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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant To Section 13 or 15(d) of  
the Securities Exchange Act of 1934**

**Date of Report: October 12, 2007  
(Date of earliest event reported)**

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**NAUTILUS, INC.**

(Exact name of registrant as specified in its charter)

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**Washington**  
(State or other jurisdiction  
of incorporation)

**001-31321**  
(Commission File Number)

**94-3002667**  
(I.R.S. Employer  
Identification No.)

**16400 SE Nautilus Drive  
Vancouver, Washington 98683**  
(Address of principal executive offices and zip code)

**(360) 859-2900**  
(Registrant's telephone number, including area code)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12(b) under the Exchange Act (17 CFR 240.14a-12(b))
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**NAUTILUS, INC.**  
**FORM 8-K**

**ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT**

On October 12, 2007, Nautilus, Inc. (the “Company”) and its subsidiary DashAmerica, Inc. entered into a First Amendment and Waiver to Credit Agreement (the “Amendment”) in respect of the Credit Agreement dated as of February 14, 2007 among Bank of America, N.A. in its capacity as Administrative Agent and the lenders party thereto.

Pursuant to the Amendment, the lenders under the credit facility agreed to waive defaults of the financial covenants under the Credit Agreement through the end of 2007. The applicable margin on borrowings was increased: (i) with respect to Eurodollar Rate loans, to 2.00% per annum, (ii) with respect to Base Rate loans, to 0.50% per annum, and (iii) with respect to Swing Line loans, to 0.50% per annum. Additionally, effective as of January 1, 2008, the maximum amount of the credit line will be restricted to \$75,000,000 unless the Company’s consolidated EBITDA is at least \$32,500,000 for each of the two most recently ended four fiscal quarter periods, measured from the most recently ended quarterly period.

**ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

On October 18, 2007, Nautilus, Inc. issued a press release announcing third quarter 2007 preliminary earnings results and announcing earnings estimates for the fourth quarter of 2007. A copy of the press release is attached as Exhibit 99.1 hereto.

The information in this Item 2.02 and in Exhibit 99.1 attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise expressly stated in such filing.

**ITEM 2.05 COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES**

On October 12, 2007 the Company committed to reduce its workforce by about 140 positions. The Company took this action to improve operating margins in a period of lower-than-expected sales. In conjunction with these actions, the Company currently expects to incur restructuring-related charges of approximately \$0.8 million pre-tax related to one-time employee termination benefits consisting primarily of severance and related fringe benefits. The Company expects the \$0.8 million to result in short-term cash outlays.

The Company is unable to provide a good faith estimate of the other costs associated with the announced restructuring activities. The Company will file an amended report on Form 8-K under this Item 2.05 at such time as such determination is made.

This Current Report on Form 8-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based upon management’s beliefs, as well as assumptions made by and information currently available to management. All statements other than statements of historical fact included in this Form 8-K, in particular regarding the anticipated costs of the Company’s restructuring actions described above, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including but not limited to statements identified by the words

“expects to,” “currently expects” and similar expressions. Actual events or results may differ materially from such forward-looking statements. For information about the factors that could cause such differences, please refer to the Company’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

The Company issued a press release on October 12, 2007 regarding the reduction in its workforce. A copy of the press release is attached hereto as Exhibit 99.2 and is incorporated by reference herein.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS**

**(d) Exhibits**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Nautilus, Inc. Press Release dated October 18, 2007
99.2	Nautilus, Inc. Press Release dated October 12, 2007

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**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NAUTILUS, INC.  
(Registrant)

By: /s/ William D. Meadowcroft  
William D. Meadowcroft  
Chief Financial Officer, Secretary and Treasurer

October 18, 2007  
(Date)



CONTACTS: Nautilus, Inc.  
Ron Arp  
(360)859-2514

Nautilus, Inc.  
John Mills  
(310)954-1105

## **NAUTILUS, INC. ANNOUNCES THIRD QUARTER 2007 RESULTS**

### **FITNESS COMPANY OUTLINES RESTRUCTURING STRATEGY**

**VANCOUVER, Wash. – (October 18, 2007)** – Global fitness company Nautilus, Inc. (NYSE: NLS) today announced quarterly results for the three-month period ended September 30, 2007. Also today, the company's new President and Chief Executive Officer, Robert S. Falcone, announced Nautilus' restructured operating strategy and principles intended to drive shareholder value.

