



Q1 FY2022

Quarter Ending June 30, 2021

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, targeted or forecasted financial, operating results and capital expenditures, including but not limited to net sales growth rates, gross margins, operating expenses, operating margins, 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; availability and timing of capital for financing our strategic initiatives, including being able to raise capital on favorable terms or at all; changes in the financial markets, including changes in credit markets and interest rates that affect our ability to access those markets on favorable terms 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.

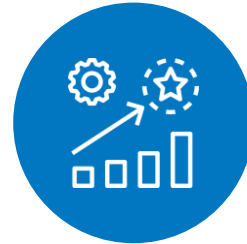
Highlights: Q1 FY 2022, Quarter Ending June 30, 2021

Highest June Qtr
4th Highest overall



\$185M

Net Sales



+74%

Sales Growth¹



+26%

Direct Segment Sales
Growth

Record High



+121%

Retail Segment Sales
Growth¹

2nd Highest



+102%

International Retail
Sales Growth¹



380k+

New customers in the last 15
months



>2x

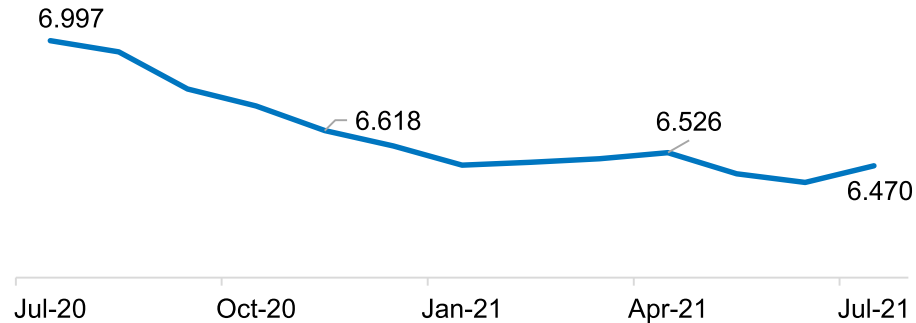
JRNY[®] members
since beginning of January

¹ Excluding Octane

Temporary Product Cost Drivers Continue to Pressure Gross Margins

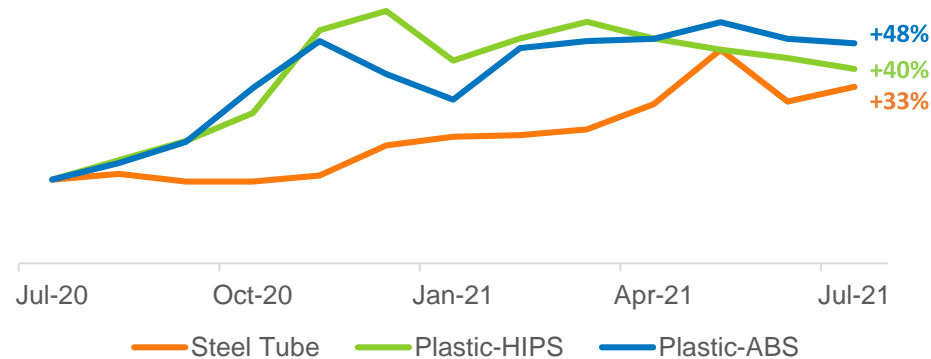
Currency exchange rates continue to impact costs negatively

US Dollar Exchange Rate to RMB



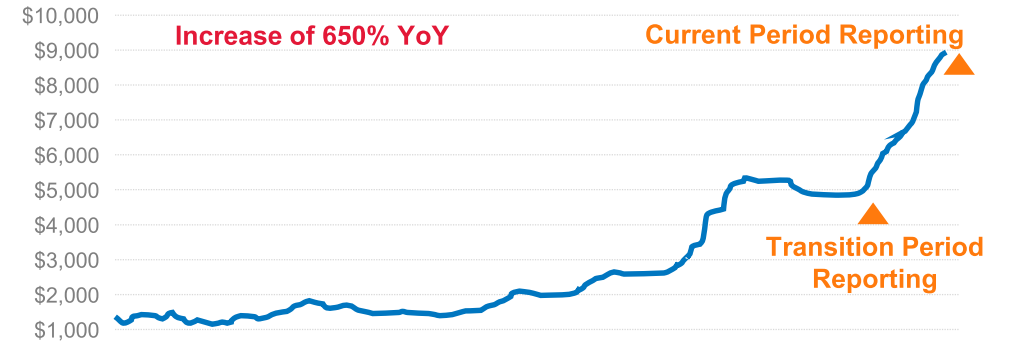
Commodities prices remain high in Q1

Plastic & Steel Cost Increases



Logistics costs continue to surge to record high as strong global trade continues

Drewry World Container Index (USD per 4-ft container)



Global demand of electronic components continue to drive unfavorable spot buys

Dollar-Weighted Average Increase in Unit Purchase Price (Spot vs. Base Line)



Solid Profitability Despite Macro Economic Headwinds and Investments in North Star Transformation



