



Q4 2020

Earnings Call

Nautilus, Inc.

Safe Harbor Statement

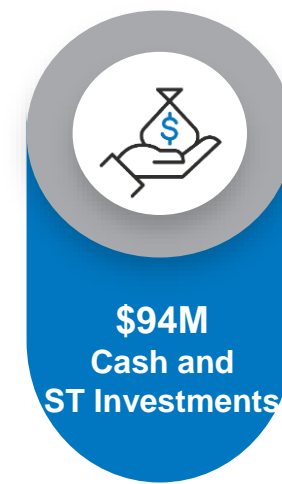
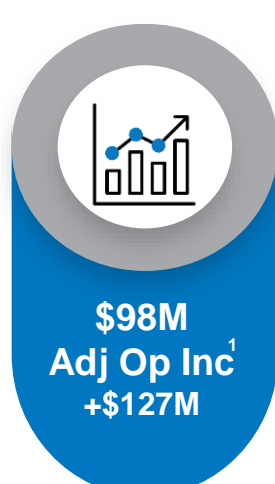
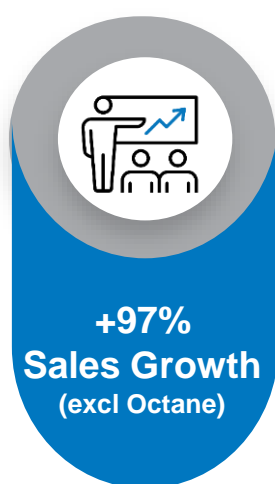
This presentation includes forward-looking statements (statements which are not historical facts) within the meaning of the Private Securities Litigation Reform Act of 1995, including: projected or forecasted financial, operating results and capital expenditures, anticipated demand for the Company's 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. 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, including shipping delays due to the severe shortage of shipping containers; an inability to pass along or otherwise mitigate the impact of raw material price increases and other cost pressures, including unfavorable currency exchange rates and increased shipping costs; 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; 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.

Q4 and Full Year 2020 Highlights

Q4 2020



FY 2020



¹ Please see Q4 2020 Earnings Press Release for reconciliation of non-GAAP measures to GAAP

² Adjusted for 2020 loss on disposal group (\$21M), 2020 loss on equity investment of (\$2.5M), and 2019 Impairment of goodwill and other intangibles (\$72M)

³ Q4 2020 Operating Income of \$41M is second only to Q3 2020's Operating Income of \$44M. Excluding the \$8M one-time gain related to the Octane divestiture, Q3 2020's Operating Income would be \$36M. Thus, the highest non-adjusted Operating Income in company history is Q4 2020's \$41M.

FY 2020 Operational Achievements

Building on improvements made in late 2019



Massive increases in supply chain capacity

NEW!

Connected-fitness product launches: VeloCore®, Treadmills, and the next generation of Max Trainer®



More modern go-to-market approach has increased media attention. 4x increase in media impressions



Continued JRNY® improvements: more features, more classes, off-machine content



Margin expansion: improved pricing, decreased promotions, strong merchandising



Strong customer metrics: 3x increase in traffic to Bowflex.com, 4x increase to schwinnfitness.com, 4x increase in new customers



Maintained strong partnerships with existing Retail customers and onboarded new ones



Focused on the core business; sold Octane



Planned 2020 Product Launches



Bowflex C7
November 2020



Bowflex T7
December 2020



BFX M9
Early February 2021



SelectTech 2080
September 2020



Bowflex VeloCore 16
September 2020



Bowflex T10
November 2020



BFX Max Total 16
Mid-year 2021



Bowflex Benches
August 2020



Bowflex VeloCore 22
September 2020



Bowflex T22
January 2021



Schwinn 30 Series
August 2020

Positive Response to New Products

The New York Times
Wirecutter

Bowflex SelectTech 2080 Review: An Adjustable Barbell for Strength Training at Home

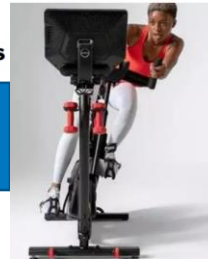


"If you miss lifting weights at the gym, love barbells, or want to add versatility to your strength training, this two-bar adjustable set may suit your needs." – Ingrid Skjong, Wirecutter

c|net

6 best Peloton alternatives: Great indoor exercise bikes that cost less

"This is no mere gimmick; I tested the VeloCore and found that the leaning capability really does add something." – Rick Broida, CNET



Men'sHealth

Blast Your Arms With the Bowflex SelectTech 2080 Adjustable Barbell

Women'sHealth

BEST ADJUSTABLE BARBELL WEIGHT SET

Bowflex SelectTech 2080 Barbell with Curl Bar



abc NEWS



THE WALL STREET JOURNAL.

