

Q4 FY2023

Quarter Ending March 31, 2023

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.

Key Topics for Today



Focus on Operational Excellence → **Gross Profit & EBITDA Improvement in Q4**



Address Retail Channel Headwinds → **Positive EBITDA in 2024**



Confidence in Long Term Opportunity and Industry Trends

Q4 Results: Long-Term Progress while Delivering Improving Results



\$68M

Net Sales

-19% vs. FY20⁽²⁾



22%

Direct Segment Strength
Sales Growth vs. FY20⁽¹⁾



~508k

JRNY[®] Members
56% Growth



+250bps

Gross Margin ex-Nautilus
Brand vs. FY22⁽³⁾



156k

JRNY[®] subscribers, 41%
Growth



37%

Reduction in Adjusted
EBITDA Loss ⁽³⁾ ⁽⁴⁾ ex
Nautilus Brand vs. FY22

⁽¹⁾ Sales growth versus the same period FY20 to provide comparisons to pre-pandemic results

⁽²⁾ Sales growth versus the same period FY20, excluding Octane, to provide comparisons to pre-pandemic results

⁽³⁾ Excludes impact of Nautilus Brand sales and gross margin

⁽⁴⁾ See earnings release for reconciliation of non-GAAP financial measures

Cost Reduction Initiatives

Taking proactive measures through cost reduction initiatives to alleviate temporary retail headwinds

\$30M Annual Cost Reduction

- ✓ Reduction in contract labor
- ✓ 15% Reduction in workforce
- ✓ Reduction in Supply Chain facilities costs (Portland DC and storage locations)

- ✓ Inventory levels down 58% vs Q4 FY22
- ✓ Inventory levels will now move in-line with sales



Drive Profitability



Improve Cash Flow



Strengthen Balance Sheet

Strategic Branding Approach to Sale of Nautilus Brand Assets

From March 2021 Investor Day Presentation:



Adopt a Consumer-First Mindset

FROM

- Product development led
- Focus on “Quick Results” Hero Products marketed to a segment that doesn’t like to exercise
- **Five equipment brands (Bowflex, Schwinn, Nautilus, Octane, Universal) plus JRNY**
- Outdated brand positioning
- “One and done” – minimal consumer touchpoints



TO

- Consumer insights led
- **Balanced Portfolio of Strength and Cardio** designed to meet needs and wants of new target segments
- **Focused equipment brand portfolio (Bowflex, Schwinn) plus JRNY**
- Digitally forward, more modern positioning
- With consumers every day to help them achieve their fitness goals

Go Forward Strategy: Continuing to make progress on North Star while responsibly balancing short-term objectives