\$18M

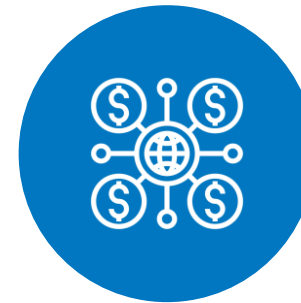
Operating Income



10%

Operating Margin

**Above High-End of
Guidance**



\$20M

EBITDA¹

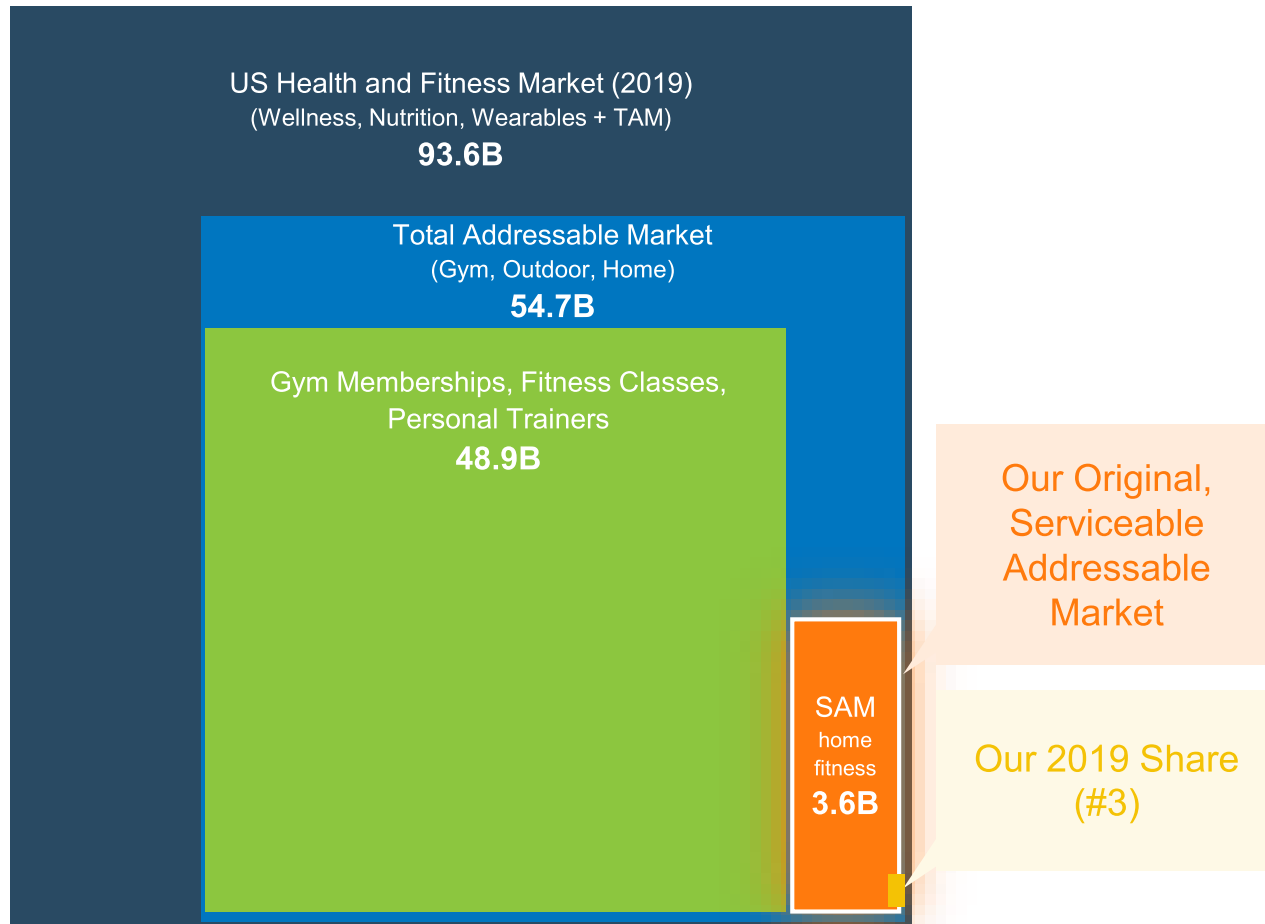


\$83M

Cash and ST Investments

¹ Please see June 30, 2021 Earnings Press Release for reconciliation of non-GAAP measures to GAAP

Our Addressable Market Has Grown



- Previously hard to access portions of the \$55B TAM have become more relevant to NLS due to changing consumer habits
- Key gym-goer sentiments have remained relatively unchanged since the summer:
 - ~25% of former “gym goers” say they will not return
- Studies indicate that two-thirds of US workers prefer a hybrid workplace and many of the world’s largest employers already are committing to hybrid and remote work alternatives

Conclusions:

1. Incredible growth in home fitness SAM as dollars shifted from gym memberships
2. New fitness needs and habits behind the at-home trend suggest long-lasting favorable change

North Star: Targeted Financials and Investment Priorities

BY FYE 2026

~\$1B

Total Revenue
(~10% 5-year
CAGR)

20%

of total revenue
from digital
subscriptions

~2M

Members

20- 25%

Operating margins
for JRNY® digital
subscription

15%

Sustainable
Annual Operating
Margins

Continued operating profit
margin **expansion** beyond 2026
as JRNY® memberships grow

North Star

Digital Transformation through



Adopt a **Consumer First**
Mindset



Scale a **Differentiated**
Digital Offering



Focus Investments on our
Core Businesses



Evolve **Supply Chain** to be
our Strategic Advantage



Build **Organizational**
Capabilities to Win

Investment Priorities

- ① JRNY® member experience and accelerating scale
- ② Marketing: transactional and branding
- ③ Innovation and technology
- ④ Product cost to accelerate JRNY® member growth
- ⑤ People and capabilities
- ⑥ Partnerships and tuck-in acquisitions

Update on North Star Progress



Adopt a **Consumer First** Mindset

Enhanced category management capabilities	2x	Share of voice (vs. market share)
Consumer insights driven product roadmaps	>380K	New customers added last 15 months
Customer feedback (e.g., NPS, consumer effort scores, JRNY® member feedback)	>3,000	New retail doors added last 15 months
Investment in brand repositioning	+500%	Increase in sales through Amazon internationally

Update on North Star Progress



3 Focus Investments on our **Core** Businesses

- SKU optimization for lower margin products (discontinued 22% of SKUs)
- One-time write-off in Q1 FY22
- Tripled revenue per product



4 Evolve **Supply Chain** to be our Strategic Advantage

- Cleared Direct backlog
- No longer capacity constrained by FYE22
- Shipped >3x more SelectTech dumbbells in Q1 FY2022 vs. prior year
- New distribution center in Southern California
- Electronic components spot buying task force



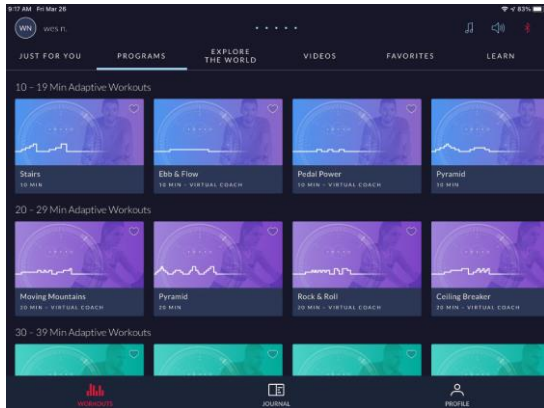
5 Build **Organizational Capabilities** to Win

- Chief Legal Officer
- Software development
- User experience
- Category management
- Supply chain
- Social media engagement
- Learning & development
- Change management