A.I. Home Fitness Machines Push You Past Your Limits

"Bowflex's JRNY, a digital platform built in to the brand's Max Total Elliptical machine, similarly assesses and tracks performance to provide coaching and personalized daily workouts." – Ashley Mateo, The Wall Street Journal



PC

Bowflex VeloCore Review

4.0 EXCELLENT



"The Bowflex VeloCore smart indoor exercise bike justifies its premium price with a unique Lean Mode that works your core and upper body, plus a nice selection of entertainment options to help fight boredom." – Angela Moscaritolo, PC Mag

Forbes

12 Of The Best Gifts For Runners And Workout Lovers In 2020



"That's why I'm in love with the Bowflex SelectTech Adjustable Dumbbells. One compact package gives you weights anywhere from 5-52.5 lbs., in selectable 2.5 lb. increments." – Anthony Karcz, Forbes

TE

Gift Guide: Smart exercise gear to hunker down and get fit with



the Strategist



The Quick-to-Sell-Out Spin Bikes That Cost a Third As Much As a Peloton



"That's a Bowflex C6 indoor bike. It's Bluetooth enabled and connects to over 15 different cycling apps to keep you active and you don't even need to leave your house." – Jenna Hager, TODAY With Hoda & Jenna

NBC NEWS

New and Notable: New products from Burst, Bowflex, Echelon and more

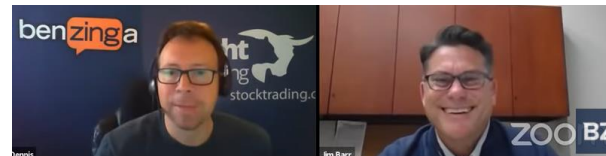


"Upon purchase of the treadmill, you get a two-month free membership to the Bowflex JRNY app. The membership allows you to take virtual fitness classes on the treadmill, log into your Netflix, Hulu, Prime Video and Disney+ accounts, listen to curated music playlists and more." – Zoe Malin, NBC News

Holiday Gift Guide 2020: The Best Indoor Fitness Bikes For At Home Workouts



Exclusive: Nautilus CEO On Fitness During COVID-19, The Company's Answer To Peloton



THE WALL STREET JOURNAL.

Nautilus Is Too Pumped Up

"While Peloton Interactive Inc. PTON 1.82% gets most of the headlines in the at-home fitness boom, Nautilus is more profitable and has done far better, with its shares rising eightfold so far in 2020. Net sales rose by 94% year-over-year." – Spencer Jakab, The Wall Street Journal



NAUTILUS Inc.

People and Culture

TOP
WORK
PLACES
2020

The Oregonian OREGONLIVE

NAUTILUS INC.
PHOTO CONTEST
How do you WFH?

It's a strange, new world right now and we're all just trying to do our best to adapt while we balance life, family and working from home. And there's no right or wrong way to do it, there's only the way that works best for you.

So let's keep it real.

Show us how you WFH (work from home)! Submit photos of your interesting or unique office setup, your most adorable furry or human "co-workers," or your hippest WFH fashion.

Submit by emailing Culture Club no later than March 31st.

WE ♥ YOUR PETS!

Do you live with a pet, love a pet, or maybe even look like a pet? From precocious cats and beautiful bunnies to pups who rule the roost, and everything in between (because it's about time hamsters got some respect), we want to see your two, three and four-legged friends. Just for fun! Post to "In This Together" on Teams with #PetsofNautilus.

#PetsofNautilus

NAUTILUS INC.
SPIRIT WEEK
MONDAY, APRIL 6 - FRIDAY, APRIL 10

Each day, snap a photo and email to Culture Club. We'll choose daily winners for an Amazon gift card!

M Makeover! Monday
Put on your dressiest clothes, you know the ones you haven't touched in weeks! It's time to put the basketball shorts and yoga pants in the closet and slide into your fancy dress!

T #TWINNING Tuesday
Pair up with someone in your house or a co-worker in matching outfits for the whole (distanced) social distancing and submit two photos (to ourselves!)

W WHAT Wednesday
Another excuse to not brush your hair! Don your wildest, weirdest, and craziest hat or headwear!

Th THROW ON YOUR SWAG Thursday
Hello! for company pride! Dig out your favorite company attire, Nautilus, Inc. or any of our brands, and represent while you work!

F FANTASTIC! Friday
Celebrate a fantastic Friday by showing off your favorite team's jersey or logoed gear!

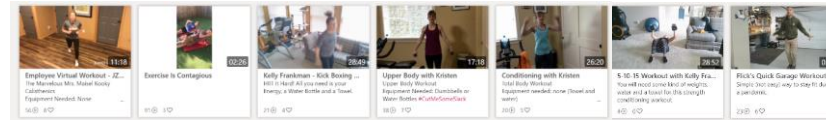
NAUTILUS INC.
#NLSWFH Workouts
FRIENDS THAT WORKOUT TOGETHER STAY TOGETHER

Check out the **Team Nautilus > In This Together** channel on Teams for regular at-home 15-30 min. workouts led by your fellow colleagues!

Click #NLSWFH Workouts at the top of the page.

Workouts are available now and more will be added regularly.

Complete two #NLSWFH Workouts and get a Road to Wellness Passport stamp!



NAUTILUS INC.
Ready for the holidays?
We are! Here's what we're doing at-a-glance!

Season of Giving
November 24 - December 18

A December to Remember
December 1 - 31

Virtual Ugly Sweater Contest
December 7 - 10

Winter Wonderland 20 FIR
December 7 - 10

Culture Club Donation Voting
December 14 - 18

More info on each activity will be emailed.