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

Foundation to Become a Leader in Connected Fitness

Broad range of connected fitness products across all modalities

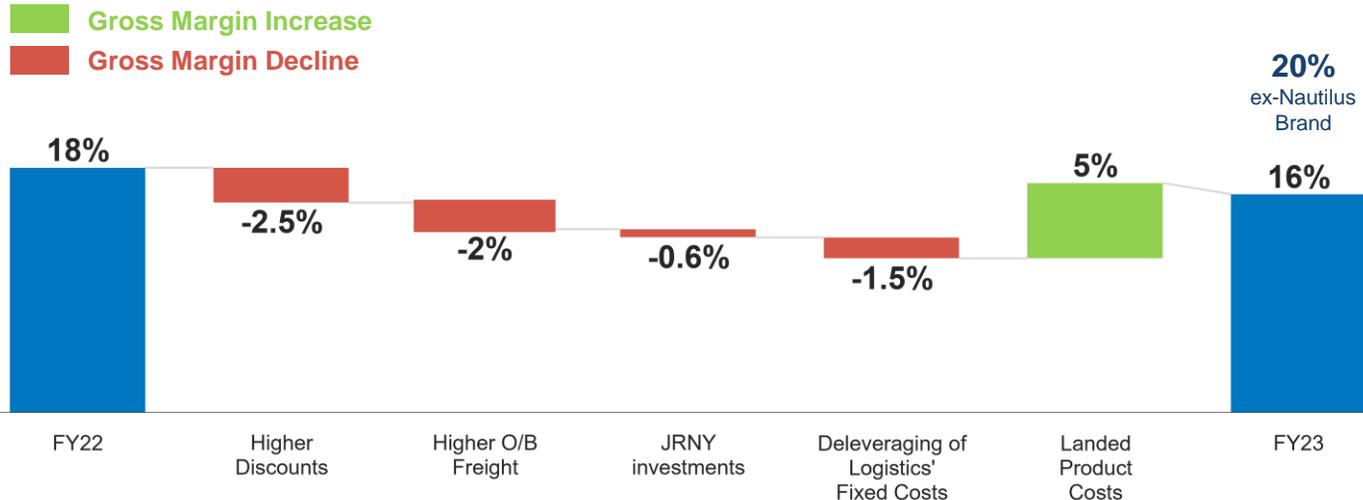


Combined with ever-improving JRNY digital platform

P&L: Q4 FY 2023, Qtr Ending March

- Net sales were \$68M
 - 43% vs. FY22 (LY) and -19% vs. FY20⁽¹⁾ ⁽²⁾
 - Direct Segment Sales -12% vs. FY20⁽¹⁾
 - Retail Segment Sales -29% vs. FY20⁽²⁾
 - Q4 Net Sales excluding Nautilus Branded Product were \$62M
- Gross profit was \$11M and gross margins were 16%
 - GM% -2 pts vs. FY22's 18%
 - Q4 GM% excluding Nautilus Branded Product was 20%, +2.5 pts vs LY

Gross Margin YoY Bridge for Qtr Ending March 2023 | GM Cause of Change



(1) We are comparing to the same quarter in FY20 as we believe comparing to the last pre-pandemic comparable period is helpful in demonstrating our North Star progress

(2) FY20 sales excluding Octane brand, sold in October of 2020

Due to rounding, some numbers may not foot



Adjusted¹ P&L: Q4 FY 2023, Qtr Ending March

\$ in millions	Q4 23	Q4 22	TY vs LY	
	3-mos ending Mar-23	3-mos ending Mar-22	\$ Var	% Var
Net Sales	68	120	(51)	-43%
Gross Profit	11	21	(10)	-49%
<i>Gross Margin %</i>	<i>16%</i>	<i>18%</i>	<i>-2%</i>	
<i>Gross Margin % Ex Nautilus Brand</i>	<i>20%</i>			
Adj. Operating Expenses⁽¹⁾	25	42	(17)	-40%
<i>% of sales</i>	<i>37%</i>	<i>35%</i>	<i>2%</i>	
Selling & Marketing	12	24	(12)	-49%
<i>% of sales</i>	<i>18%</i>	<i>20%</i>	<i>-2%</i>	
Adj. G&A	8	12	(4)	-32%
<i>% of sales</i>	<i>12%</i>	<i>10%</i>	<i>2%</i>	
R&D	6	7	(1)	-20%
<i>% of sales</i>	<i>8%</i>	<i>6%</i>	<i>2%</i>	
Adj. Operating Loss⁽¹⁾	(15)	(21)	6	-30%
<i>Adj. Operating Margin %</i>	<i>-22%</i>	<i>-18%</i>	<i>-4%</i>	
Adj. EBITDA Loss from Cont. Operations⁽¹⁾	(13)	(17)	4	-26%
<i>Adj. EBITDA Margin %</i>	<i>-18%</i>	<i>-14%</i>	<i>-4%</i>	
Adj. EBITDA Loss from Cont. Operations⁽¹⁾ ex-Nautilus Brand	(11)	(17)	6	-37%

(1) See earning press release for reconciliation of non-GAAP financial measures
Due to rounding, some numbers may not foot



Balance Sheet and Liquidity

\$ in millions	Q4 FY23 March 2023	Q4 FY22 March 2022
Cash and Investments	\$18	\$14
Inventory	47	111
Trade Receivables	21	61
Trade Payables	29	53
Debt	28	29
Revolver Availability	\$15	\$66

- \$33 million of liquidity⁽¹⁾ as of 3/31/23
- Quarter-Ending Inventory on plan
 - -58% vs 3/31/22 (4Q22) and -71% vs 9/30/21 (2Q22)
- Free Cash Flow:
- +\$29M in 4Q23. Improvement of +34M vs 3Q23 (last quarter) and +\$8M vs 4Q22 (LY)
 - +\$6M for Full Year. Improvement of \$86M vs. FY22's - \$80M

(1) Total liquidity, defined as cash, investments, and available borrowing under the line of credit
Due to rounding, some numbers may not foot