With a brand portfolio that includes Nautilus®, Bowflex®, Schwinn®Fitness, StairMaster®, Universal®, and Pearl iZUMi®, Nautilus manufactures and markets a complete line of innovative health and fitness products through direct, commercial, retail, and international channels.

#### ***Third Quarter Recap***

Nautilus reported that net sales for the three months ended September 30, 2007, were \$134.0 million, compared to \$159.6 million for the corresponding period last year, down 16 percent. Net loss for the third quarter, including charges of 13 cents related to bad debt reserves for a customer's pending bankruptcy and costs associated with the departure of the Company's former CEO, was \$13.3 million, or \$0.42 per diluted share, compared to income of \$9.4 million, or \$0.29 per diluted share, for the third quarter of 2006. The year-ago third quarter included a tax reserve reversal of \$3.0 million, or 9 cents per share. Excluding the tax reversal, net income for the quarter was \$6.4 million, or \$0.20 per diluted share.

The decline in performance was primarily attributable to a reduction in sales of rod-based home gyms in retail and an overall shift in sales mix for customers, channels and products.

"We are very disappointed by Nautilus' third quarter financial results," said Robert S. Falcone, Nautilus Chairman, President and Chief Executive Officer. "Our shareholders can be certain that we are implementing the changes necessary to address these shortfalls in order to drive sustainable growth and value."

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## **Outlook**

For the fourth quarter, the Company expects net sales of approximately \$160.0 million and earnings from operations to be about break-even. Nautilus is undergoing a comprehensive review of the business and expects some restructuring charges in the fourth quarter, which are not included in this estimate. These will include severance costs and may include inventory adjustments for discontinued products and other restructuring charges.

### ***Addressing Shortfalls, Improving Financial Position***

Since taking over as Nautilus' Chief Executive Officer on August 13, 2007, Mr. Falcone has undertaken a thorough review of the Company's business and operating strategy and implemented several initiatives aimed at improving the Company's financial condition, and will continue to build on the Company's turnaround strategy.

These steps include:

- The Company's anticipated agreement to amend and secure its \$125 million line of credit with a \$50 million accordion and replace it with a new \$150 million asset-based loan with a \$50 million accordion.
- The re-negotiation of the financial terms associated with Nautilus' planned acquisition of Land America, its largest contract manufacturer, based in Xiamen, China. New terms include a price concession of approximately \$7 million and a payment schedule that has been extended to October 2008. The transaction, which will provide the Company with a vertical manufacturing presence, is expected to help improve long-term gross and operating margins.
- A reduction of workforce by approximately 140 employees, or 9 percent of the Company's employee base, generating approximately \$10 million in fixed-cost savings.
- The exploration of divestitures for non-core assets, including the Company's technical apparel business, Pearl iZUMi.
- The suspension of the Company's 10-cent-per-share quarterly cash dividend, which will provide an additional \$13 million available for operations.
- The development of a global growth strategy for the Company's commercial, direct and retail business lines.

"These steps are both necessary to unlocking the true value of Nautilus for our shareholders and reflective of the conservative and strategic manner in which we will manage our business moving forward," said Mr. Falcone.

The Company remains optimistic about its prospects for future growth within the \$10 billion global fitness industry. “Not only does Nautilus operate the most widely recognized brand names, it offers a growing global consumer base the most innovative products,” said Mr. Falcone. “Our shareholders can be confident that we will combine the right infrastructure with best-in-class execution to leverage the many opportunities before us.”