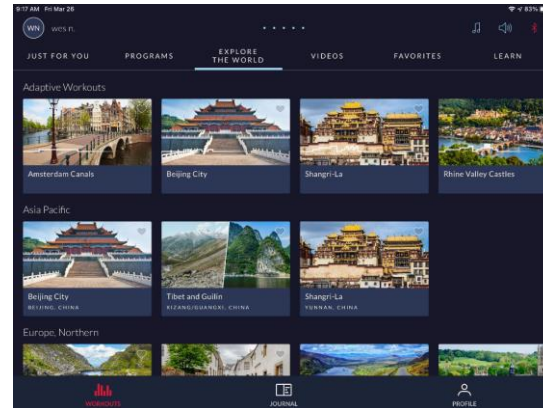
Update on North Star Progress



Scale a Differentiated Digital Offering



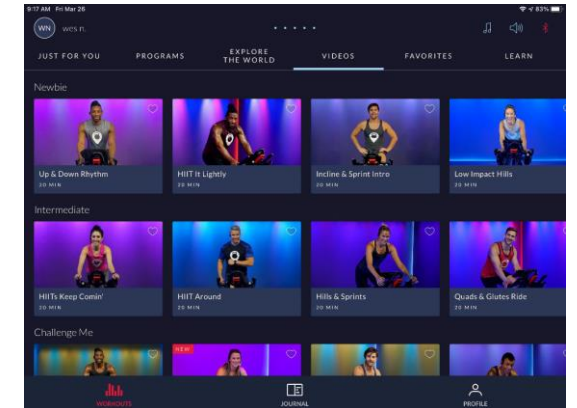
New Adaptive
AI-driven Workouts



More Explore the World
locations (+100 in total)



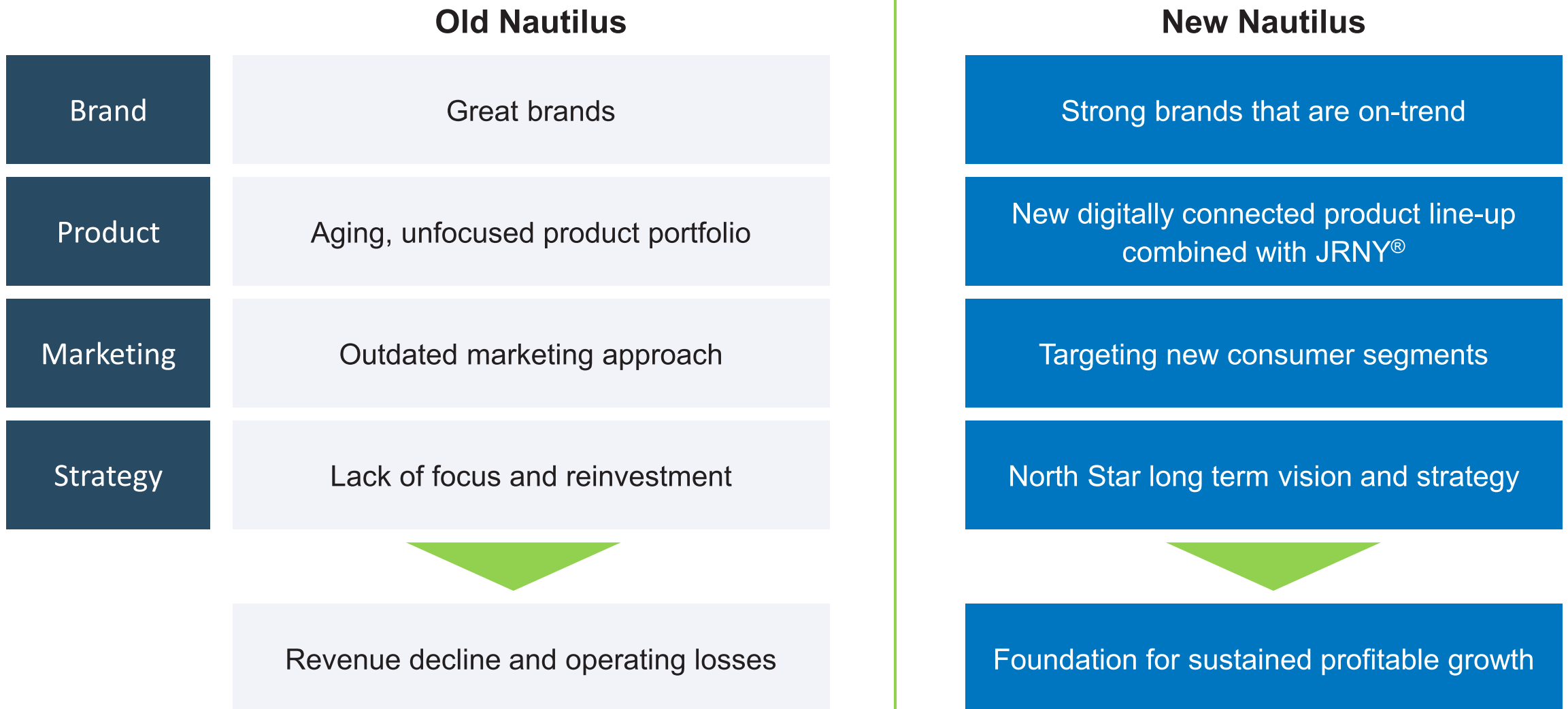
Added IC4 and C6



New Trainer-Led Videos



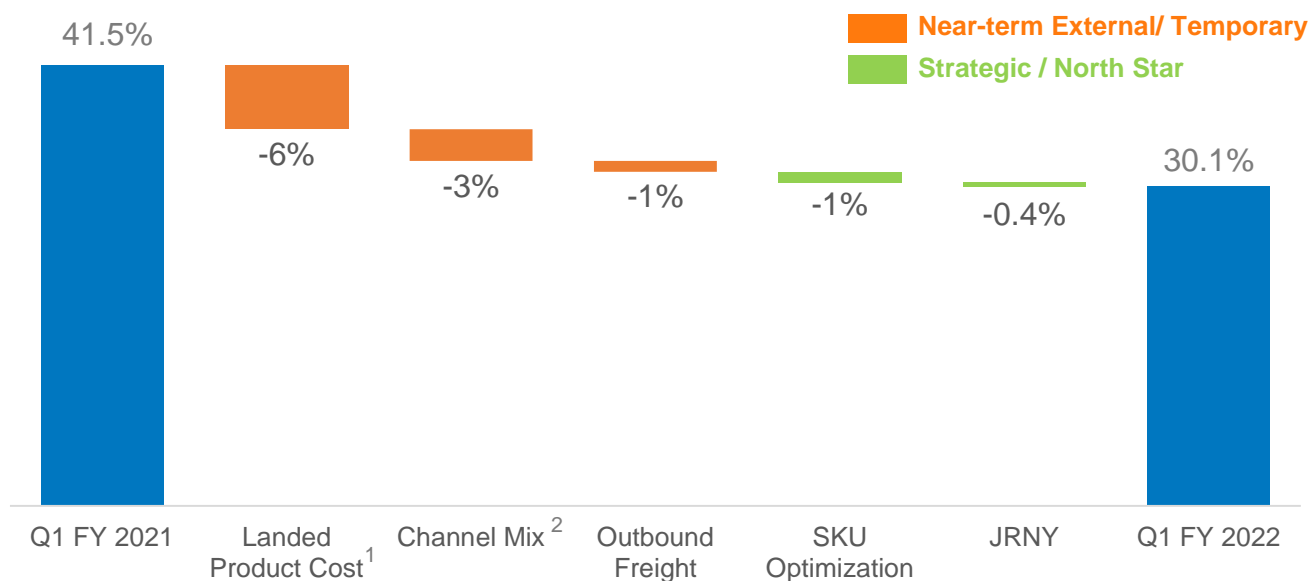
The New Nautilus: Paving a Path Forward for Profitable Growth