FY24 Guidance

Full Year 2024

Revenue Between \$270M - \$300M

Revenue Guidance Midpoint \$285M

@Midpoint

Growth vs FY23 -1%

Growth vs FY20 as reported -11%

Growth vs FY20 excluding Octane +3%

Adjusted EBITDA⁽¹⁾ Between \$15M loss to break-even

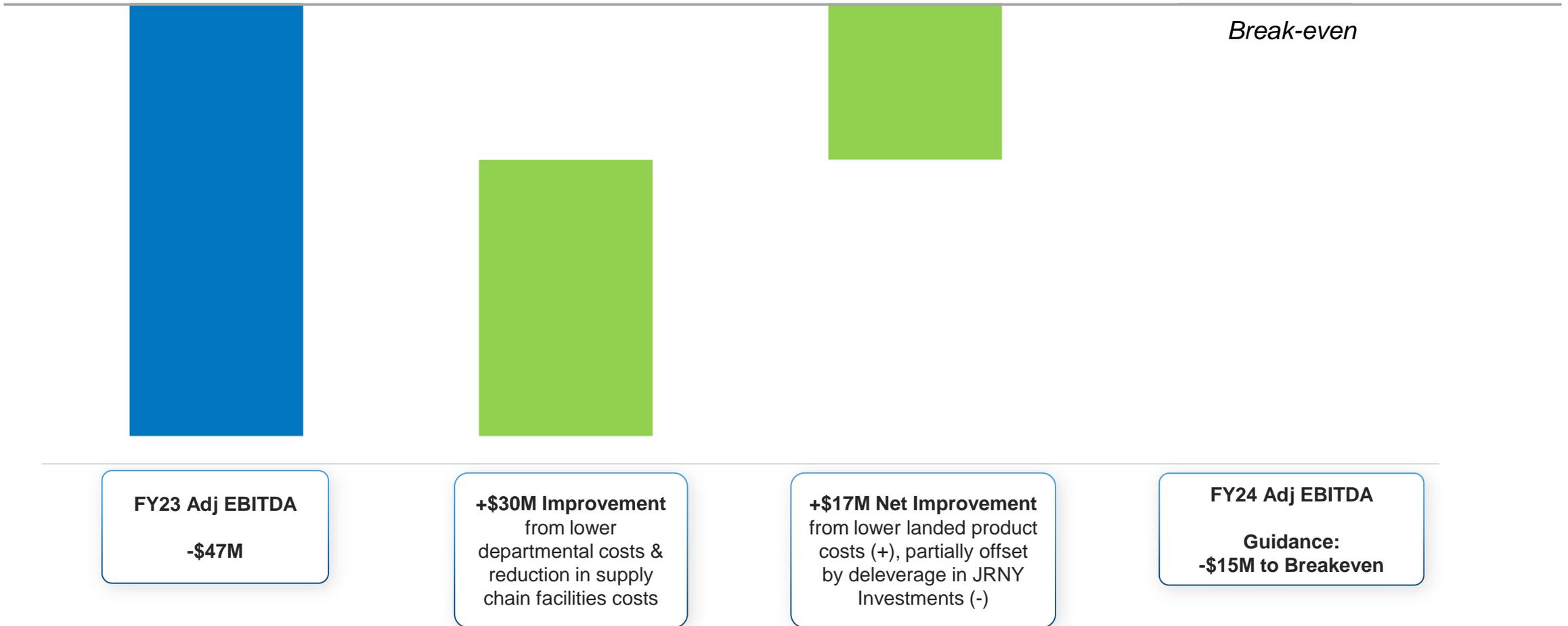
JRNY Members ~625k

⁽¹⁾ See earning release for more information regarding non-GAAP financial measures



Path to Break-even Adjusted EBITDA

Adjusted EBITDA FY23 Bridge vs. FY24





Appendix

P&L: FY 2023 Net Sales

- Net sales for FY23 were \$287M
 - -51% vs FY22 (LY)
 - Direct Segment -37%
 - Retail Segment -60%
 - -3% vs FY20 (1) (2)
 - Direct Segment +16% (1)
 - Retail Segment -7% (1) (2)