### ***Conference Call Details***

The third quarter 2007 investor conference call is scheduled for 5:00 p.m. EDT (2:00 p.m. PDT) Thursday, October 18, 2007. It will be broadcast live over the Internet hosted at [www.nautilusinc.com/events](http://www.nautilusinc.com/events) and will be archived online within one hour after completion of the call. In addition, listeners may call 800 926 6502 in North America and 212 231 2903 from outside North America. Participants will include: Bob Falcone, President and Chief Executive Officer; and Bill Meadowcroft, Chief Financial Officer.

A telephonic playback will be available from 4:00 p.m. PDT October 18 through 12:00 p.m. PDT, November 1, 2007. North American callers can dial 800 633 8284, and international callers can dial to 402 977 9140 hear the playback. The passcode is 21352800.

### **About Nautilus, Inc.**

Headquartered in Vancouver, Wash., Nautilus, Inc. (NYSE:NLS) is a pure fitness Company that provides tools and education necessary to help people achieve a fit and healthy lifestyle. With a brand portfolio that includes [Nautilus®](#), [Bowflex®](#), [Schwinn®Fitness](#), [StairMaster®](#), [Universal®](#), and [Pearl iZUMi®](#), Nautilus manufactures and markets a complete line of innovative health and fitness products through direct, commercial, retail, and international channels. The Company was formed in 1986 and had sales of \$680 million in 2006. It has 1,450 employees and operations in Washington, Oregon, Colorado, Oklahoma, Illinois, Virginia, Canada, Switzerland, Germany, United Kingdom, Italy, China, Australia, and other locations around the world. More information is at [www.nautilusinc.com](http://www.nautilusinc.com)

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**Safe Harbor Statement:**

*This press release includes forward-looking statements, including statements concerning estimated future sales and earnings, new product introduction, and operational improvement. Factors that could cause Nautilus, Inc. actual results to differ materially from these forward-looking statements include availability of media time and fluctuating advertising rates, a decline in consumer spending due to unfavorable economic conditions, its ability to effectively develop, market, and sell future products, its ability to get foreign-sourced product through customs in a timely manner, its ability to effectively identify, negotiate and integrate any future strategic acquisitions, its ability to protect its intellectual property, introduction of lower-priced competing products, unpredictable events and circumstances relating to international operations including its use of foreign manufacturers, government regulatory action, and general economic conditions. Please refer to our reports and filings with the Securities and Exchange Commission, including our most recent annual report on Form 10-K and quarterly reports on Form 10-Q, for a further discussion of these risks and uncertainties. We also caution you not to place undue reliance on forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update publicly any forward-looking statements to reflect new information, events or circumstances after the date they were made or to reflect the occurrence of unanticipated events.*



**NAUTILUS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Preliminary - Unaudited, in thousands)

	September 30, 2007	December 31, 2006
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 21,555	\$ 4,262
Trade receivables	86,686	137,714
Inventories	89,320	75,832
Prepaid expenses and other current assets	43,032	23,093
Short-term notes receivable	2,562	2,461
Income taxes receivable	6,807	—
Assets held for sale	1,677	1,677
Deferred tax assets	9,388	5,722
Total current assets	261,027	250,761
PROPERTY, PLANT AND EQUIPMENT	51,973	52,658
GOODWILL	65,606	65,037
INTANGIBLE AND OTHER ASSETS, net	73,765	56,486
<b>TOTAL ASSETS</b>	<b>\$ 452,371</b>	<b>\$ 424,942</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	\$ 47,127	\$ 61,375
Accrued liabilities	29,469	31,444
Short-term borrowings	109,000	47,500
Income taxes payable	—	4,551
Customer deposits	2,158	2,229
Current portion of long-term debt	386	259
Total current liabilities	188,140	147,358
LONG TERM PORTION OF LONG TERM DEBT	3,889	4,158
NONCURRENT DEFERRED TAX LIABILITIES	15,090	16,792
LONG-TERM TAXES PAYABLE	3,421	—
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock	4,463	1,026
Retained earnings	230,899	251,418
Accumulated other comprehensive income	6,469	4,190
Total stockholders' equity	241,831	256,634
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 452,371</b>	<b>\$ 424,942</b>

