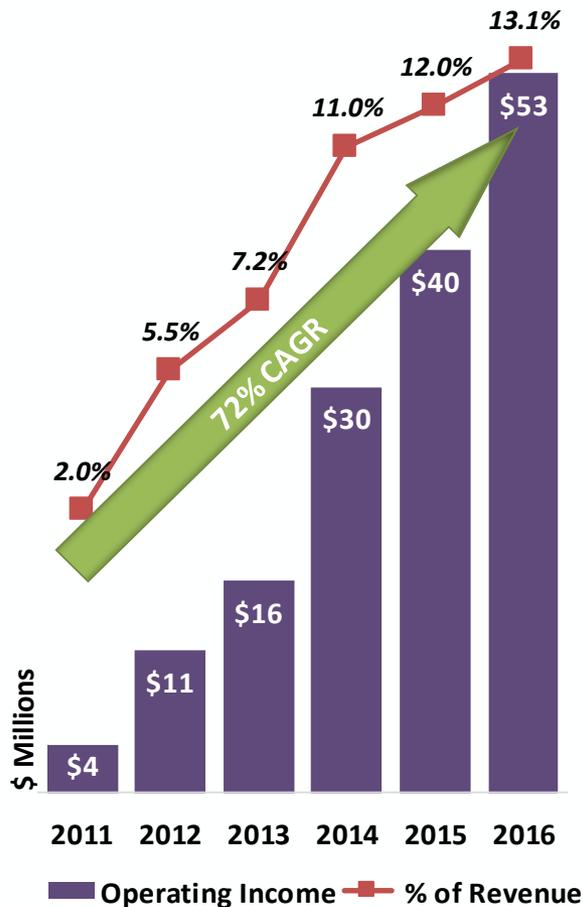


Delivering Solid Financial Performance

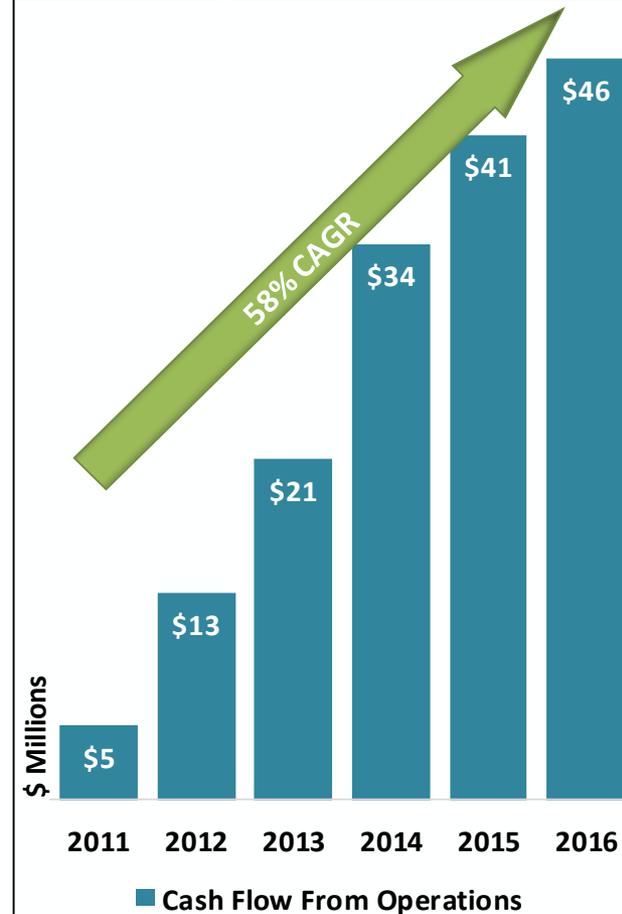
Strong revenue growth...