3 Ways to Give All Season Long!

- Now, unwrapped **toys** Accepted in HQ lobby
- Non-perishable **food** Accepted in HQ lobby
- Support with **cash** Accepted thru Culture Club



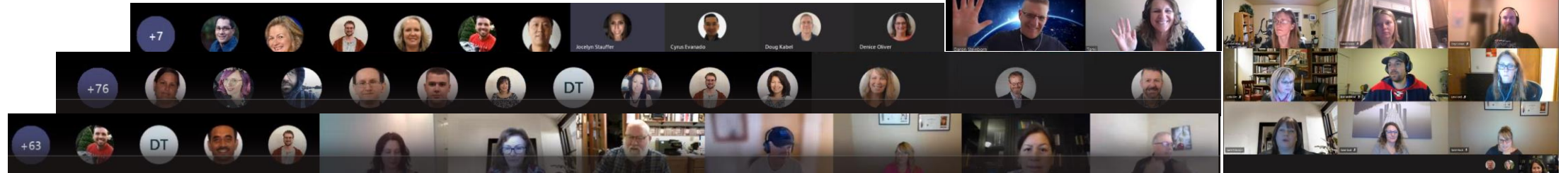
Supported our team through this unprecedented year

- HQ employees WFH since March
- Home office stipend, additional company holidays, "December to Remember", and shared financial rewards with all employees
- "Best Places to Work" 8th straight year
- Improved employee engagement; lowered turnover
- New mission, vision and values rolled out. Prepared team for launch of *North Star*, our long-term strategic plan

People and Culture

Proud of how the team performed throughout the year

- Overcame unprecedented challenges
- Developed new problem-solving skills
- Produced record-breaking financial results
- Launched an impressive portfolio of connected fitness products and a major update to JRNY® Digital Fitness Platform
- Leaders provided strong guidance and support to employees
- Completed & rolled out *North Star*. First initiative accomplished was the sale of Octane.



Looking Ahead

Continued strong demand even with COVID vaccine roll-out

- Polling results remain stable
- >20% of former gym-goers say they will never return to the gym
- Rest say they will balance their gym and at-home routines differently than before
- Optimistic that a portion of the current elevated demand will continue long-term

Making progress on closing the gap between demand and supply

- Continuing to invest in supply chain and inventory
- Disruptions in global logistics continue to be a headwind



North Star

- Completed in November, rolled out in December, and now underway.
- Confident in the plan as vision and direction would have been the same, with or without COVID
- Builds on company's strengths and addresses weaknesses identified in late 2019
- **Accomplishments to date**



Accelerated connected fitness through the portfolio with our 2020-21 product launches



Continued enhancements to JRNY, our digital membership platform. Created separate JRNY business unit; hired Chief Digital Officer



Maintained a balanced product portfolio of strongly demanded products



Made focusing decisions, such as selling Octane and SKU rationalization



Added top talent across the organization

Look forward to sharing the plan. Investor Day, Thursday, 3/18/2021



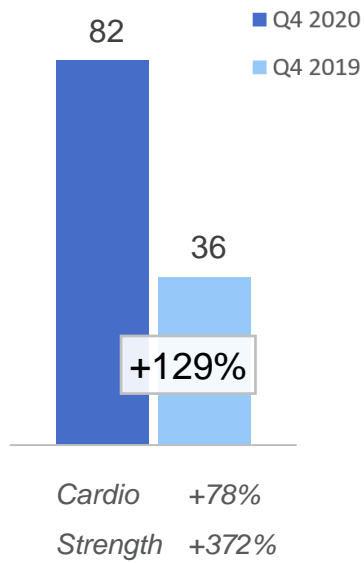
Q4 2020 P&L Summary

\$ in millions, except EPS	Q4 2020	Q4 2019	2020 vs. 2019	
			\$ Var	% Var
Net Sales	\$189	\$104	\$85	82%
Gross Profit	78	38	40	104%
<i>Gross Margin %</i>	<i>41%</i>	<i>37%</i>	<i>5 pts</i>	
Operating Expenses	36	35	2	4%
<i>% of Sales</i>	<i>19%</i>	<i>33%</i>	<i>-14 pts</i>	
Operating Income	41	3	38	1161%
<i>Operating Margin %</i>	<i>22%</i>	<i>3%</i>	<i>19 pts</i>	
Income				
Continuing Ops	29	4	26	699%
<i>Inc Cont Ops Margin %</i>	<i>15%</i>	<i>4%</i>	<i>12 pts</i>	
Diluted EPS, Cont Ops	\$0.90	\$0.12	\$0.78	650%
EBITDA from Continuing Ops	40	6	34	578%
<i>EBITDA Margin %</i>	<i>21%</i>	<i>6%</i>	<i>16 pts</i>	

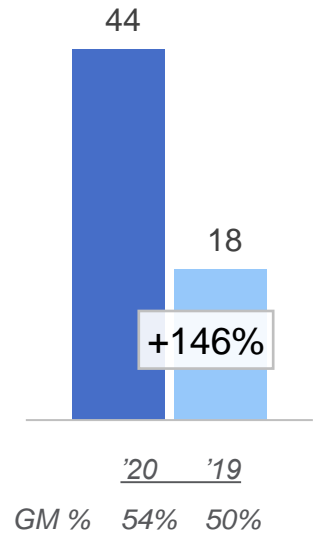


Direct Q4 2020 Segment Results

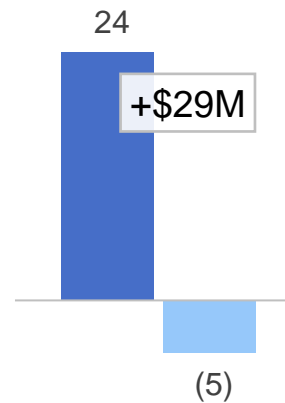
Net Sales (\$M)