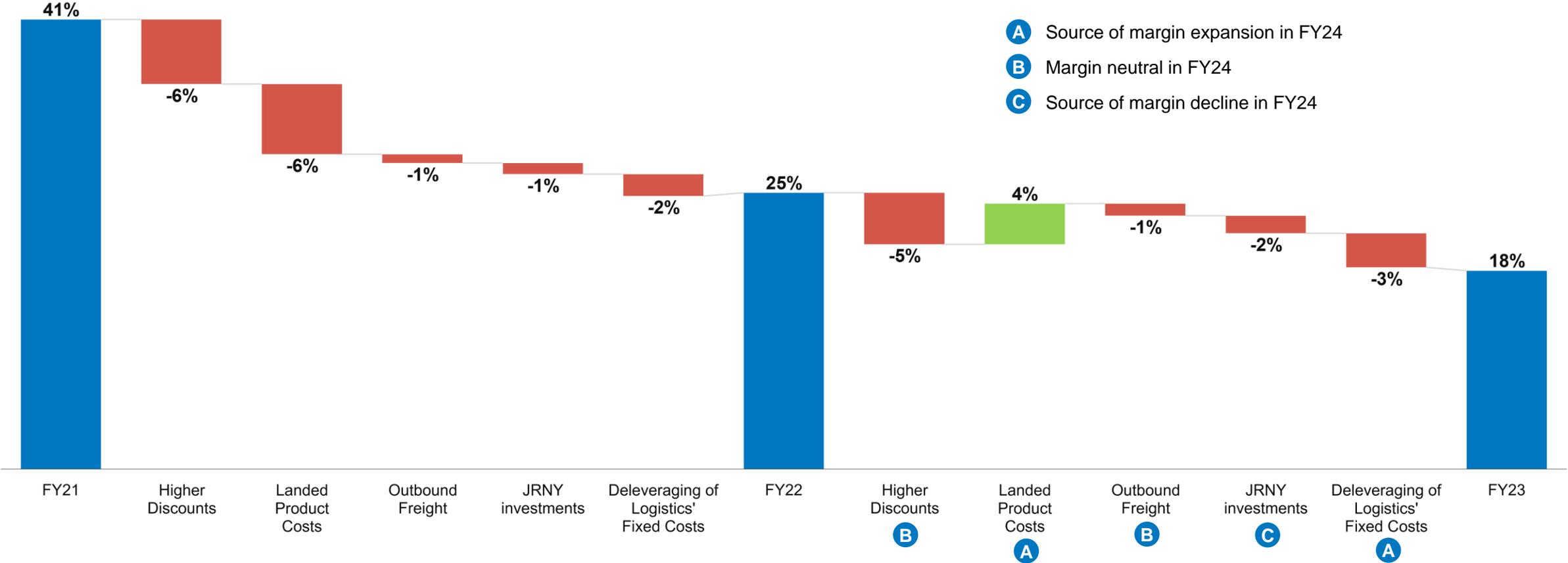
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(2) FY20 sales excluding Octane brand, sold in October of 2020
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Gross Margin: FY 2023 vs FY 2022 and FY 2021

Total Gross Margin Bridge for FY Ending March 2023

■ Gross Margin Increase
■ Gross Margin Decline



Adjusted¹ P&L Summary: FY 2023

\$ in millions	YTD FY23	YTD FY22	TY vs LY	
	12-mos ending Mar-23	12-mos ending Mar-22	\$ Var	% Var
Net Sales	287	590	(303)	-51%
Gross Profit	52	148	(97)	-65%
<i>Gross Margin %</i>	<i>18%</i>	<i>25%</i>	<i>-7%</i>	
Adj. Operating Expenses⁽¹⁾	114	167	(53)	-32%
<i>% of sales</i>	<i>40%</i>	<i>28%</i>	<i>11%</i>	
Selling & Marketing	52	99	(48)	-48%
<i>% of sales</i>	<i>18%</i>	<i>17%</i>	<i>1%</i>	
Adj. G&A	40	45	(4)	-10%
<i>% of sales</i>	<i>14%</i>	<i>8%</i>	<i>6%</i>	
R&D	22	23	(1)	-4%
<i>% of sales</i>	<i>8%</i>	<i>4%</i>	<i>4%</i>	
Adj. Operating Loss⁽¹⁾	(62)	(18)	(43)	
<i>Adj. Operating Margin %</i>	<i>-21%</i>	<i>-3%</i>	<i>-18%</i>	
Adj. EBITDA Loss from Continuing Operations⁽¹⁾	(47)	(3)	(43)	
<i>Adj. EBITDA Margin %</i>	<i>-16%</i>	<i>-1%</i>	<i>-16%</i>	