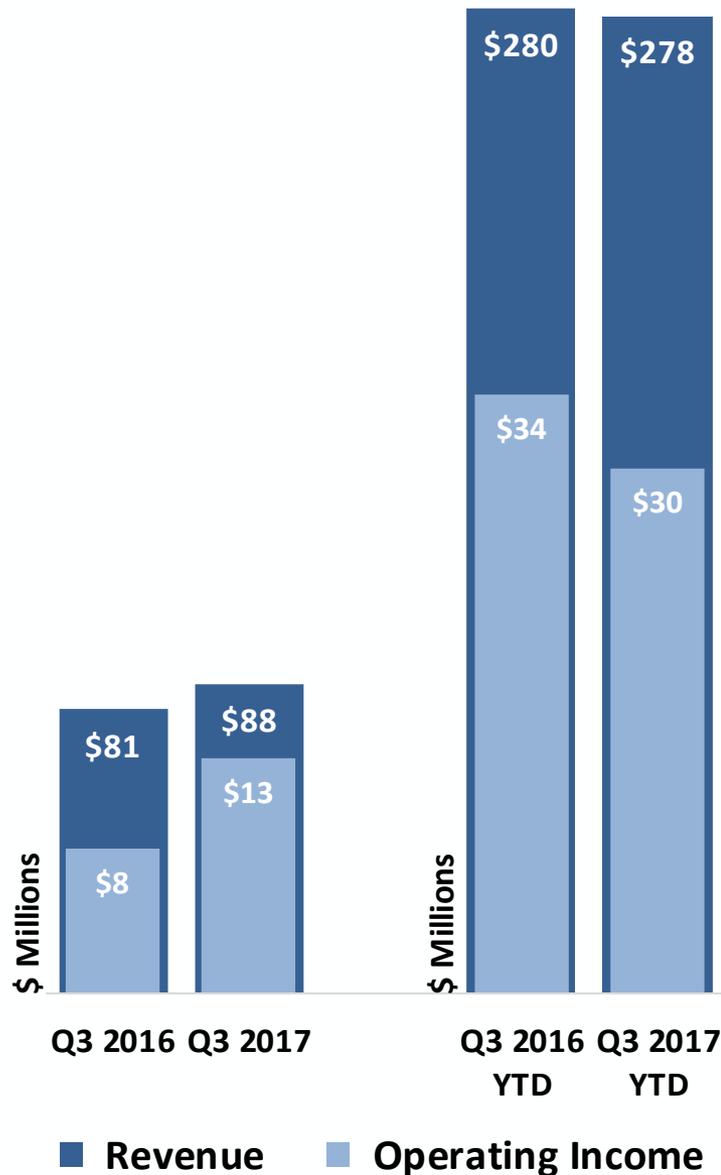
Coupled with improving profitability...



