

Q4 FY2022

Quarter Ending March 31, 2022

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.

Nautilus is Well-Positioned to Continue its Momentum in FY23



The **Long-term** opportunity



Q4 and **Full Year** Results



Year 1 progress of
North Star transformation

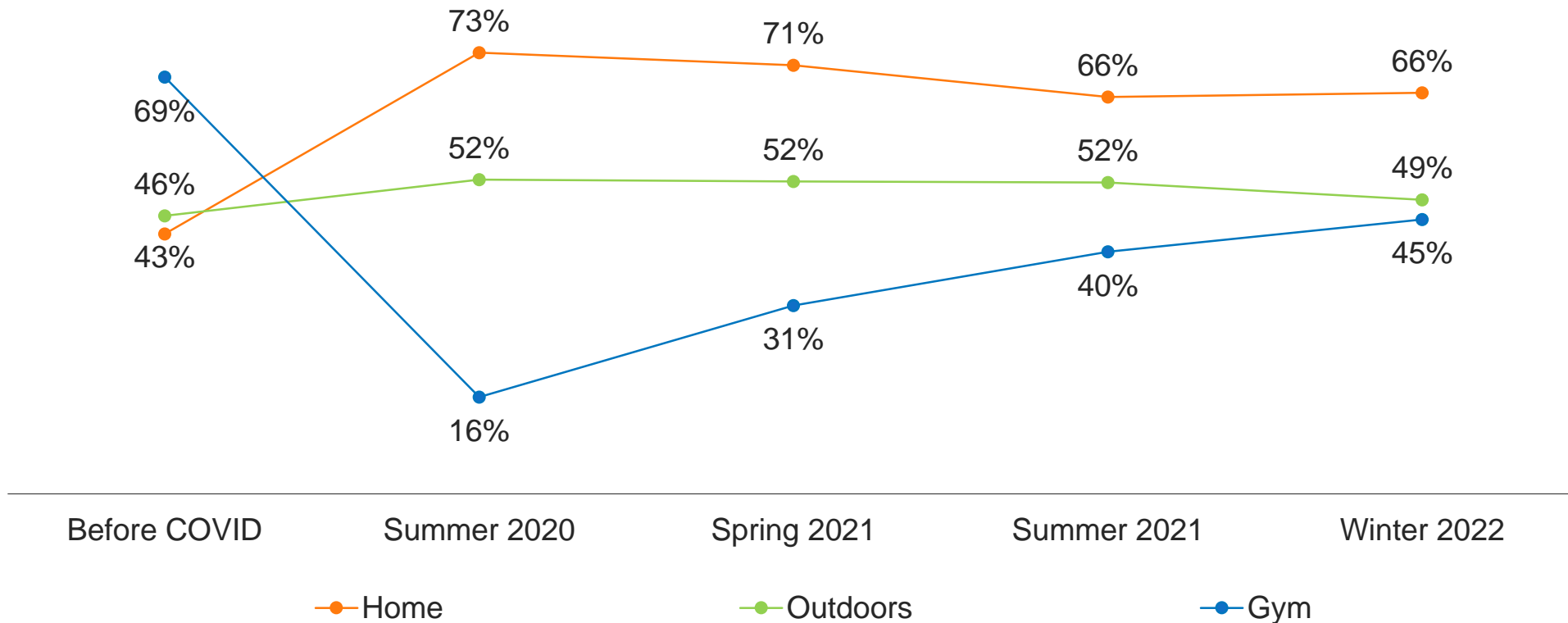


Navigating **near-term**
environment

Long-Term Opportunity / Hybrid is Here to Stay

Workout Locations: Working out at home remains popular in the “new normal”

Consumers who value fitness now **work out at home ~70% of the time** versus 40% of the time pre-pandemic



Short-Term Demand is Currently Less Clear

In Q1 FY23, we have seen a unique combination of factors slow topline momentum

Lower than Normal Retail Orders Due to Heavy Inventory Positions

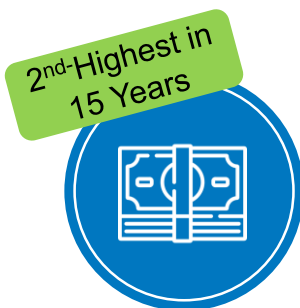
- Early ordering at elevated levels from retailers since Q1 FY22
- Some retailers are still over-inventoried despite robust sell-through
- We are assisting retail partners to work through inventory

Rapid Deterioration Of Macro-economic Environment

- Elevated inflation, interest rates
- Declining consumer confidence and stock market performance
- COVID resurgence in China
- War in Europe