P&L: Q1 FY 2022, Qtr Ending June

\$ in millions	Q1 FY22	Q1 FY21	TY vs. LY	
	3-mos ending June 2021	3-mos ending June 2020	\$ Var	% Var
Net Sales	\$185	\$114	\$70	62%
Gross Profit	56	47	8	17%
<i>Gross Margin%</i>	<i>30.1%</i>	<i>41.5%</i>	<i>-11.4 pts</i>	

Gross Margin YoY Bridge for 3-months Ending June 2021



¹ Product Cost Increases driven by spot buys, inflationary increases in commodities, FX (RMB strengthening), global logistics disruptions

² Our segments have different seasonality and channel mix impact shifts accordingly



P&L: Q1 FY 2022, Qtr Ending - June Adjusted*

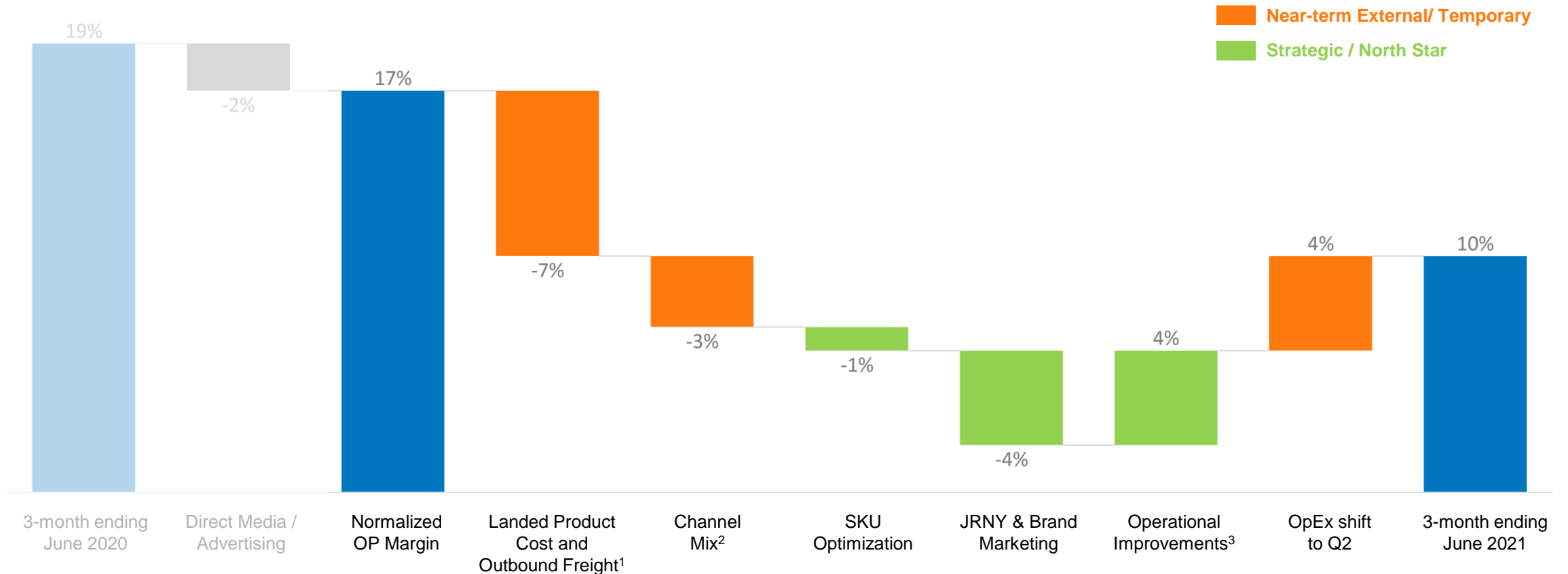
\$ in millions	Q1 FY22 3-mos ending June 2021	Q1 FY21 3-mos ending June 2020	TY vs. LY	
			\$ Var	% Var
Operating Expenses	38	25	12	48%
<i>% of sales</i>	<i>20%</i>	<i>22%</i>	<i>-2 pts</i>	
Selling & Marketing	21	12	9	75%
<i>% of sales</i>	<i>12%</i>	<i>11%</i>	<i>+1 pt</i>	
G&A	12	9	3	33%
<i>% of sales</i>	<i>6%</i>	<i>8%</i>	<i>-2 pts</i>	
R&D	5	4	1	25%
<i>% of sales</i>	<i>3%</i>	<i>3%</i>	<i>0 pt</i>	
Operating Income	18	22	-4	-18%
<i>Operating Margin %</i>	<i>10%</i>	<i>19%</i>	<i>-9 pts</i>	

* Adjusted for \$29M Loss on Disposal Group LY



P&L: Q1 FY 2022, Qtr Ending June - Adjusted*

Operating Income YoY Bridge for 3-months Ending June 2021



* Adjusted for \$29M Loss on Disposal Group LY

¹ Product Cost Increases driven by spot buys, inflationary increases in commodities, FX (RMB strengthening), global logistics disruptions

² Our segments have different seasonality and channel mix impact shifts accordingly

³ Operational improvements represent cost optimization work from North Star Pillar 3 (ex. Octane divestiture, greater efficiency in variable costs) and fixed cost leverage