Gross Profit (\$M)



Contribution (\$M)



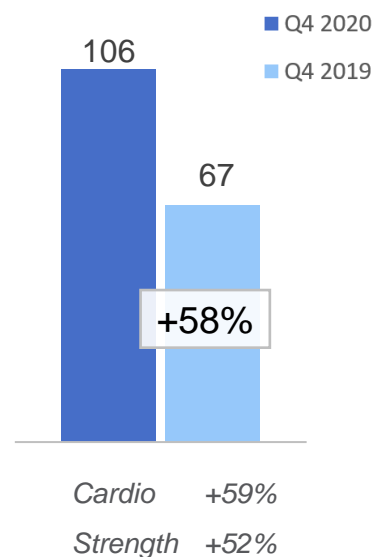
Highlights

- 4th consecutive quarter of sales growth
 - Highest quarterly sales in segment history
 - Q4 strength sales > FY 2019 strength sales
- Entered Q1 with **\$46 million in backlog**

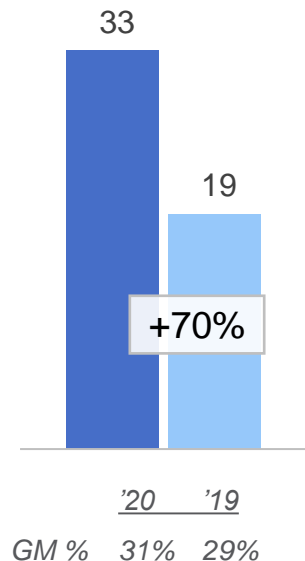


Retail Q4 2020 Segment Results

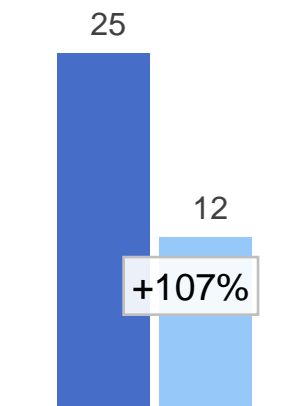
Net Sales (\$M)



Gross Profit (\$M)



Contribution (\$M)



Highlights

- Delivered **highest quarterly sales** in segment history
 - Excluding Octane brand, **Net Sales grew 96%**
- Entered Q1 with **\$45 million in backlog**
- DSG and Amazon both >10% of Total Company Net Sales



FY 2020 Adjusted¹ P&L Summary

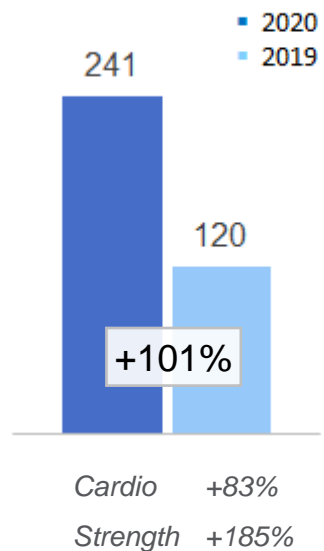
\$ in millions, except EPS	FY 2020	FY 2019	2020 vs. 2019	
			\$ Var	% Var
Net Sales	\$553	\$309	\$243	79%
Gross Profit	229	111	118	107%
<i>Gross Margin %</i>	<i>41%</i>	<i>36%</i>	<i>6 pts</i>	
Operating Expenses ¹	130	139	(9)	-6%
<i>% of Sales</i>	<i>24%</i>	<i>45%</i>	<i>-21 pts</i>	
Operating Income / (Loss) ¹	98	(29)	127	--
<i>Operating Margin %</i>	<i>18%</i>	<i>-9%</i>	<i>27 pts</i>	
Income / (Loss) Continuing Ops ¹	79	(23)	102	--
<i>Inc Cont Ops Margin %</i>	<i>14%</i>	<i>-8%</i>	<i>22 pts</i>	
Diluted EPS, Cont Ops ¹	\$2.46	(\$0.79)	\$3.24	--
EBITDA from Continuing Ops ¹	107	(18)	125	--
<i>EBITDA Margin %</i>	<i>19%</i>	<i>-6%</i>	<i>25 pts</i>	

¹ Adjusted for 2020 loss on disposal group (\$21M), 2020 loss on equity investment of (\$2.5M), and 2019 Impairment of goodwill and other intangibles (\$72M). Please see Q420 Earnings Press Release for reconciliation to GAAP. FY2020 GAAP P&L is in appendix.