(1) See earning press release for reconciliation of non-GAAP financial measures
Due to rounding, some numbers may not foot



Q4 2023 P&L Summary (GAAP)

\$ in millions, except EPS	Q4 FY23 3-months ending Mar 2023	Q4 FY22 3-months ending Mar 2022	3-months ending Mar, FY23 VS FY22	
			\$ Var	% Var
Net Sales	\$68	\$120	\$(51)	-43%
Gross Profit	11	21	(10)	-49%
<i>Gross Margin %</i>	<i>16%</i>	<i>18%</i>	<i>+2 pts</i>	
Operating Expenses	28	43	-15	-34%
<i>% of Sales</i>	<i>41%</i>	<i>36%</i>	<i>+5 pts</i>	
Operating (Loss) Income	(18)	(22)	4	
<i>Operating Margin %</i>	<i>-26%</i>	<i>-18%</i>	<i>+7pts</i>	
(Loss) Income Continuing Ops	(21)	(18)	(3)	
Diluted EPS, Cont Ops	(\$0.66)	(\$0.58)	\$(0.08)	

Due to rounding, some numbers may not foot



FY 2023 P&L Summary (GAAP)

\$ in millions, except EPS	YTD FY23 12-months ending Mar 2023	YTD FY22 12-months ending Mar 2022	12-months ending Mar, FY23 VS FY22	
			\$ Var	% Var
Net Sales	\$287	\$590	\$(303)	-51%
Gross Profit	52	148	(97)	-65%
<i>Gross Margin %</i>	<i>18%</i>	<i>25%</i>	<i>-7 pts</i>	
Operating Expenses	145	174	(28)	-16%
<i>% of Sales</i>	<i>51%</i>	<i>29%</i>	<i>+21 pts</i>	
Operating (Loss) Income	(93)	(25)	(68)	
<i>Operating Margin %</i>	<i>-33%</i>	<i>-4%</i>	<i>-28pts</i>	
(Loss) Income Continuing Ops	(107)	(22)	(85)	
Diluted EPS, Cont Ops	(\$3.40)	(0.72)	(\$2.68)	

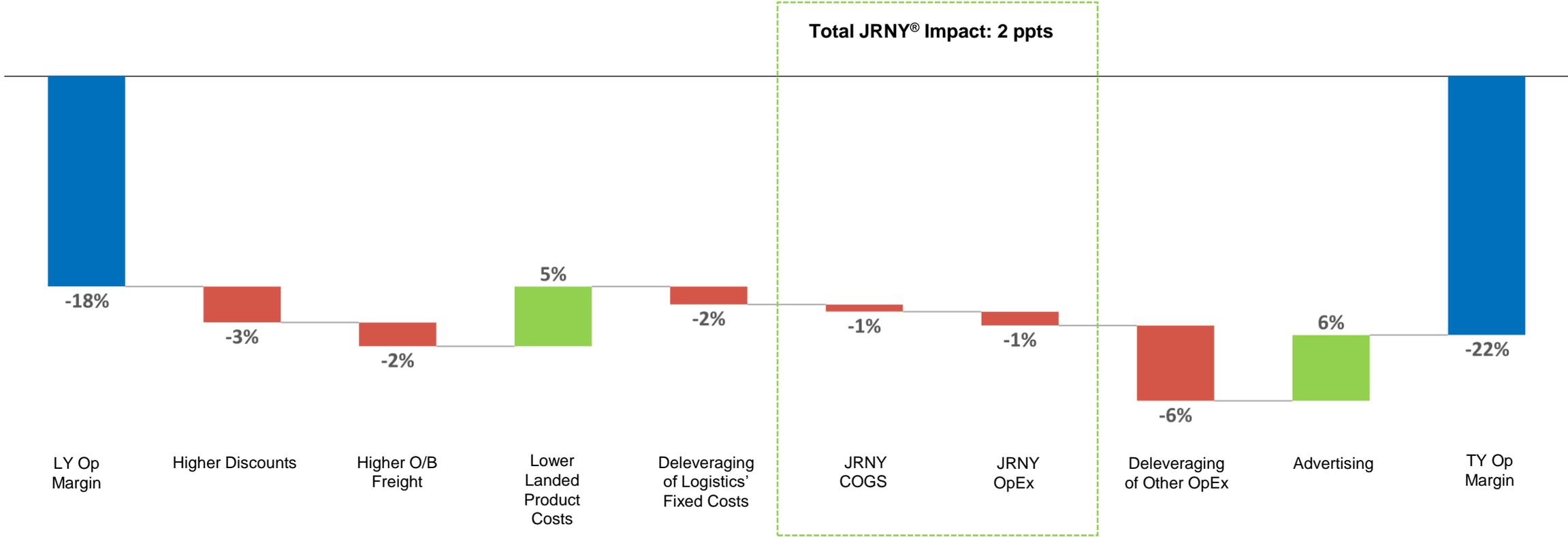
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Adjusted Operating Margin: Q4 FY 2023, Qtr. Ending March