P&L: Q1 FY 2022, Qtr Ending - June Adjusted*

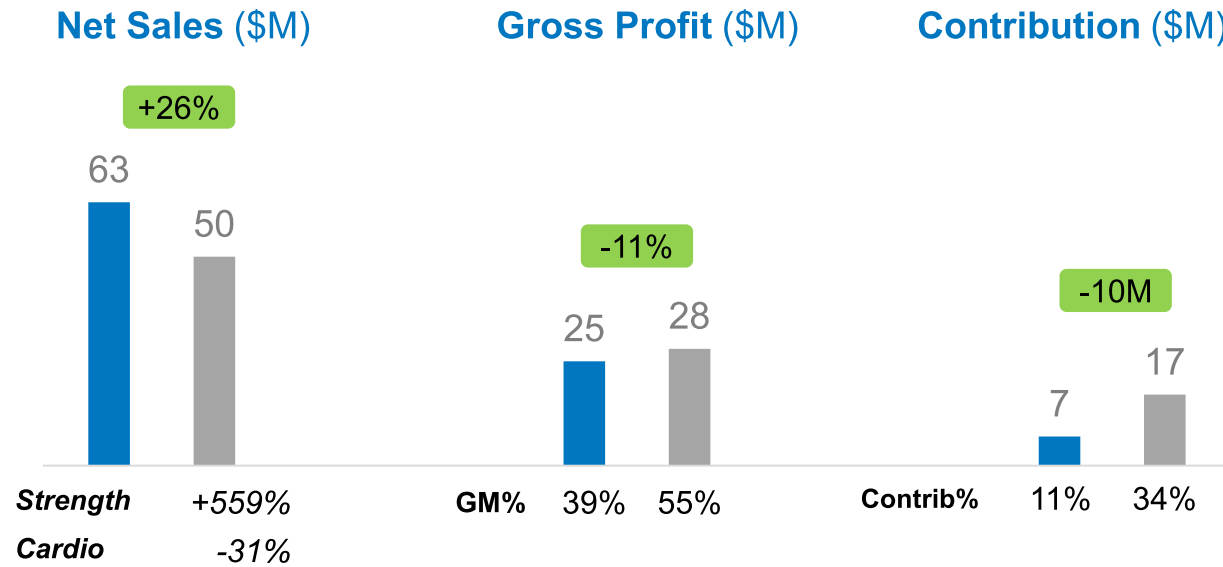
\$ in millions, except EPS	Q1 FY22 3-mos ending June 2021	Q1 FY21 3-mos ending June 2020	TY vs. LY	
			\$ Var	% Var
Income Continuing Operations	14	17	-3	-17%
<i>Inc Con't Ops Margin %</i>	<i>8%</i>	<i>15%</i>	<i>-7 pts</i>	
Diluted EPS Con't Operations	\$0.43	\$0.56	(\$0.13)	-23%
EBITDA Continuing Operations	21	26	-5	-18%
<i>EBITDA Margin %</i>	<i>11%</i>	<i>22%</i>	<i>-11 pts</i>	



* Adjusted for \$29M Loss on Disposal Group LY

Direct Segment Results – Q1 FY2022

■ TY ■ LY



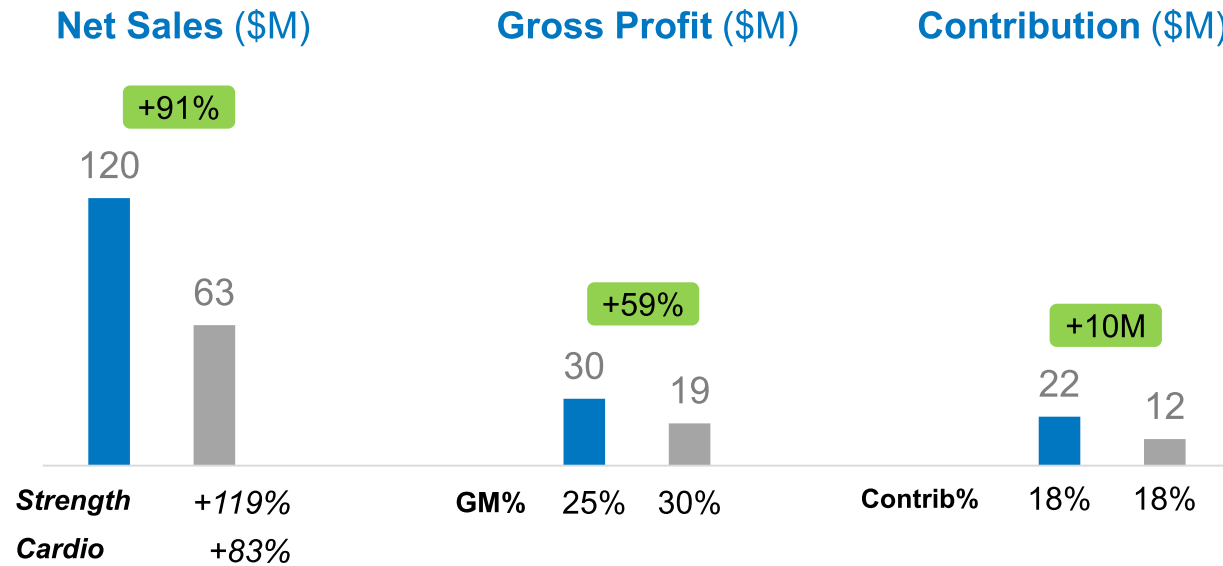
Highlights

- 6th consecutive quarter of YoY sales growth
- Strength sales of \$32M, a historic high
- Successfully reduced backlog to only \$3M versus \$27M last quarter



Retail Segment Results – Q1 FY2022

■ TY ■ LY



Highlights

- The best quarterly sales in Retail segment history, excluding Octane +121%
- International sales +102%, excluding Octane
- Cardio sales of \$90M, a historic high
- Backlog now \$142M compared to \$179M last quarter
- 2 Retailers > 10% of Total Co Sales: Amazon 18%, Best Buy 17%



Other Key Highlights

\$ in millions	Q1 2022 3-mos Ending June 2021	Q4 2021 3-mos Ending March 2021
Cash and Investments	\$83	\$113
Debt	13	13
Trade Receivables	98	89
Trade Payables	115	99
Inventory	111	68

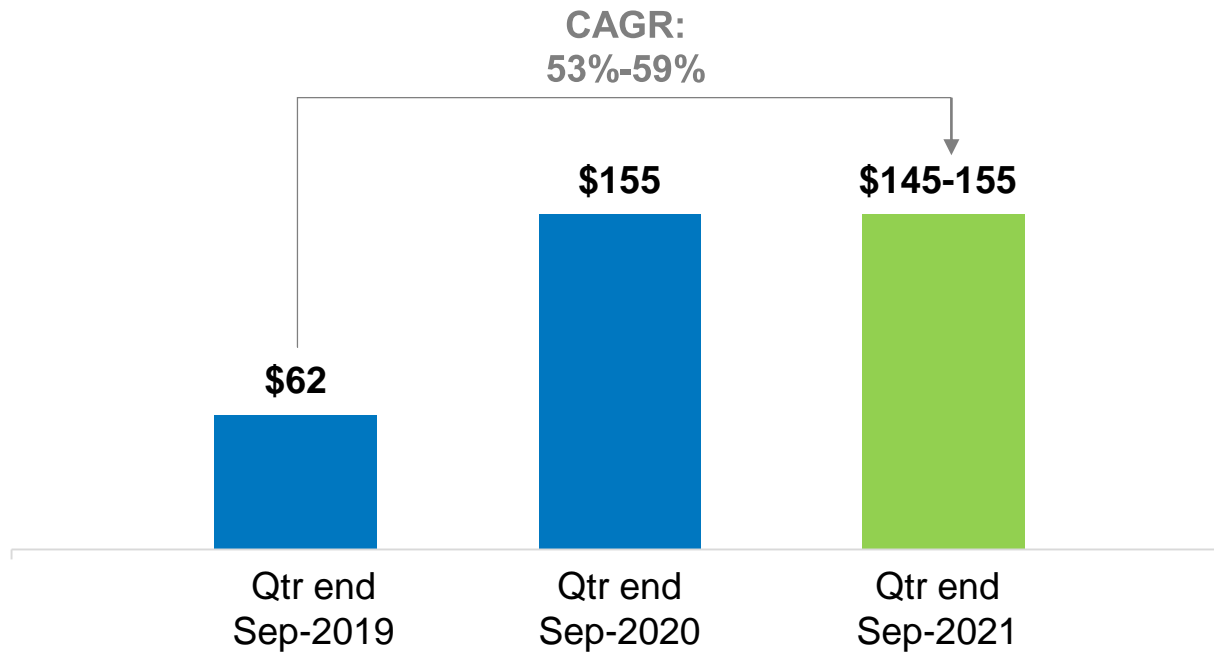
- \$54 million available to borrow against Wells Fargo Facility @ 06/30/2021
- Non-cancellable purchase obligations:
 - Jun-21: \$175M
 - Mar-21: \$216M