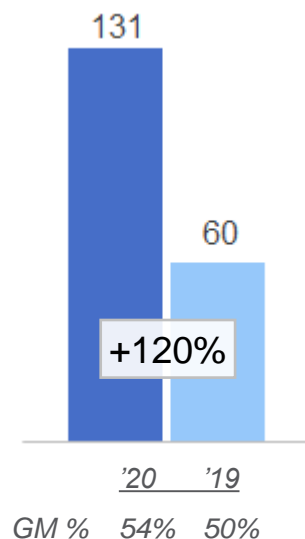


Direct FY 2020 Segment Results

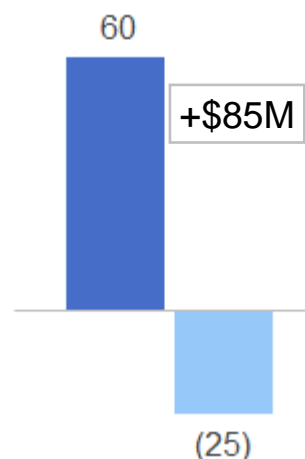
Net Sales (\$M)



Gross Profit (\$M)



Contribution (\$M)



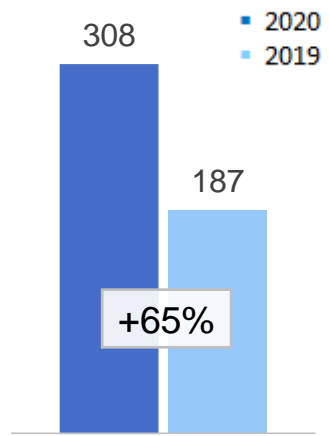
Highlights

- **Highest annual sales** in segment history
 - Cardio up ~2x and Strength up ~3x
 - Gross margin rate improved **+450 bps**
- Segment **Contribution improved by \$85 million**



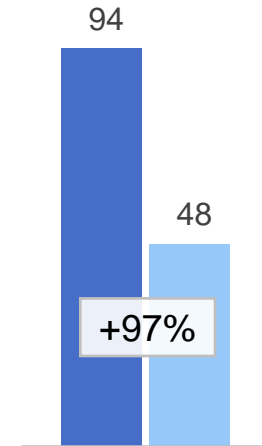
Retail FY 2020 Segment Results

Net Sales (\$M)



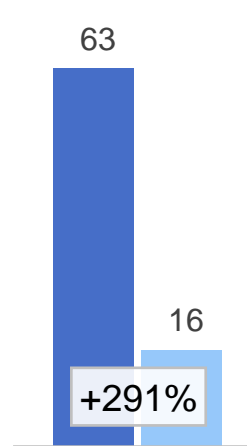
Cardio +67%
Strength +61%

Gross Profit (\$M)



'20 '19
GM % 31% 26%

Contribution (\$M)



Highlights

- **Highest annual sales** in segment history
 - Excluding Octane brand, **Net Sales grew 95%**
- Segment **Contribution growth of 291%**