Financial Highlights

FY 2022



\$590M

Net Sales



112%

Sales Growth
vs. FY20¹

Q4 FY 2022



\$120M

Net Sales



41%

Sales Growth
vs. LLY¹



60%

Retail Segment Sales Growth
vs. FY20¹



27%

Direct Segment
Sales Growth
vs. FY20¹



#1

Market Share
in Unit Sales²



325K

JRNY Members
(+88k in the 4th Quarter)
+30% vs initial 250k guidance

1. Sales growth versus the same period FY20, excluding Octane, to provide comparisons to pre-pandemic results

2. Based on analysis of our unit sales, industry-wide purchase data and retail sell-through data

North Star: 5 Strategic Pillars

Our Path to Digital Transformation

Mission: Empower healthier living through individualized connected fitness

Vision: Build a healthier world, one person at a time



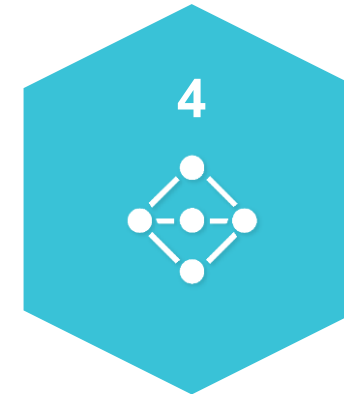
Adopt a **Consumer First** Mindset



Scale a **Differentiated Digital Offering**



Focus Investments on our **Core** Businesses



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



Build **Organizational Capabilities** to Win

Company-wide Consumer-led Approach



Transforming Nautilus
from a product-led
hardware company to a
**consumer-led digital
company**

- > Focused on new target segment:
Enthusiastic Cross-trainers
- > **600,000** new customers in the past two years
- > Invested in and modernized Bowflex® leading
to **10% increase** in purchase consideration
- > **Doubled** re-buy rate in FY22 vs. FY21
- > Nearly **tripled** the number of retail doors
- > **Market leader** in unit sales
- > **Consumer research** driven product
and go-to market strategies

Propelling JRNY® to Become a Leader in Connected Fitness



JRNY® is being fueled by our successful equipment business, that provides the funds needed to develop, improve and scale the enterprise



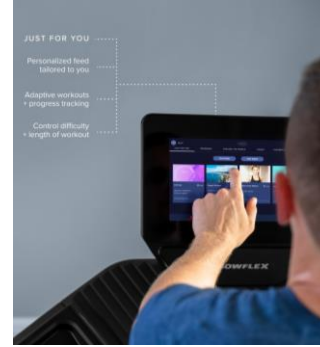
Full line of connected cardio modalities, all running JRNY®



Bowflex® with JRNY® ad campaigns



Ended FY22 with over 325K JRNY® members, growing 2.5 times year on year



AI-driven individualized adaptive workouts

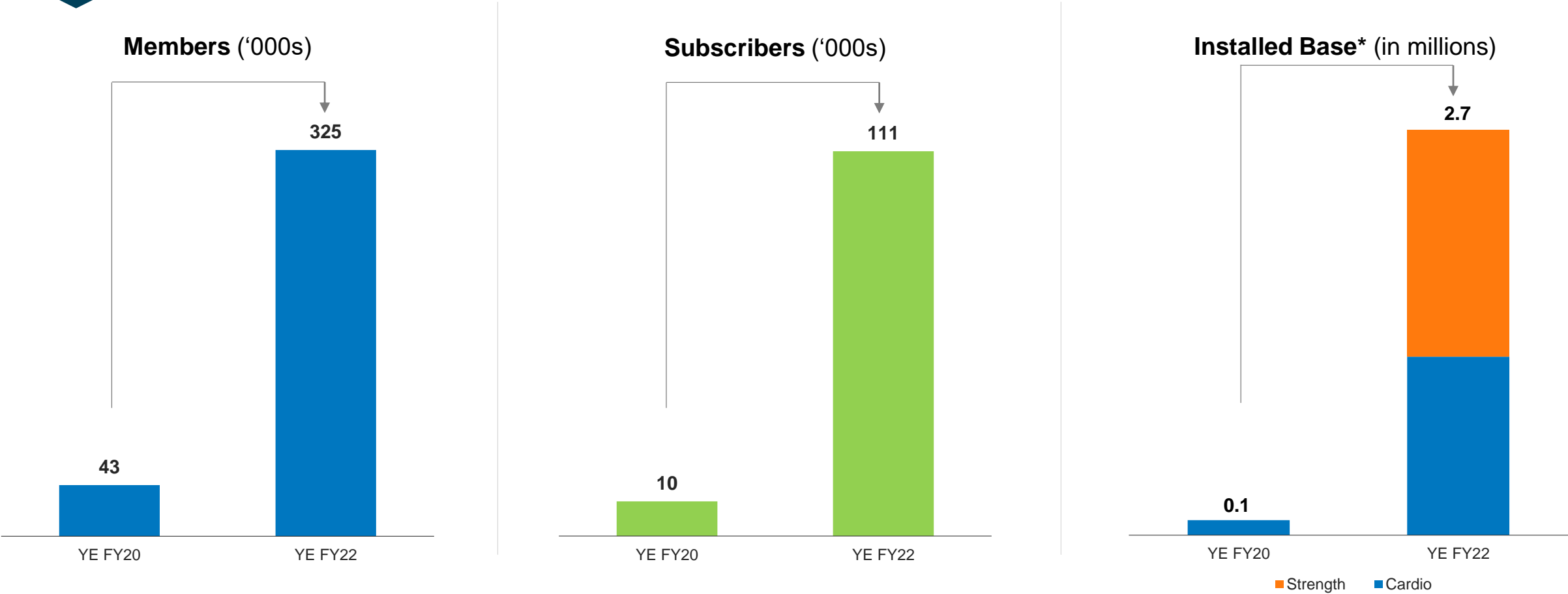


Over 1,400 trainer-led videos



Over 220 Explore the World™ locations

JRNY® Metrics Highlight Positive Progress Throughout FY22



* Installed Base is cumulative over the last three fiscal years based on when the unit was installed or became connectable to JRNY. As a result, Installed Base for YE FY22 includes Cardio + Strength and only cardio for other time periods.