Q2 FY22 Guidance | Revenue

- Net sales expected to be **between \$145M and \$155M**, a **2-year CAGR of 53% to 59%**

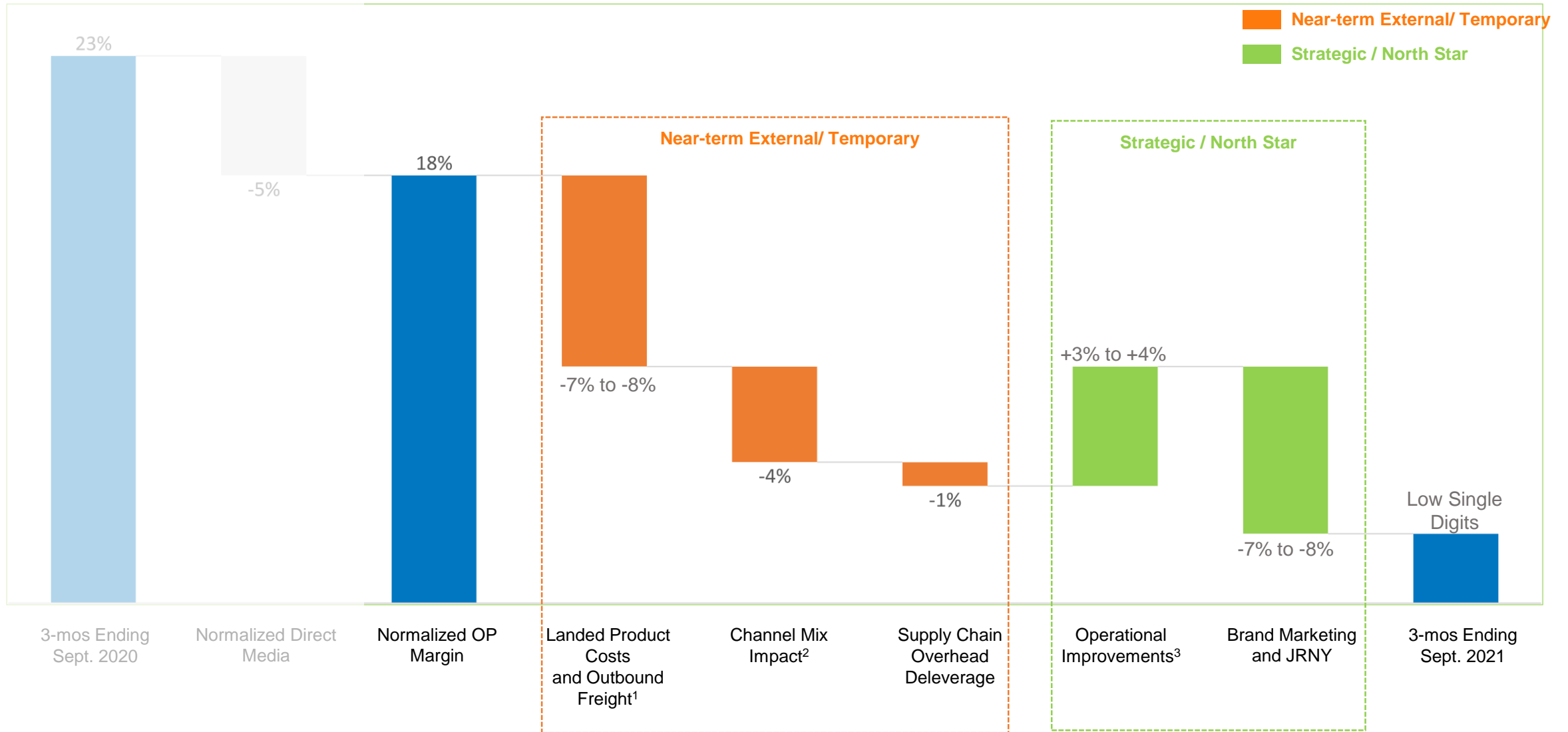
Quarterly Revenue (\$M)



- Direct segment trending to more typical seasonality patterns in Q1 and early Q2
- Direct backlog has been worked down from pandemic levels and expect Direct sales in Q2 to be lower than Q1



Q2 FY22 Guidance | Operating Margin - Adjusted*



* Adjusted for \$8M Gain on Disposal Group LY

¹ Product Cost Increases driven by spot buys, inflationary increases in commodities, FX (RMB strengthening), global logistics disruptions

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³ Operational improvements represent cost optimization work from North Star Pillar 3 (ex. Octane divestiture, greater efficiency in variable costs) and fixed cost leverage