Resulted in robust cash generation

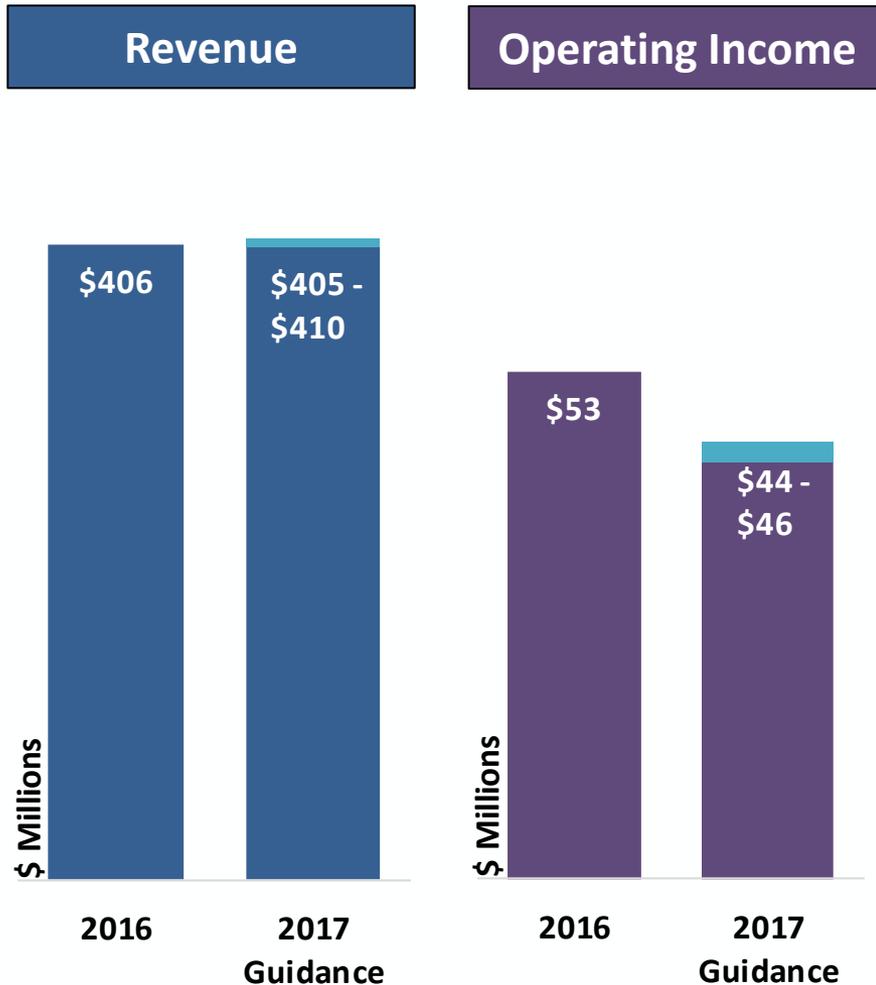


Reported Results for Q3 2017



- Strong Q3 2017 revenue and operating income growth
 - Retail growth of 16% with strong seasonal sell-in
 - Lower Direct growth of 1% due to continued decline of TreadClimber products
 - Operating expense lower due to retroactive financing adjustment and indemnification settlement
- Q3 2017 YTD results lower than prior year
 - Retail up 9%
 - Direct down 8% due to the decline in TreadClimber products, offset by HVT launch
 - Increased spend in media

FY 2017 Updated Guidance



- Full year revenue guidance range updated to \$405M - \$410M
 - Strong back-half Mass Retail growth
 - HVT ramp slower than expected
 - TreadClimber declines faster than expected
 - Specialty retail remains challenged
- Full year operating income guidance range updated to \$44M - \$46M
 - Investments in product development & innovation continue
 - Sales personnel additions to drive longer term growth
 - Impact from lower revenue
 - Lower media efficiency

Focused on Increasing Shareholder Value

Pretax EPS*



*Non-GAAP Information, see Appendix for a reconciliation to GAAP

Focus on shareholder value driven by superior operating results

NLS stock down from shorter-term highs; outperforming longer-term benchmarks

	<u>NLS</u>	<u>Leading Active Lifestyle Brands*</u>	<u>S&P 500 Consumer Discretionary</u>	<u>Russell 2000</u>
1-Year	-23.8%	18.7%	19.0%	26.7%
3-Year	-2.8%	19.4%	35.7%	27.2%
5-Year	362.6%	87.2%	98.6%	80.3%
7-Year	749.7%	164.8%	164.0%	113.7%

Source: Factset; cumulative returns calculated through 11/1/17

*Average return for BC, COLM, DECK, DKS, ELY, JOUT, LULU, NKE, PII, UAA, VFC

Retail

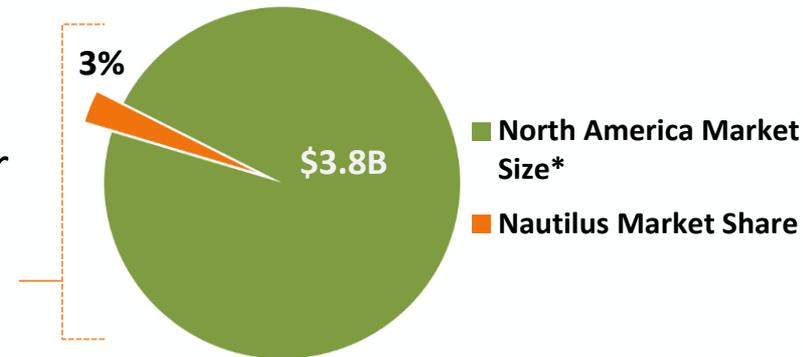
- Balance of sales between traditional storefront and faster growing e-commerce
- Current small market share provides opportunity for growth within existing market
- Broaden assortment of SKUs among existing customers
- Expand use of brand portfolio to address new price points and consumer segments