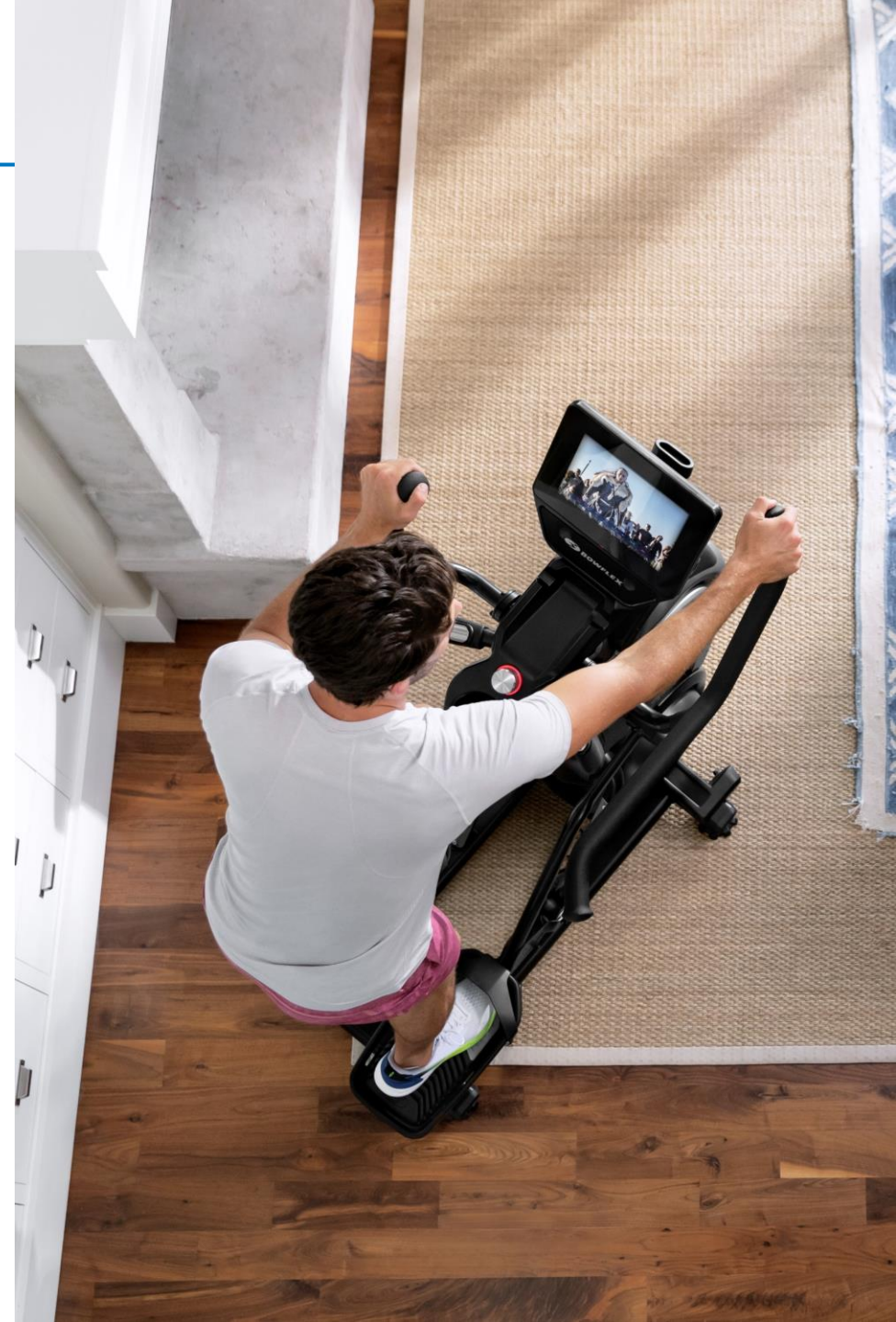


Other Key Highlights

\$ in millions	YE 2020	YE 2019
Cash and Investments	\$94	\$11
Debt	14	14
Accounts Receivable	91	55
Trade Payables	96	74
Inventory	51	55

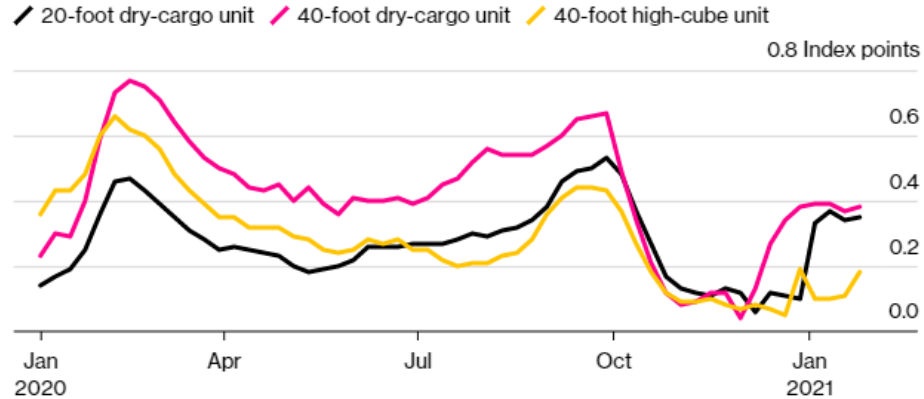
- **Strong Liquidity Position**; cash and investments balance +\$83M vs YE19
- \$55 million available to borrow against Wells Fargo Facility @ 12/31/2020
- Non-cancellable purchase obligations at each quarter-end:
 - Q4 20: \$166M | Q3 20: \$227M¹ | Q2 20: \$128M | Q1 20: \$35M | Q4 19: \$28M

¹ Excludes \$13M of Octane-related POs

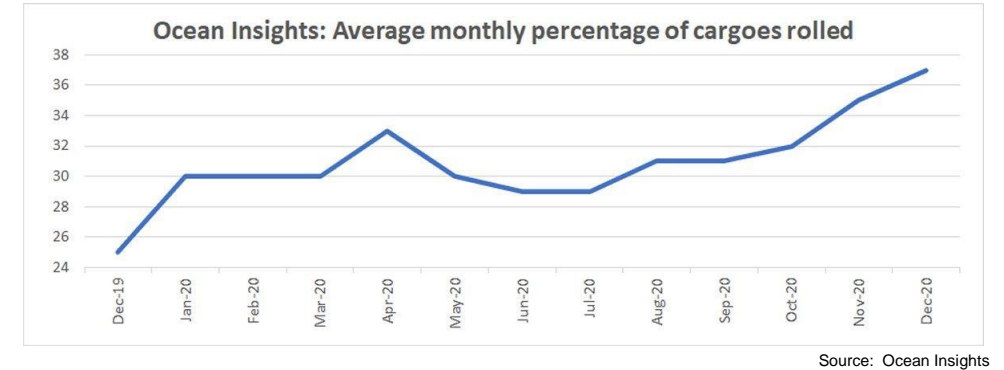


Global Logistics Disruptions

Container Availability Declines to near zero in late Nov/Dec

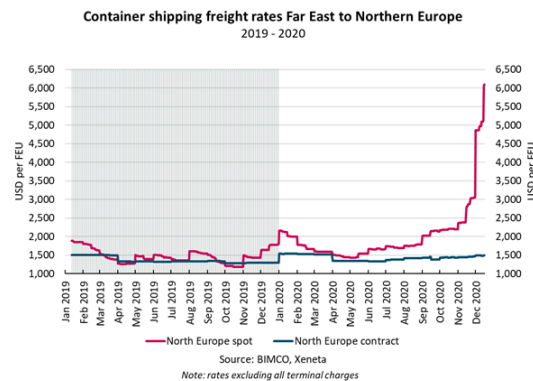
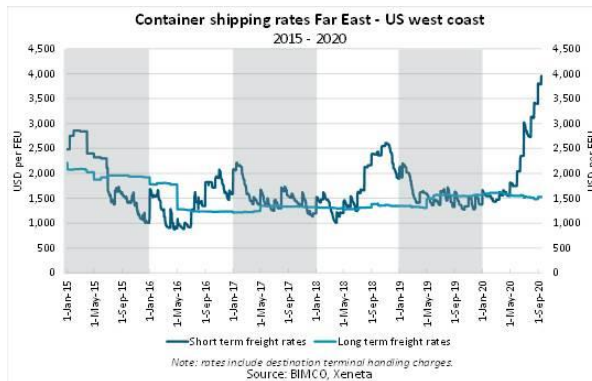