Investments Made in FY22 to Drive Future Membership Growth

2



Integrating VAY

- Motion tracking capabilities
- Rep-counting and form coaching
- Beta testing to start in the second quarter
- Enhance SelectTech® on JRNY® experience



Bowflex®

- Market leader in units shipped in Q422*
- Large installed base to pair SelectTech® with the motion tracking capabilities in JRNY®
- Attaching JRNY to 552 and 1090 dumbbell purchases

* Based on analysis of our unit sales, industry-wide purchase data and retail sell-through data

Focusing Decisions that have Paid Off

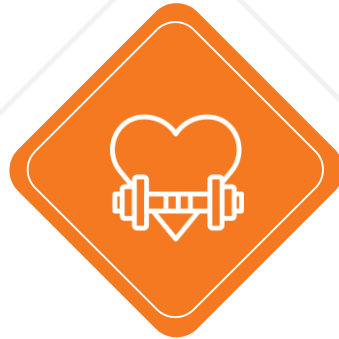


These actions will help sustain the business through inevitable cycles and allow us to continue investing in North Star

Exited the commercial business, **selling Octane**



Doubled revenue*, while increasing headcount by only **20%**



Reduced SKUs by more than **25%**



Kept **cost structure variable** to maintain agility



* Comparing peak revenue at FY21 vs FY20

Supply Chain Dynamics Update



Strategic investments in Supply Chain allowed us to ship a record volume of units in FY22

Current



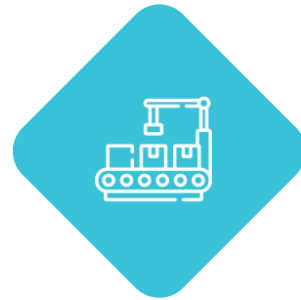
Improved on-time delivery



~4% cost reduction across Top 30 products (benefit to 2H-FY23)



New distribution center in southern California



Diversifying production facilities

FY23



Further improvements in commodity pricing, inbound freight and remote storage costs



Footprint optimization: exit Portland distribution center

Enhancing Talent And Building Organizational Capabilities To Win



Enhanced Talent to Drive North Star Transformation

- Recruited new leaders e.g., company's first CPO
- Refreshed Board of Directors
- Expanded talent pool with hybrid work model
- Added new capabilities and increased in-house expertise:
 - ✓ VAY acquisition
 - ✓ Engineering
 - ✓ UX
 - ✓ Digital Product Management
 - ✓ Digital/Social Marketing
 - ✓ Supply Chain
 - ✓ Information Technology

Creating Organizational Capabilities to Win

- Increased diversity of thought, experiences and background
- Skills to compete in new digital environment
- Ability to navigate near-term volatility and deliver on long-term goals

Delivering Incredible and Tangible Progress to North Star

We are a vastly different company compared to FY20 and are emerging from the pandemic much stronger to navigate near-term challenges