New
Distribution
Opportunities

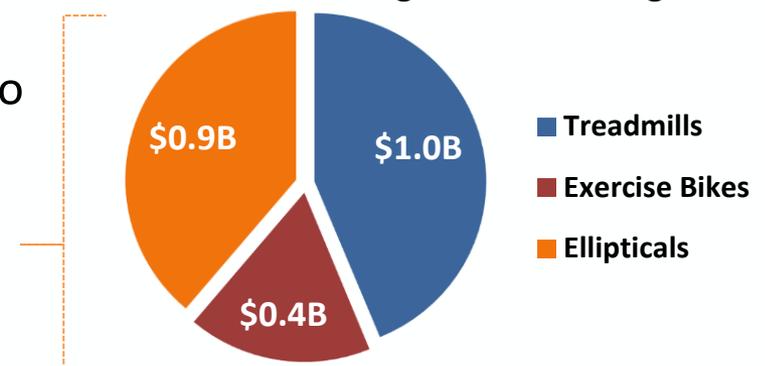
Innovation

International

Strategic
Opportunities



North America Largest Cardio Categories



*Based on SFIA 2017 Manufacturers' Sales by Category Report; values reflect wholesale pricing

Five Key Growth Drivers

New Distribution Opportunities

Retail

New Distribution Opportunities

Innovation

International

Strategic Opportunities

- Expansion into specialty retail and commercial club markets with Octane
- Increasing presence in cross-fit studios with Air-Dyne products
- Higher leverage of Direct media spend via Dick's Sporting Goods in-store sales of Max Trainer
- Entry into hand-held and shelf fitness products with Modern Movement
- Commitment to e-commerce growth. 63% of Direct channel sales are online. More than 56% of visitors are on mobile devices.



*Based on internal analysis; values reflect wholesale pricing;

**Based on SFIA 2017 Manufacturers' Sales by Category Report

Retail

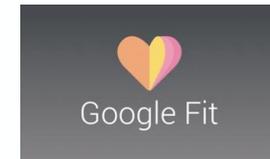
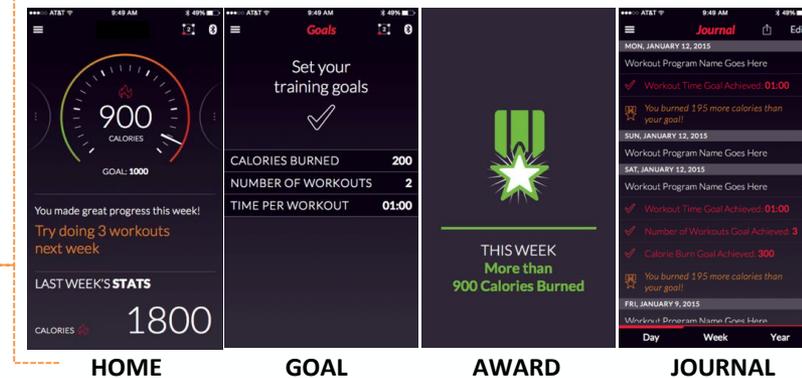
New Distribution Opportunities

Innovation

International

Strategic Opportunities

- Continued investments in R&D to create new product categories
- Reinvent consumer experience with real-time coaching, tracking, and motivation
- Innovating with apps and connectivity options
- Partnering with leading platforms to seamlessly sync and share workout data
- Continuously innovating consumer engagement to leverage changing industry dynamics