Expectations for 2H22 and FY22



“Pay-as-we-go”
investment with a focus
on long-term ROI in
North Star



Full-year capital
expenditure guidance:
\$12-14 million



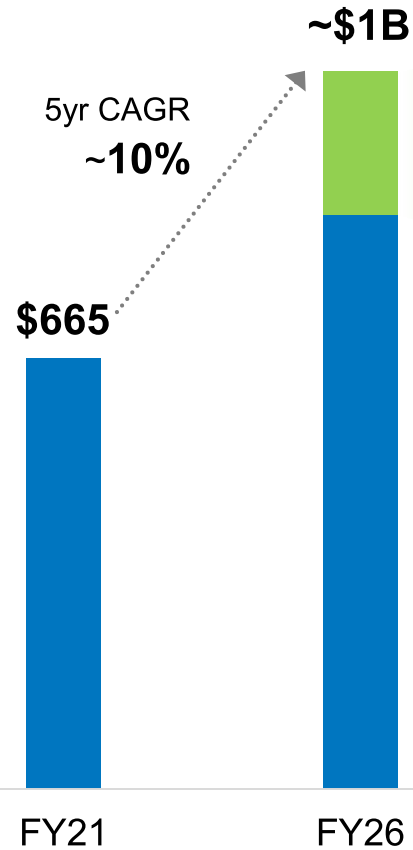
250,000 JRNY®
members by end of
FY22



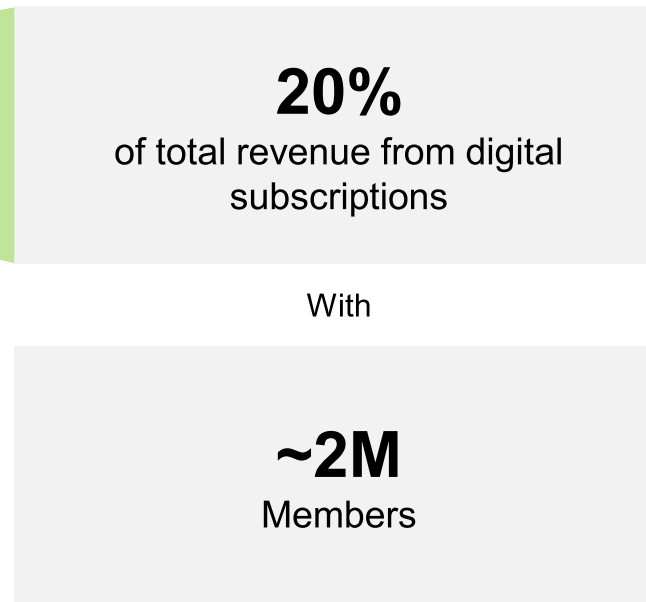
Operating Margins low
to mid-single digits

Long Term Guidance

Total Revenue

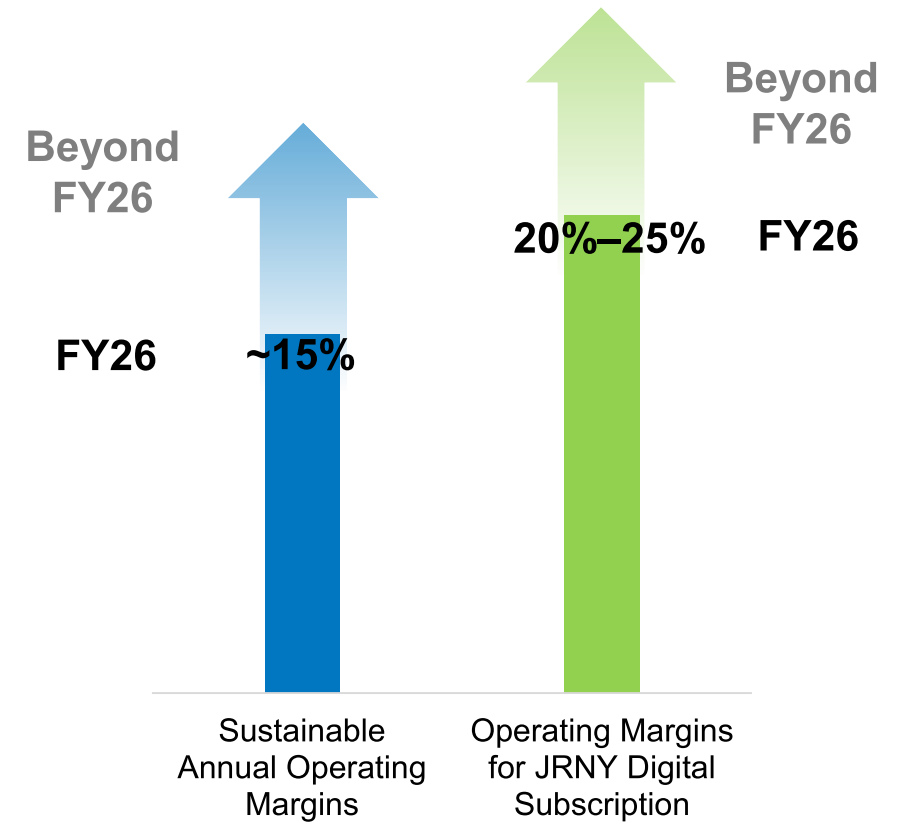


Digital Subscription



Operating Margins

Continued margin expansion beyond 2026
as JRNY® memberships grow



North Star: Targeted Financials and Investment Priorities

BY FYE 2026

~\$1B

Total Revenue
(~10% 5-year
CAGR)

20%

of total revenue
from digital
subscriptions

~2M

Members

20- 25%

Operating margins
for JRNY® digital
subscription

15%

Sustainable
Annual Operating
Margins

Continued operating profit
margin **expansion** beyond 2026
as JRNY® memberships grow

North Star

Digital Transformation through



Adopt a **Consumer First**
Mindset



Scale a **Differentiated**
Digital Offering



Focus Investments on our
Core Businesses



Evolve **Supply Chain** to be
our Strategic Advantage



Build **Organizational**
Capabilities to Win

Investment Priorities

- ① JRNY® member experience and accelerating scale
- ② Marketing: transactional and branding
- ③ Innovation and technology
- ④ Product cost to accelerate JRNY® member growth
- ⑤ People and capabilities
- ⑥ Partnerships and tuck-in acquisitions