Keep Focus on
Long Run



Continue North
Star Momentum



Path to
Gross Margin
Improvement



Agile Cost
Structure

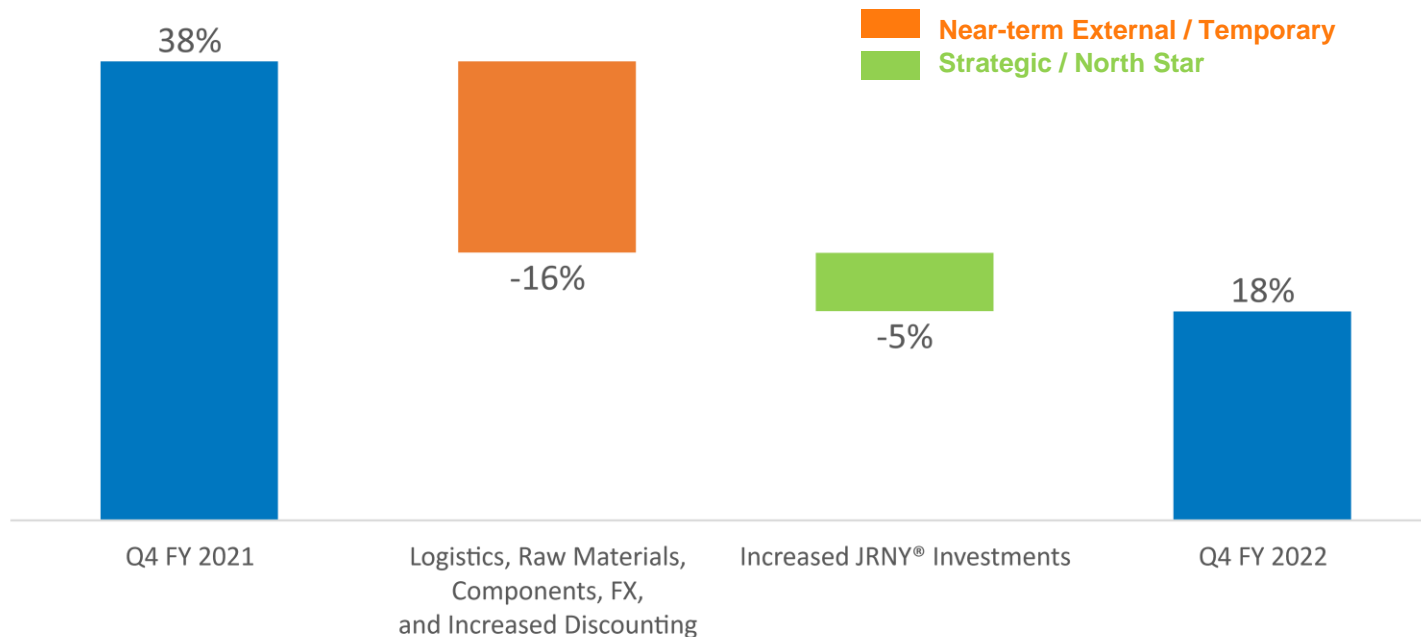


Focused and
Disciplined
Execution

P&L: Q4 FY 2022, Qtr Ending March

- Net sales for the 4th quarter were \$120M
 - +41% vs FY20* excluding Octane
- Gross profit was \$21M and gross margins were 18%

Gross Margin YoY Bridge for Qtr Ending March 2022



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



P&L: Q4 FY 2022, Qtr Ending March - Adjusted*

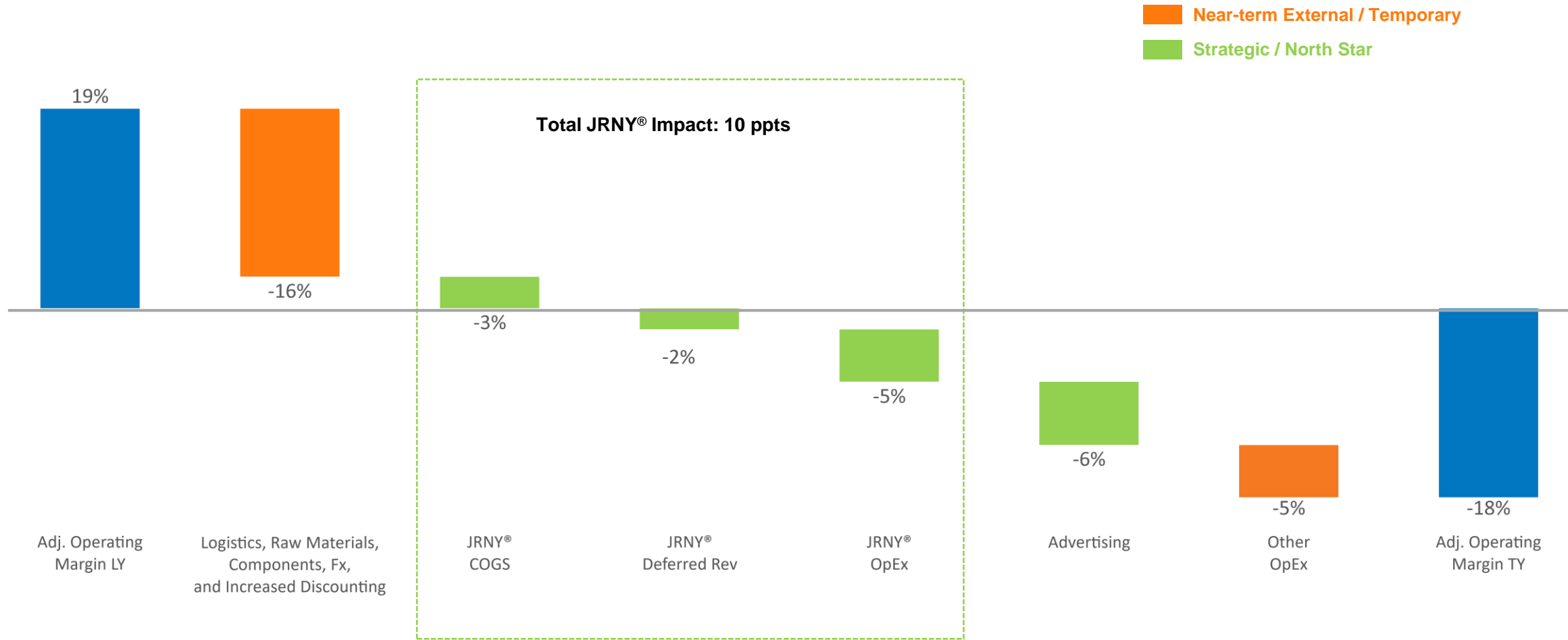
\$ in millions	Q4 FY22 3-mos ending March 2022	Q4 FY21 3-mos ending March 2021	TY vs. LY	
			\$ Var	% Var
Adj. Operating Expenses*	42	39	3	7%
<i>% of sales</i>	<i>35%</i>	<i>19%</i>	<i>+16 pts</i>	
Selling & Marketing	24	23	0	0%
<i>% of sales</i>	<i>20%</i>	<i>11%</i>	<i>+8 pts</i>	
Adj. G&A*	12	12	0	-3%
<i>% of sales</i>	<i>10%</i>	<i>6%</i>	<i>+4 pts</i>	
R&D	7	4	3	80%
<i>% of sales</i>	<i>6%</i>	<i>2%</i>	<i>+4 pts</i>	
Adj. Operating (Loss) Income*	(21)	40	(61)	
<i>Adj. Operating Margin %</i>	<i>-18%</i>	<i>19%</i>	<i>-37 pts</i>	
Adj. EBITDA Continuing Operations*	(17)	43	(60)	
<i>Adj. EBITDA Margin %</i>	<i>-14%</i>	<i>21%</i>	<i>-35pts</i>	