Retail

New
Distribution
Opportunities

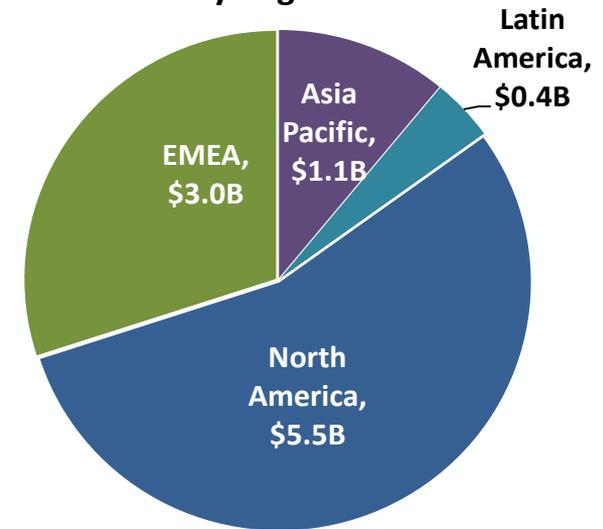
Innovation

International

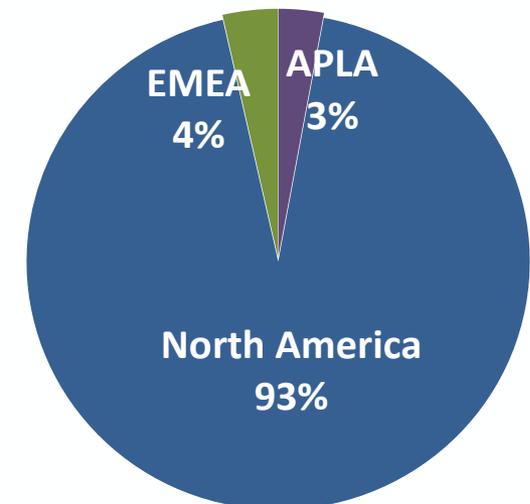
Strategic
Opportunities

- Large potential opportunity outside North America to grow low current market share
- Nautilus and Octane brands well recognized worldwide
- Aggressively adding best of breed distributor partners in target countries
- Increased investment in local sales teams

Estimated Global Market Size
by Region*



2016 Nautilus Regional Mix



*Compilation of industry and internal data; values reflect wholesale pricing

Retail

New
Distribution
Opportunities

Innovation

International

**Strategic
Opportunities**

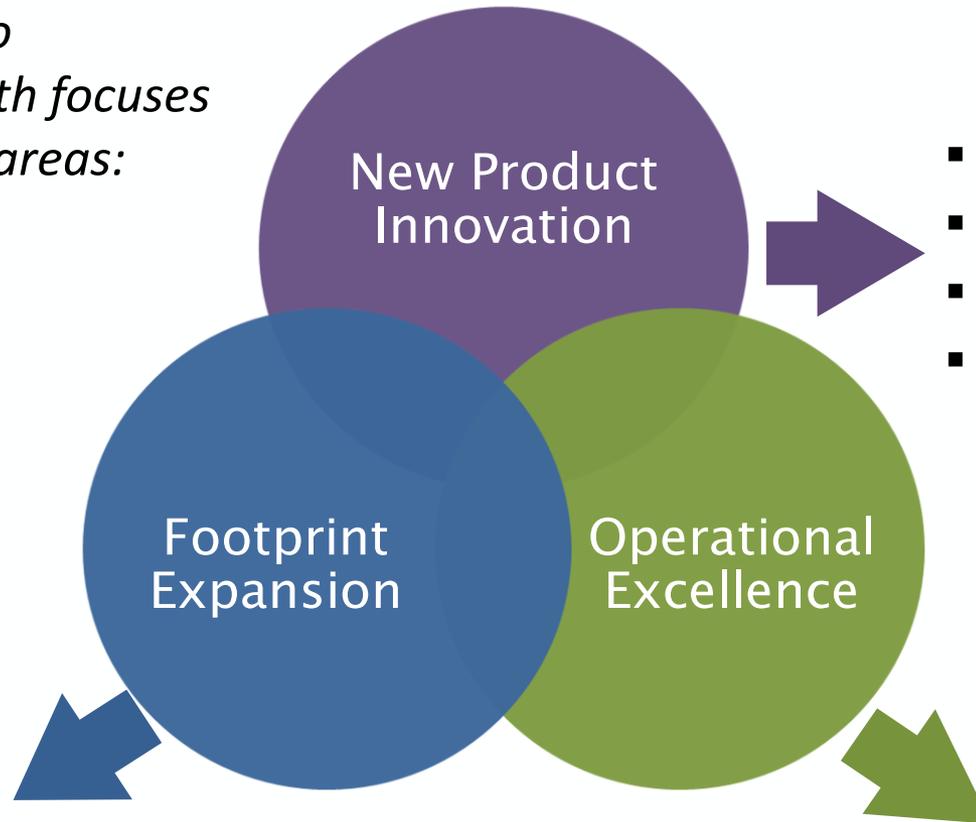
- Company in solid position to expand
 - Strong balance sheet with >\$77M in cash
 - Significant free cash flow
 - Leverageable infrastructure to capture synergies
- Opportunities to accelerate existing strategies through further acquisitions
- Invest in intellectual property portfolio to drive new product innovation and potentially increase royalty stream
- Explore opportunities in incremental adjacent categories