**NAUTILUS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Preliminary - Unaudited, in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
NET SALES	\$133,957	\$159,583	\$409,869	\$482,185
COST OF SALES	81,064	87,493	238,211	270,192
Gross profit	52,893	72,090	171,658	211,993
OPERATING EXPENSES:				
Selling and marketing	53,071	42,621	147,963	137,887
General and administrative	16,103	14,507	42,787	40,399
Research and development	3,142	2,521	9,080	8,321
Royalties	1,903	1,296	4,610	3,991
Litigation settlement	—	—	(18,300)	—
Total operating expenses	74,219	60,945	186,140	190,598
OPERATING INCOME (LOSS)	(21,326)	11,145	(14,482)	21,395
OTHER INCOME (EXPENSE):				
Interest income	222	309	265	532
Interest expense	(1,852)	(846)	(3,603)	(1,684)
Other income (expense), net	910	(2)	1,697	1,220
Total other income (expense)	(720)	(539)	(1,641)	68
INCOME (LOSS) BEFORE INCOME TAXES	(22,046)	10,606	(16,123)	21,463
INCOME TAX EXPENSE (BENEFIT)	(8,737)	1,230	(6,387)	5,215
NET INCOME (LOSS)	<u>\$ (13,309)</u>	<u>\$ 9,376</u>	<u>\$ (9,736)</u>	<u>\$ 16,248</u>
EARNINGS (LOSS) PER SHARE:				
BASIC	\$ (0.42)	\$ 0.29	\$ (0.31)	\$ 0.50
DILUTED	\$ (0.42)	\$ 0.29	\$ (0.31)	\$ 0.50
WEIGHTED AVERAGE SHARES OUTSTANDING:				
BASIC	31,545	32,138	31,533	32,577
DILUTED	31,553	32,240	31,681	32,732



**FOR IMMEDIATE RELEASE**

CONTACTS: Nautilus, Inc.  
 Ron Arp  
 (360)859-2514

Nautilus, Inc.  
 John Mills  
 (310)954-1105

**NAUTILUS, INC. ANNOUNCES REDUCTION IN WORK FORCE**

**VANCOUVER, Wash. – (October 12, 2007)** – Fitness company Nautilus, Inc. today announced that it is reducing its workforce by about 140 positions, including about 80 at the company's headquarters, to trim its expenses by more than \$10 million on an annualized basis.

The adjustments equate to about 9 percent of the company's workforce and about 12 percent of its annualized compensation. Severance and benefits packages based upon years of service are being offered to affected staff.

"We are pursuing this workforce reduction along with a number of other restructuring initiatives to improve operating margins in a period of lower than expected sales," said Bob Falcone, Chairman and CEO of Nautilus, Inc. "We regret the impact to staff, families and communities but must make tough decisions now to assure a bright future for this company and long-term value for our shareholders."

**About Nautilus, Inc.**

Headquartered in Vancouver, Wash., Nautilus, Inc. (NYSE:NLS) is a pure fitness company that provides tools and education necessary to help people achieve a fit and healthy lifestyle. With a brand portfolio that includes Nautilus®, Bowflex®, Schwinn®Fitness, StairMaster®, Universal®, and Pearl iZUMi®, Nautilus manufactures and markets a complete line of innovative health and fitness products through direct, commercial, retail channels. The Company was formed in 1986 and had sales of \$680 million in 2006. It has 1,500 employees and operations in Washington, Oregon, Colorado, Oklahoma, Illinois, Virginia, Canada, Switzerland, Germany, United Kingdom, Italy, China, Australia, and other locations around the world. More information is at [www.nautilusinc.com](http://www.nautilusinc.com)

*This press release includes forward-looking statements, including statements concerning expected savings associated with the Company's staff-related expenses. Please refer to our reports and filings with the Securities and Exchange Commission, including our most recent annual report on Form 10-K and quarterly reports on Form 10-Q, for a further discussion of the risks and uncertainties that should be considered in connection with these and other forward-looking statements we may make from time to time. We also caution you not to place undue reliance on forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update publicly any forward-looking statements to reflect new information, events or circumstances after the date they were made or to reflect the occurrence of unanticipated events*