* See earning release for reconciliation of non-GAAP financial measures



P&L: Q4 FY 2022, Qtr Ending March - Adjusted*

Adjusted Operating Margin YoY Bridge for Qtr Ending March 2022



* See earning release for reconciliation of non-GAAP financial measures

Balance Sheet Comparison

\$ in millions	Q4 FY22 March 2022	Q4 FY21 March 2021
Cash and Investments	\$14	\$113
Inventory	111	68
Trade Receivables	61	89
Trade Payables	53	99
Debt	29	13
Revolver Availability	\$66	\$54

- \$80M of liquidity* as of 3/31/22
- Inventory down 13% vs 12/31/21 and came in at planned level
 - Inventory concentrated in best-selling SKUs
 - 14% in-transit @ 3/31/22

* Total liquidity, defined as cash, investments, and available borrowing under the line of credit



FY23 Guidance

	Q1	2H	Full Year
Sales	\$45M to \$55M	65% to 70% of Full Year	\$380M to \$460M
Midpoint	\$50M		\$420M
Growth vs FY20* @ Midpoint			
As Reported	-13%		+32%
Excluding Octane	+4%		+52%
GM%		Range of 27% to 30%	
Adjusted EBITDA**	\$-22M to \$-27M	Positive Adj EBITDA	\$-25M to \$-35M
JRNY Members			500k+

* Sales growth versus the same period FY20 to provide comparisons to pre-pandemic results
 ** See earning release for reconciliation of non-GAAP financial measures



FY22 Summary and Beyond

Robust progress made in FY22 towards transforming
into a digital leader in connected fitness



Executing against
North Star plan



Strong digital growth
in FY2023 and beyond
through JRNY®



Tracking to goal of
2 million JRNY®
members by FY2026

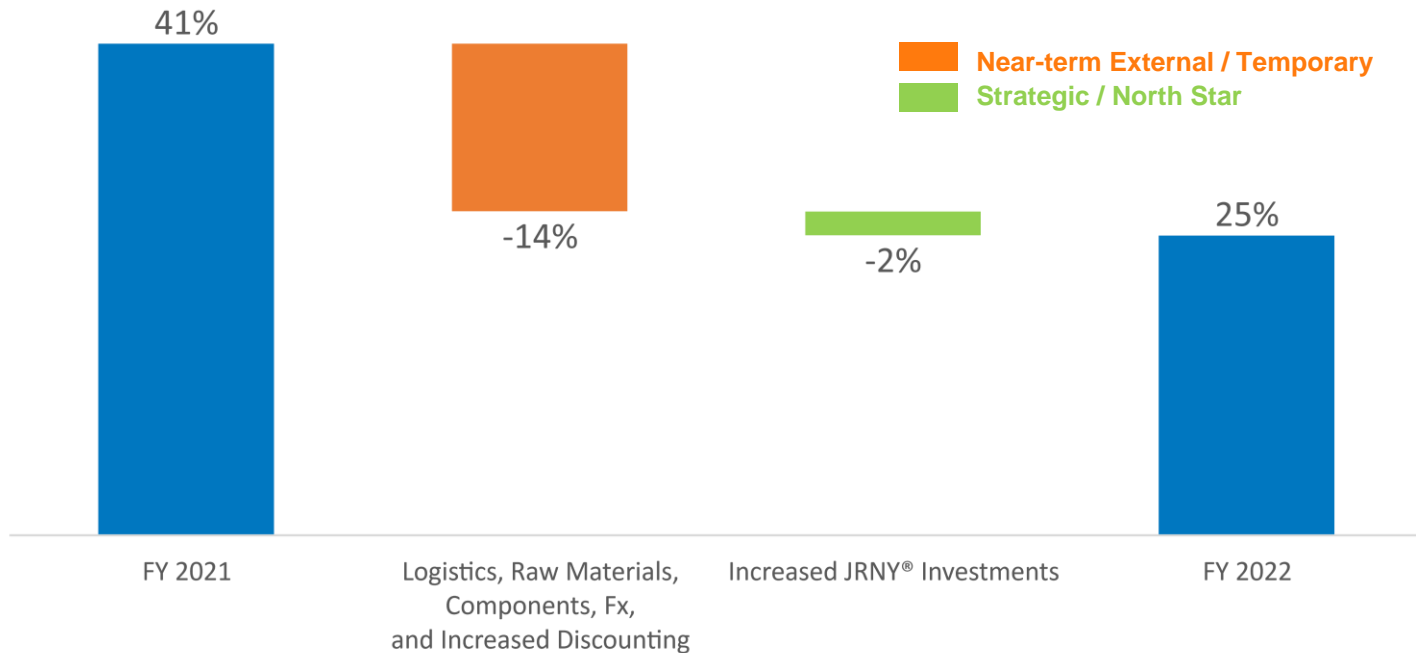


Appendix

P&L: FY 2022, 12-Months Ending March

- Net sales for FY 2022 were \$590M
 - +112% vs FY20*
- Gross profit was \$148M compared to \$272M last year and gross margins were 25% versus 41% last year