Long-term Goals

“The Road Map” for Profitable Growth

Our approach to profitable growth focuses on three major areas:



- Process Rigor
- IP Portfolio
- Brand Engagement
- Margin Discipline

- New Price Points
- New Core Categories
- Plus Growth Opportunities
- Access to Broader Audience

- Leverage Infrastructure
- Continuous Cost Improvements
- Supply Chain Efficiency
- Media Planning

Targeted Operating Metrics

	Revenue Growth	Operating Income Growth	Operating Income % of Revenue	EBITDA % of Revenue
Long-term Run Rate	10-12%	Growth in excess of revenue growth	11-15%	13-17%
2013 Results	12.8%	48.5%	7.2%	8.9%
2014 Results	25.4%	91.8%	11.0%	12.5%
2015 Results	22.3%	33.6%	12.0%	12.9%
2016 Results	20.9%	32.6%	13.1%	15.1%

- Long-term Run Rate reflects management assessment of Nautilus' organic growth capability over the next 3-5 years (typically updated in Q1 of each year)
- Annual results will fluctuate within stated Long-term Run Rate due to industry dynamics, specific product life cycles, and other factors
- 2017 full year guidance of approximately flat revenues and operating income decrease of 13% to 18%

Capital Deployment Initiatives

Organic Growth

New Product Introductions

Expanding Distribution

Infrastructure Investments

Acquisition Strategy

Enhance or Accelerate Revenue Growth Drivers

Opportunistically Expand IP Portfolio

Return Capital to Shareholders

Add'l \$15M Share Buyback Program Announced Q2 2017

Potential for Special/Ongoing Dividend Program

Priority

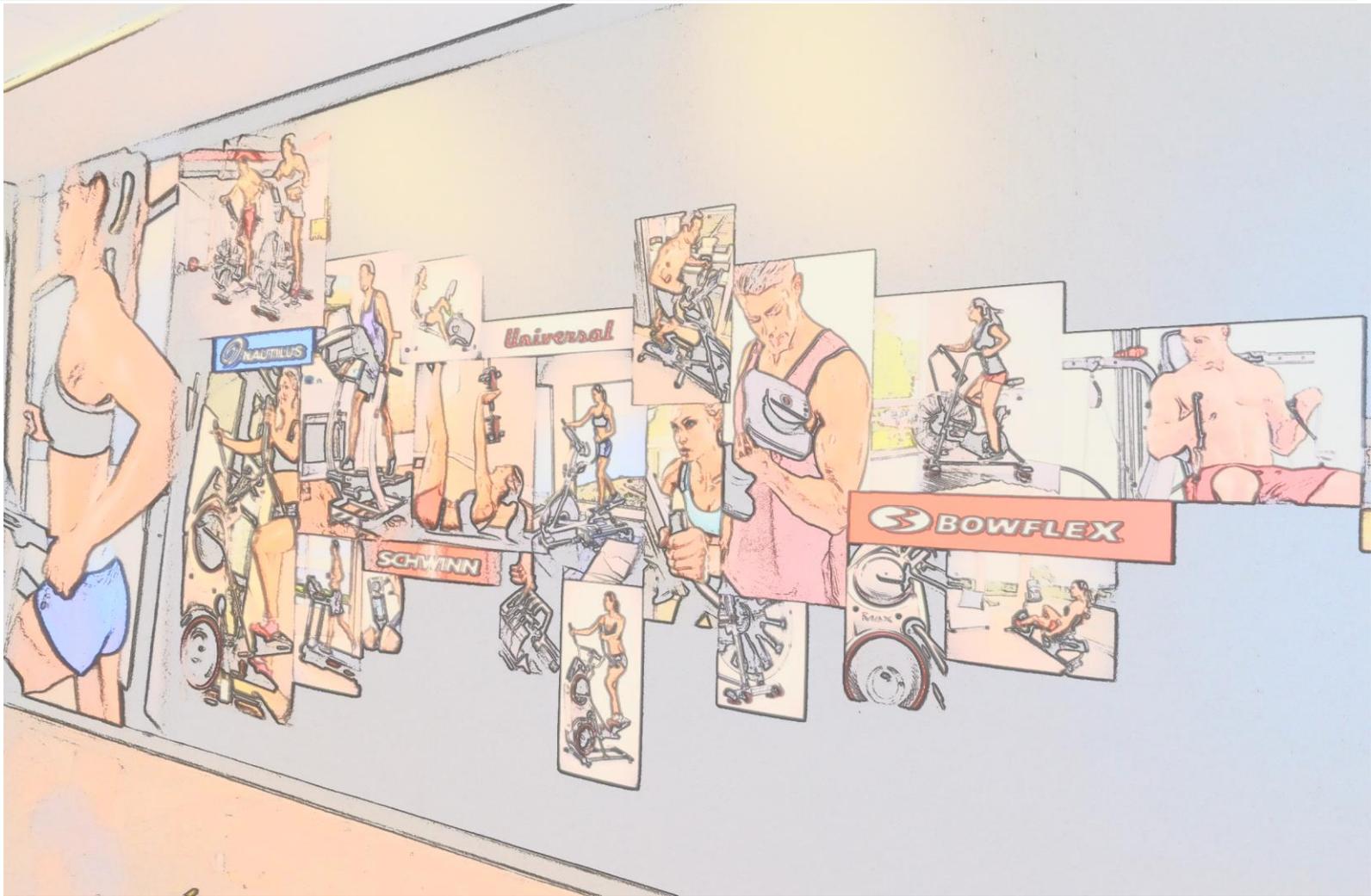
#1

#2

#3

Key Takeaways

- ✓ Leading portfolio of fitness brands
- ✓ Unique & innovative products and IP
- ✓ Solid sales & earnings growth; significantly improved profitability
- ✓ Strong financial condition
- ✓ Scalable platform & infrastructure
- ✓ Experienced management team that delivers on expectations