Shipping Delays worsened as the quarter progressed



Cargo rolled equates to a shipment confirmed on a given ship that is moved from that ship to a later date and/or ship. Generally, this is considered a shipping availability index

Ocean Freight Rates are at Historic Highs. Europe worse than US



Unprecedented US Port Congestion and Delays






- Snapshot of shipping stalled off Port of Long Beach (late January)
- Each green dot is a container ship waiting to offload (each ship holds 13,000 – 24,000 containers)

<https://www.freightwaves.com/news/container-ports-are-booming-and-not-just-on-west-coast>

<https://www.supplychaindigital.com/logistics-1/la-struggles-domino-effect-congested-ports>

New Fiscal Year End

- On December 30, 2020, the Board of Directors approved a change in the company's fiscal year:
FROM: the twelve months beginning January 1 and ending December 31
TO: the twelve months beginning April 1 and ending March 31.
- The company plans to file a transition report on Form 10-QT for the transition period from January 1, 2021 to March 31, 2021.
- The Company's **fiscal year 2022 will** begin April 1, 2021 and **end March 31, 2022**.
- The company changed its fiscal year-end to include the primary fitness season for exercise equipment, October to March, in the same fiscal year. In addition, the new fiscal year-end is better aligned with the fiscal year-end of its retail partners.

Old Fiscal Year												
Old Fiscal Year 2020				Old Fiscal Year 2021				Old Fiscal Year 2022				Old FY 2023
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Jan, Feb, Mar	Apr, May, Jun	Jul, Aug, Sep	Oct, Nov, Dec	Jan, Feb, Mar	Apr, May, Jun	Jul, Aug, Sep	Oct, Nov, Dec	Jan, Feb, Mar	Apr, May, Jun	Jul, Aug, Sep	Oct, Nov, Dec	Jan, Feb, Mar
2020	2020	2020	2020	2021	2021	2021	2021	2022	2022	2022	2022	2023
												
				New Fiscal Year								
New FY 2020	New Fiscal Year 2021			New Fiscal Year 2022				New Fiscal Year 2023				
Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

Recap of Progress



¹ Q4 2020 Operating Income of \$41M is second only to Q3 2020's Operating Income of \$44M. Excluding the \$8M one-time gain related to the Octane divestiture, Q3 2020's Operating Income would be \$36M. Thus, the highest non-adjusted Operating Income in company history is Q4 2020's \$41M.



NAUTILUS *Inc*

FOR MORE INFORMATION PLEASE CONTACT

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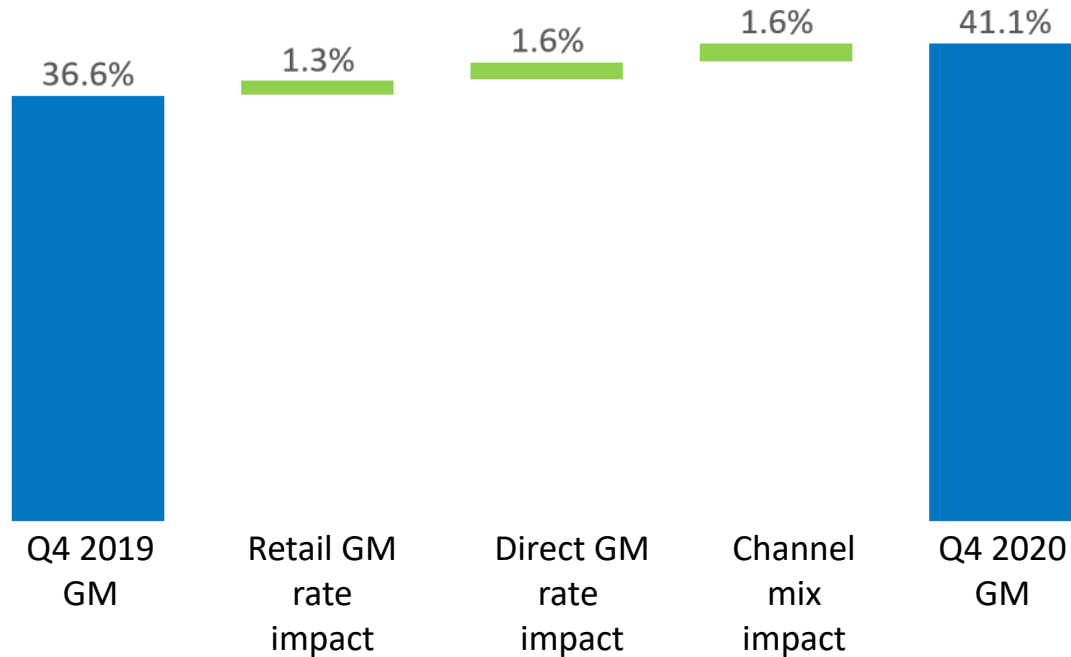