Gross Margin YoY Bridge for 12-Months Ending March 2022



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



P&L: FY 2022, 12-Months Ending March - Adjusted*

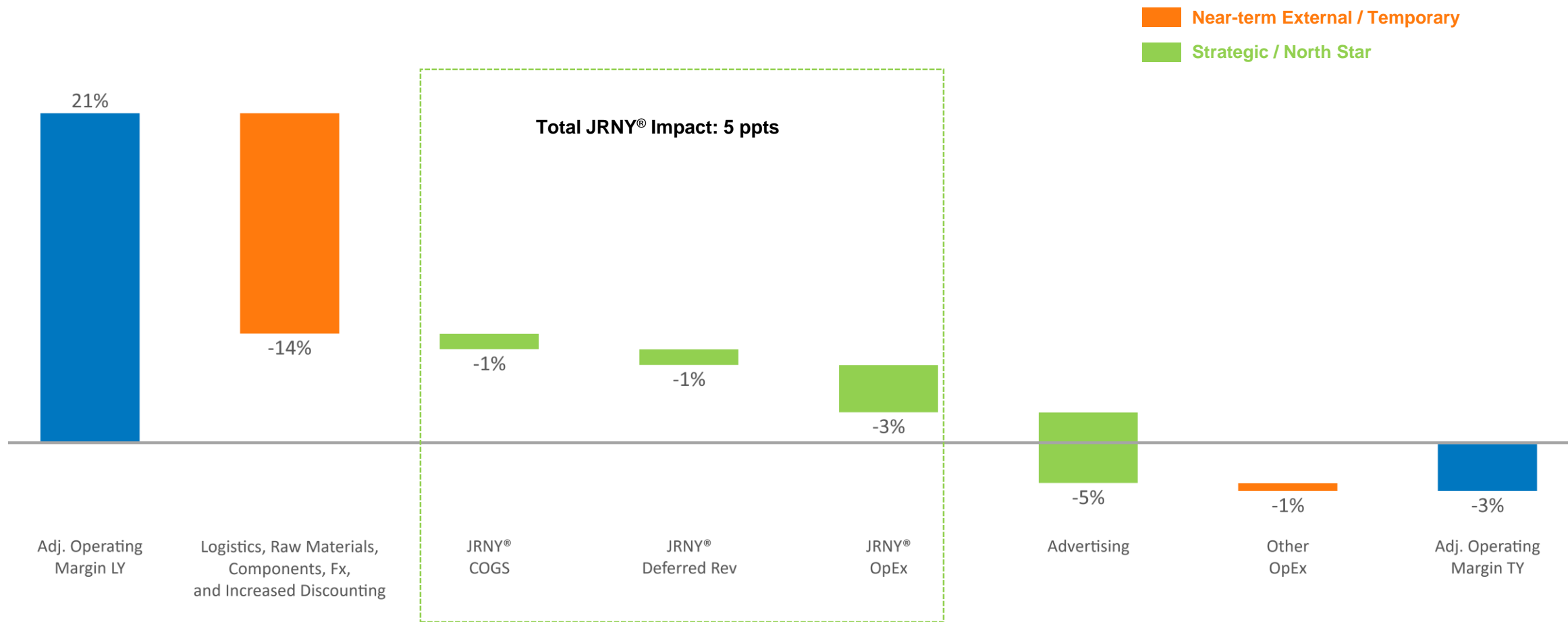
\$ in millions	FY22 12-mos ending March 2022	FY21 12-mos ending March 2021	TY vs. LY	
			\$ Var	% Var
Adj. Operating Expenses*	167	134	33	25%
<i>% of sales</i>	<i>28%</i>	<i>20%</i>	<i>+8 pts</i>	
Selling & Marketing	99	77	22	29%
<i>% of sales</i>	<i>17%</i>	<i>12%</i>	<i>+5 pts</i>	
Adj. G&A*	45	41	4	10%
<i>% of sales</i>	<i>8%</i>	<i>6%</i>	<i>+1 pt</i>	
R&D	23	16	7	44%
<i>% of sales</i>	<i>4%</i>	<i>2%</i>	<i>+1 pt</i>	
Adj. Operating Income*	(18)	139	(157)	-113%
<i>Adj. Operating Margin %</i>	<i>-3%</i>	<i>21%</i>	<i>-24 pts</i>	
Adj. EBITDA Continuing Operations	(3)	152	(155)	-102%
<i>Adj. EBITDA Margin %</i>	<i>-1%</i>	<i>23%</i>	<i>-23 pts</i>	

* See earning release for reconciliation of non-GAAP financial measures



P&L: FY 2022, 12-Months Ending March - Adjusted*

Adjusted Operating Margin YoY Bridge for YTD Ending March 2022



* See earning release for reconciliation of non-GAAP financial measures

Q4 2022 P&L Summary (GAAP)

\$ in millions, except EPS	3-months ending March 2022	3-months ending March 2021	3-months ending March, FY22 VS. FY21	
			\$ Var	% Var
Net Sales	\$120	\$206	\$(86)	-42%
Gross Profit	21	79	(58)	-73%
<i>Gross Margin %</i>	<i>18%</i>	<i>38%</i>	<i>-21 pts</i>	
Operating Expenses	43	39	4	9%
<i>% of Sales</i>	<i>36%</i>	<i>19%</i>	<i>17 pts</i>	
Operating (Loss) Income	(22)	40	(62)	-155%
<i>Operating Margin %</i>	<i>-18%</i>	<i>19%</i>	<i>-38 pts</i>	
(Loss) Income Continuing Ops	(18)	31	(49)	-160%
<i>Inc Cont Ops Margin %</i>	<i>-15%</i>	<i>15%</i>	<i>-30 pts</i>	
Diluted EPS, Cont Ops	(\$0.58)	\$0.94	(\$1.52)	-162%