THANK YOU



Appendix

P&L Summary

All values in \$ millions except per share amounts

	2011	2012	2013	2014	2015	2016	Q3 2016 YTD	Q3 2017 YTD
Retail Revenue	\$ 68.6	\$ 63.9	\$ 76.8	\$ 93.2	\$ 106.2	\$ 177.9	\$ 117.9	\$ 128.4
Direct Revenue	107.1	125.0	136.7	175.6	225.6	225.1	159.9	147.8
Royalties	4.8	5.1	5.4	5.6	4.0	3.1	2.5	2.2
Total Revenue	180.4	193.9	218.8	274.4	335.8	406.0	280.3	278.4
Retail Gross Margin	16.0	14.4	19.5	23.7	26.9	58.8	38.9	44.0
<i>% of Retail Rev</i>	23.4%	22.5%	25.3%	25.4%	25.3%	33.1%	32.9%	34.2%
Direct Gross Margin	57.7	71.6	81.7	111.2	142.4	149.7	106.2	95.3
<i>% of Direct Rev</i>	53.9%	57.3%	59.7%	63.3%	63.1%	66.5%	66.4%	64.5%
Royalty	4.8	5.1	5.4	5.6	4.0	3.0	2.4	2.2
Total Gross Margin	78.5	91.0	106.5	140.6	173.2	211.5	147.4	141.4
<i>% of Rev</i>	43.5%	46.9%	48.7%	51.2%	51.6%	52.1%	52.6%	50.8%
Selling and Marketing	54.5	58.6	66.5	81.1	101.6	115.4	81.3	79.3
General and Administrative	17.1	17.7	18.7	22.1	21.4	28.8	21.6	21.1
Research and Development	3.2	4.2	5.6	7.2	9.9	13.9	10.4	11.1
Total Operating Expense	74.9	80.4	90.8	110.4	133.0	158.1	113.3	111.5
<i>% of Rev</i>	41.5%	41.5%	41.5%	40.2%	39.6%	38.9%	40.4%	40.1%
Retail Operating Income (Loss)	9.5	7.9	11.4	13.3	12.9	29.5	17.2	20.4
<i>% of Retail Rev</i>	13.8%	12.3%	14.9%	14.2%	12.1%	16.6%	14.6%	15.9%
Direct Operating Income (Loss)	3.0	12.5	14.1	29.3	39.9	43.2	31.3	23.1
<i>% of Direct Rev</i>	2.8%	10.0%	10.3%	16.7%	17.7%	19.2%	19.5%	15.7%
Royalties and Unallocated Corporate	(8.8)	(9.7)	(9.8)	(12.5)	(12.5)	(19.3)	(14.4)	(13.7)
Total Operating Income (Loss)	\$ 3.6	\$ 10.6	\$ 15.7	\$ 30.2	\$ 40.3	\$ 53.4	\$ 34.1	\$ 29.9
<i>% of Rev</i>	2.0%	5.5%	7.2%	11.0%	12.0%	13.2%	12.2%	10.7%
Other Expense (Income)	0.4	0.2	(0.3)	(0.1)	0.2	1.8	1.3	0.6
Pretax Income (Loss)	\$ 3.2	\$ 10.4	\$ 16.0	\$ 30.2	\$ 40.0	\$ 51.6	\$ 32.7	\$ 29.2
Pretax Income (Loss) per Diluted share	\$ 0.10	\$ 0.34	\$ 0.51	\$ 0.95	\$ 1.27	\$ 1.65	\$ 1.04	\$ 0.94
Income Tax Expense (Benefit)	0.7	(0.2)	(32.1)	9.8	13.2	16.5	9.6	10.2
Net Income (Loss) from Continuing Operations	\$ 2.5	\$ 10.6	\$ 48.1	\$ 20.4	\$ 26.8	\$ 35.1	\$ 23.1	\$ 19.1
Net Income (Loss) per Diluted share	\$ 0.08	\$ 0.34	\$ 1.53	\$ 0.64	\$ 0.85	\$ 1.12	\$ 0.74	\$ 0.61

Reconciliation of Non-GAAP Financial Measures

Pretax Income per Diluted Share from Continuing Operations (unaudited):

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Pretax income (loss) per diluted share from continuing operations	\$ 0.10	\$ 0.34	\$ 0.51	\$ 0.95	\$ 1.27	\$ 1.65
Income (loss) per diluted share from income tax provision	(0.02)	0.01	1.02	(0.31)	(0.42)	(0.53)
Net income (loss) per diluted share from continuing operations⁽¹⁾	\$ 0.08	\$ 0.34	\$ 1.53	\$ 0.64	\$ 0.85	\$ 1.12

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) from Continuing Operations (unaudited):

Values in \$ millions

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net income (loss) from continuing operations	\$ 2.5	\$ 10.6	\$ 48.1	\$ 20.4	\$ 26.8	\$ 35.1
Interest expense (income), net	0.4	(0.1)	0.0	(0.0)	(0.2)	1.7
Income tax expense (benefit) of continuing operations	0.7	(0.2)	(32.1)	9.8	13.2	16.5
Depreciation and amortization	3.8	3.3	3.3	4.0	3.4	7.9
EBITDA from continuing operations⁽¹⁾	\$ 7.4	\$ 13.6	\$ 19.4	\$ 34.2	\$ 43.2	\$ 61.1

(1) May not add due to rounding