Appendix

Q4 2020 Gross Margins

Gross Margin YoY Bridge

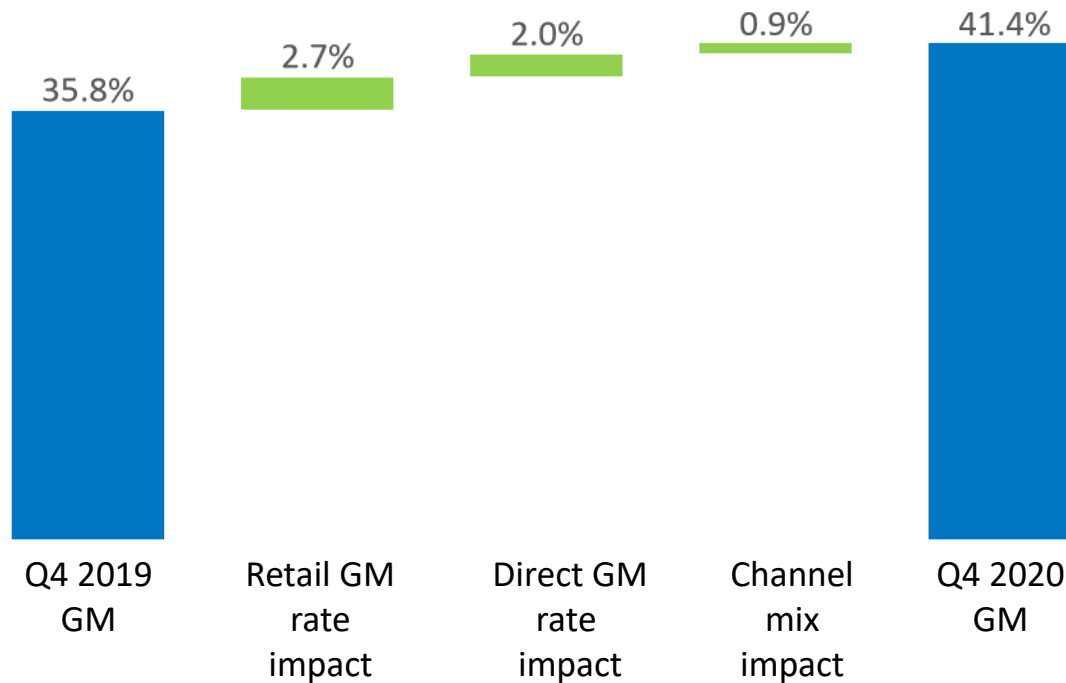


- ↑ **Retail Gross Margins were up 2 pts** YoY, driven by favorable customer mix and expense leverage, partially offset by higher transportation costs
- ↑ **Direct Gross Margins were up 4 pts** YoY, driven by increased full-priced selling and expense leverage, partially offset by higher transportation costs
- ↑ **Channel mix accounted for 2 pts of gross margin gains** as Direct channel increased to 43% of sales in Q4 2020 versus 34% of NLS sales in Q4 2019



Full Year 2020 Gross Margins

Gross Margin YoY Bridge



- ↑ **Retail Gross Margins were up 5 pts** YoY, driven by favorable customer mix and expense leverage, partially offset by higher transportation costs
- ↑ **Direct Gross Margins were up 5 pts** YoY, driven by increased full-priced selling and expense leverage, partially offset by higher transportation costs
- ↑ **Channel mix accounted for 1 pt of gross margin gains** as Direct channel increased to 44% of sales in FY 2020 versus 39% of NLS sales in FY 2019



Q4 2020 P&L Summary (GAAP)

\$ in millions, except EPS	Q4 2020	Q4 2019	2020 vs. 2019	
			\$ Var	% Var
Net Sales	\$189	\$104	\$85	82%
Gross Profit	78	38	40	104%
<i>Gross Margin %</i>	<i>41%</i>	<i>37%</i>	<i>5 pts</i>	
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<i>% of Sales</i>	<i>19%</i>	<i>33%</i>	<i>-14 pts</i>	
Operating Income	41	3	38	1161%
<i>Operating Margin %</i>	<i>22%</i>	<i>3%</i>	<i>19 pts</i>	
Income				
Continuing Ops	29	4	26	699%
<i>Inc Cont Ops Margin %</i>	<i>15%</i>	<i>4%</i>	<i>12 pts</i>	
Net Income	29	3	25	730%
<i>Net Income Margin %</i>	<i>15%</i>	<i>3%</i>	<i>12 pts</i>	
Diluted EPS, Cont Ops	\$0.90	\$0.12	\$0.78	650%
Dilited EPS	\$0.89	\$0.12	\$0.77	642%



FY 2020 P&L Summary (GAAP)

\$ in millions, except EPS	FY 2020	FY 2019	2020 vs. 2019	
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Net Sales	\$553	\$309	\$243	79%
Gross Profit	229	111	118	107%
<i>Gross Margin %</i>	<i>41%</i>	<i>36%</i>	<i>6 pts</i>	
Operating Expenses	151	211	(60)	-28%
<i>% of Sales</i>	<i>27%</i>	<i>68%</i>	<i>-41 pts</i>	
Operating Income / (Loss)	78	(101)	178	--
<i>Operating Margin %</i>	<i>14%</i>	<i>-33%</i>	<i>47 pts</i>	
Income / (Loss)				
Continuing Ops	61	(92)	153	--
<i>Inc Cont Ops Margin %</i>	<i>11%</i>	<i>-30%</i>	<i>41 pts</i>	
Net Income / (Loss)	60	(93)	153	--
<i>Net Income Margin %</i>	<i>11%</i>	<i>-30%</i>	<i>41 pts</i>	
Diluted EPS, Cont Ops	\$1.88	(\$3.11)	\$4.99	--
Diluted EPS	\$1.86	(\$3.13)	\$4.99	--