Adjusted Operating Margin YoY Bridge for Qtr. Ending March 2023

■ Adjusted Operating Margin Increase
■ Adjusted Operating Margin Decline

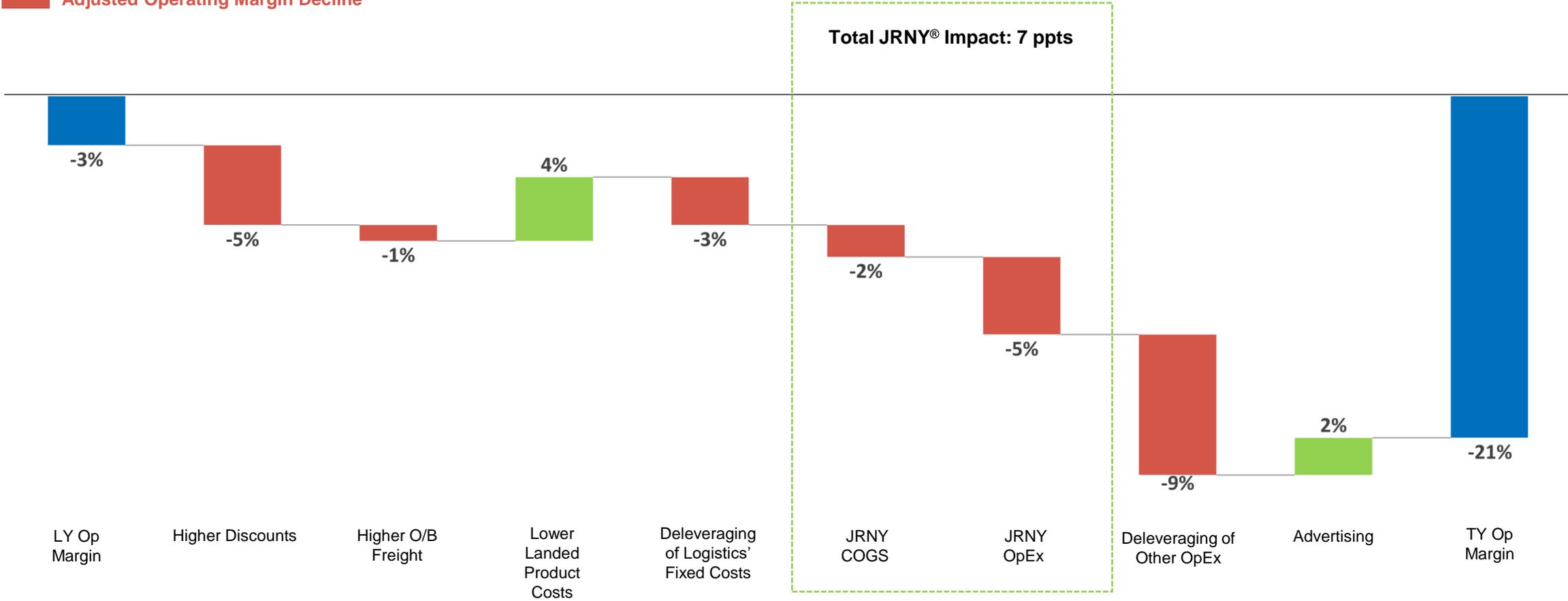


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Adjusted Operating Margin: FY 2023, 12-months Ending March

Adjusted Operating Margin YoY Bridge for YTD Ending March 2023

■ Adjusted Operating Margin Increase
■ Adjusted Operating Margin Decline



Due to rounding, some numbers may not foot



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