FY 2022 P&L Summary (GAAP)

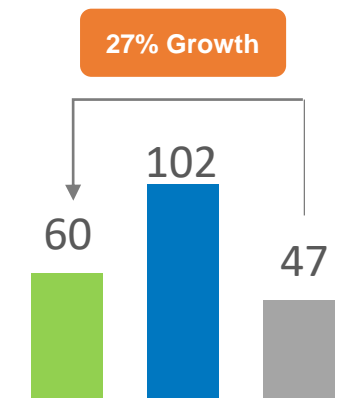
\$ in millions, except EPS	12-months ending March 2022	12-months ending March 2021	12-months ending March, FY22 VS. FY21	
			\$ Var	% Var
Net Sales	\$590	\$665	(\$75)	-11%
Gross Profit	148	272	(124)	-45%
<i>Gross Margin %</i>	<i>25%</i>	<i>41%</i>	<i>-16 pts</i>	
Operating Expenses	174	154	20	13%
<i>% of Sales</i>	<i>29%</i>	<i>23%</i>	<i>6 pts</i>	
Operating (Loss) Income	(25)	118	(143)	-121%
<i>Operating Margin %</i>	<i>-4%</i>	<i>18%</i>	<i>-22 pts</i>	
(Loss) Income Continuing Ops	(22)	88	(110)	-125%
<i>Inc Cont Ops Margin %</i>	<i>-4%</i>	<i>13%</i>	<i>-17 pts</i>	
Diluted EPS, Cont Ops	(\$0.72)	\$2.81	(\$3.53)	-126%



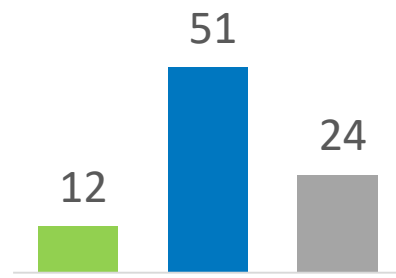
Direct Segment Results – Q4 FY2022

■ TY ■ LY ■ LLY

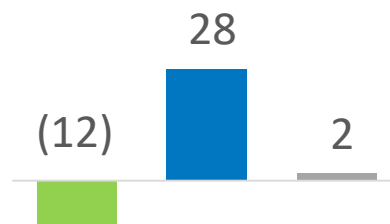
Net Sales (\$M)



Gross Profit (\$M)



Contribution (\$M)



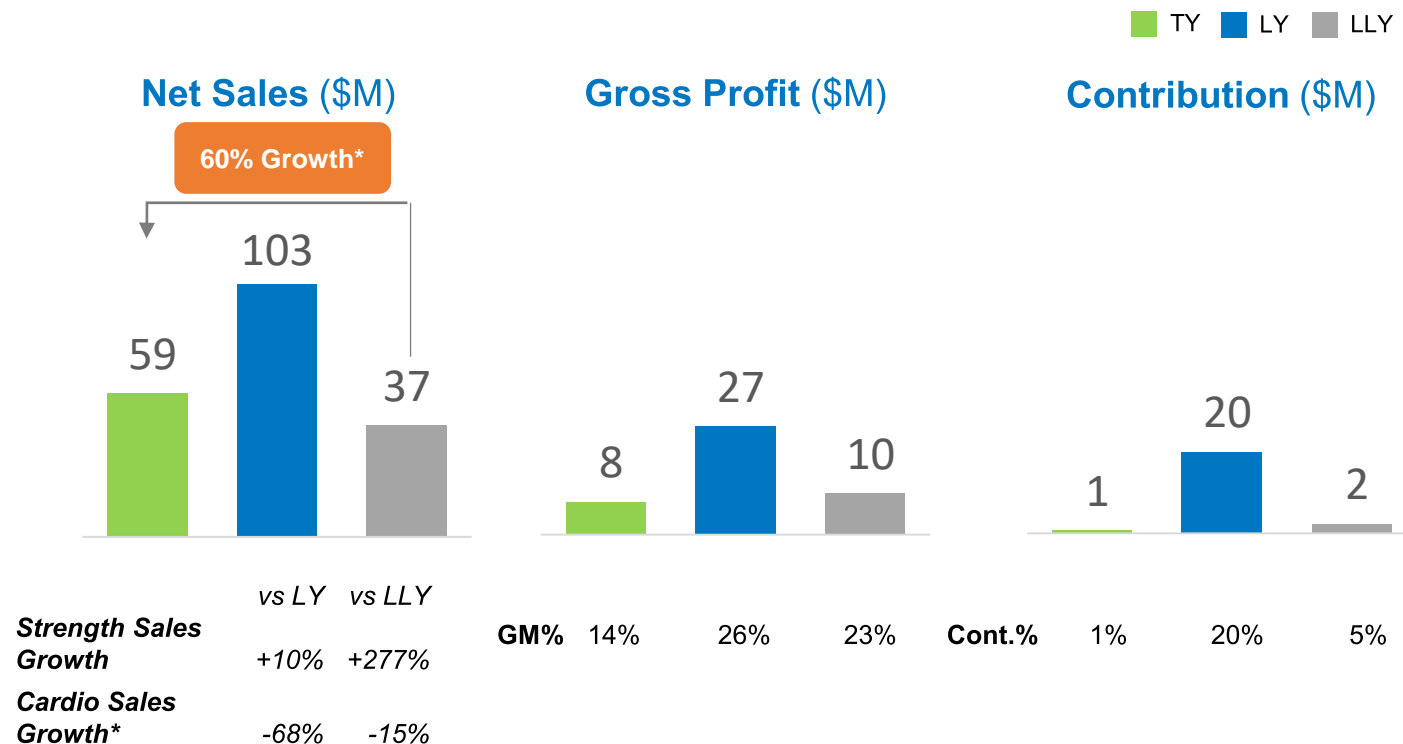
	vs LY	vs LLY
Strength Sales Growth	-34%	+83%
Cardio Sales Growth	-44%	+9%