Appendix

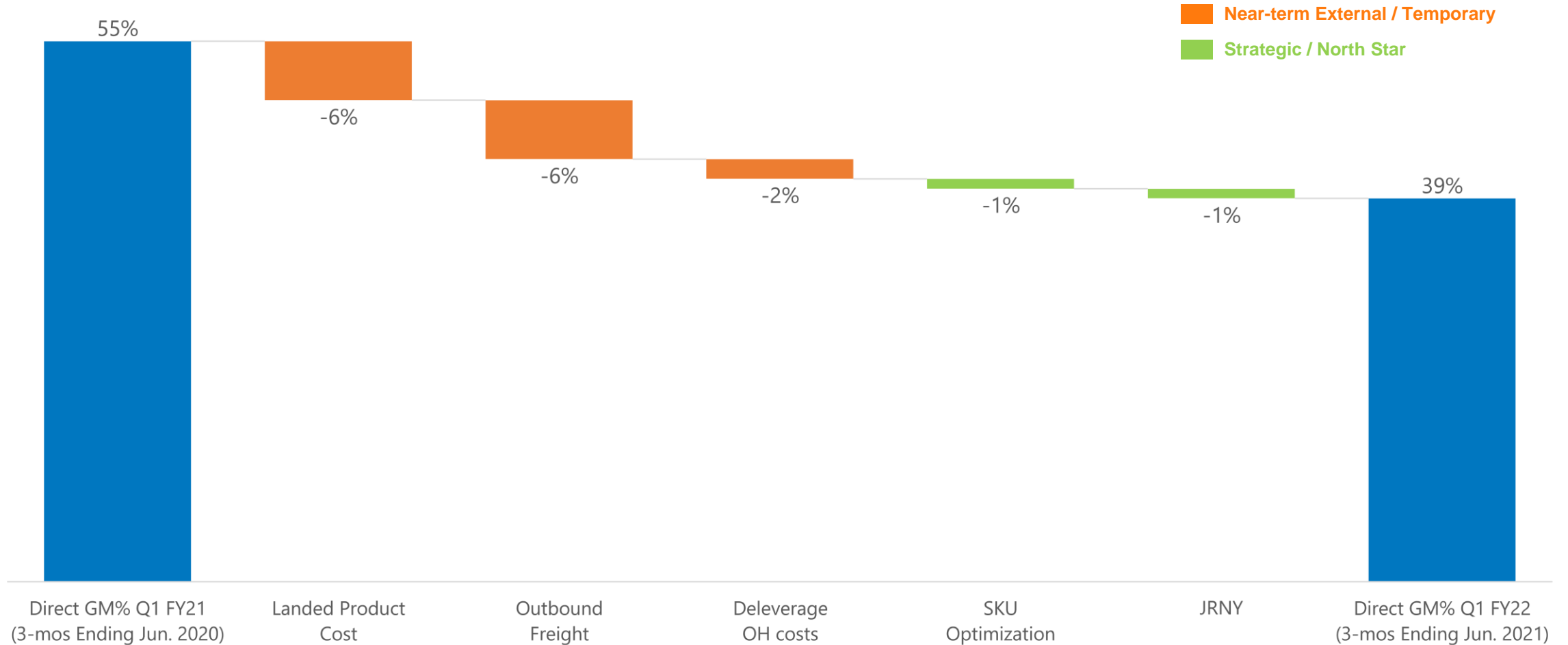
Q1 2022 P&L Summary (GAAP)

\$ in millions, except EPS	3-months ending June 2021	3-months ending June 2020	3-months ending June, FY22 VS. FY21	
			\$ Var	% Var
Net Sales	\$185	\$114	\$70	62%
Gross Profit	56	47	8	17%
<i>Gross Margin%</i>	<i>30%</i>	<i>42%</i>	<i>-11 pts</i>	
Operating Expenses	38	55	(17)	-31%
<i>% of Sales</i>	<i>20%</i>	<i>48%</i>	<i>-27 pts</i>	
Operating Income (Loss)	18	(7)	25	
<i>Operating Margin %</i>	<i>10%</i>	<i>-6%</i>	<i>16 pts</i>	
Income (Loss) Continuing Ops	14	(5)	19	-381%
<i>Inc Cont Ops Margin %</i>	<i>8%</i>	<i>-4%</i>	<i>12 pts</i>	
Diluted EPS, Cont Ops	\$0.43	(\$0.17)	\$0.60	-353%
EBITDA from Continuing Ops	20	(4)	24	-556%
<i>EBITDA Margin %</i>	<i>11%</i>	<i>-4%</i>	<i>15 pts</i>	



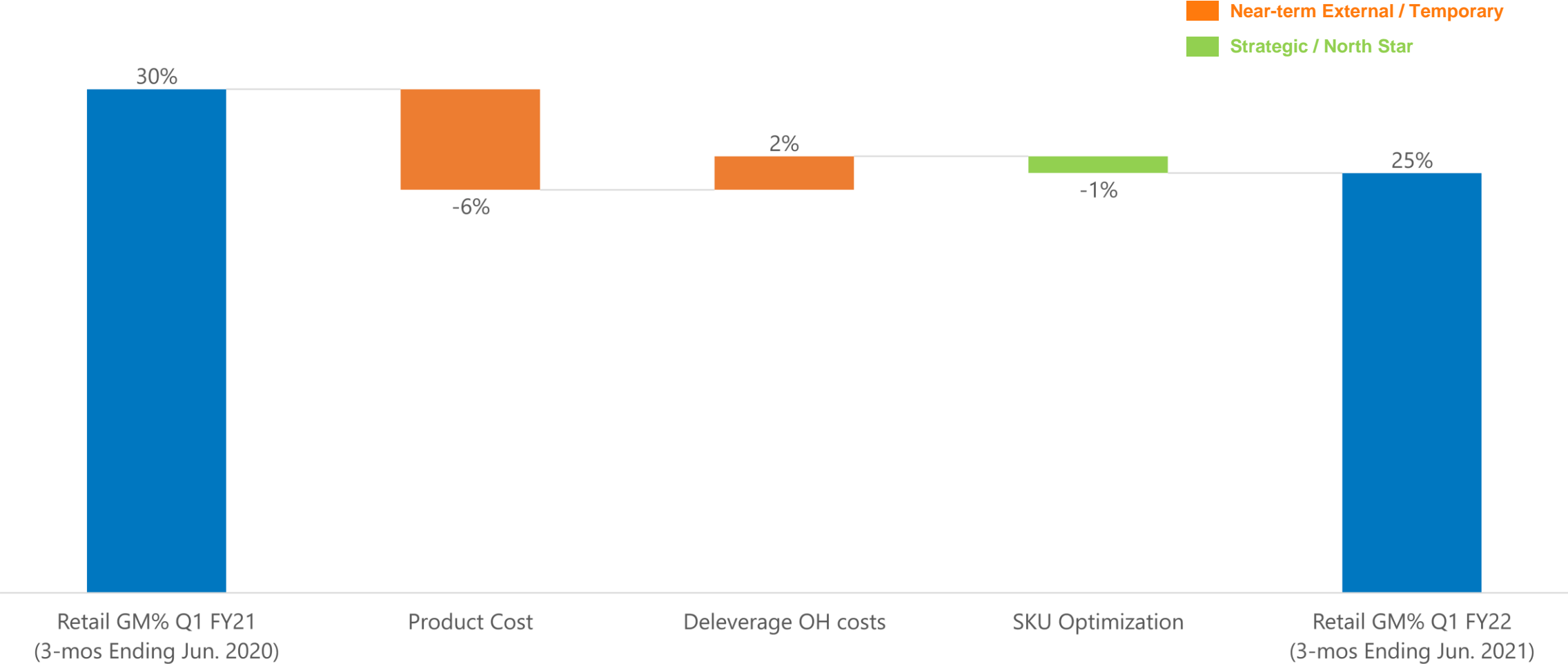
Direct Segment Gross Margin Bridge

Gross Margin YoY Bridge for 3-months Ending June 2021



Retail Segment Gross Margin Bridge

Gross Margin YoY Bridge for 3-months Ending June 2021



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 filed 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 begins** April 1, 2021 and **ends 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



NAUTILUS *Inc*

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