	GM%	Cont.%
TY	19%	-19%
LY	50%	27%
LLY	52%	4%

- Ended the quarter with \$1 million of backlog as of March 31, 2022
- The 31 ppt gross margin drop was primarily due to product costs, logistics and discounting (-24 pts) as well as increased JRNY® investment (-7 pts)



Retail Segment Results – Q4 FY2022

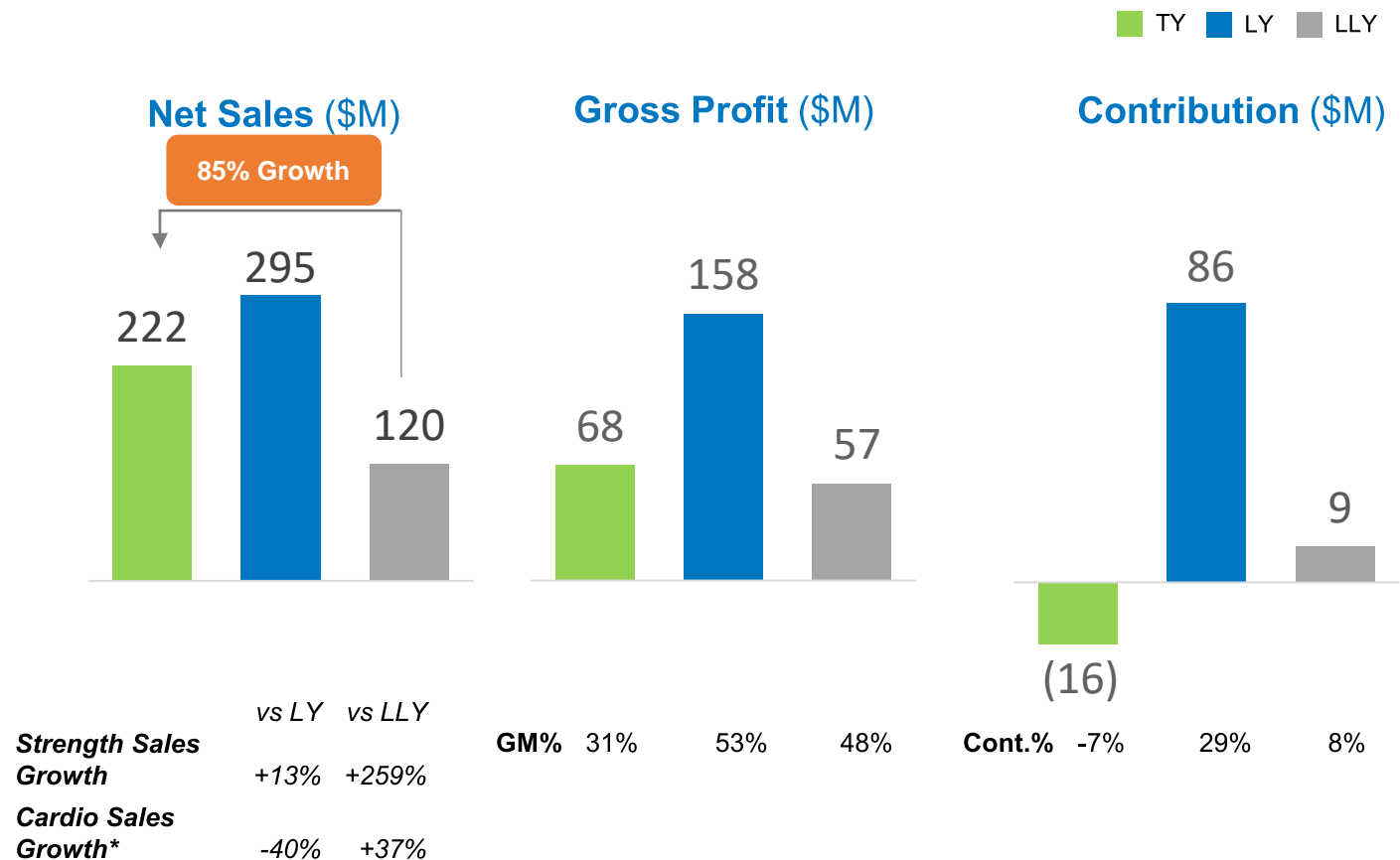


- Ended the quarter with backlog to \$32M
- The 12 ppt decrease in gross margin were primarily driven by increased products costs, logistics, and discounting

* Excluding Octane



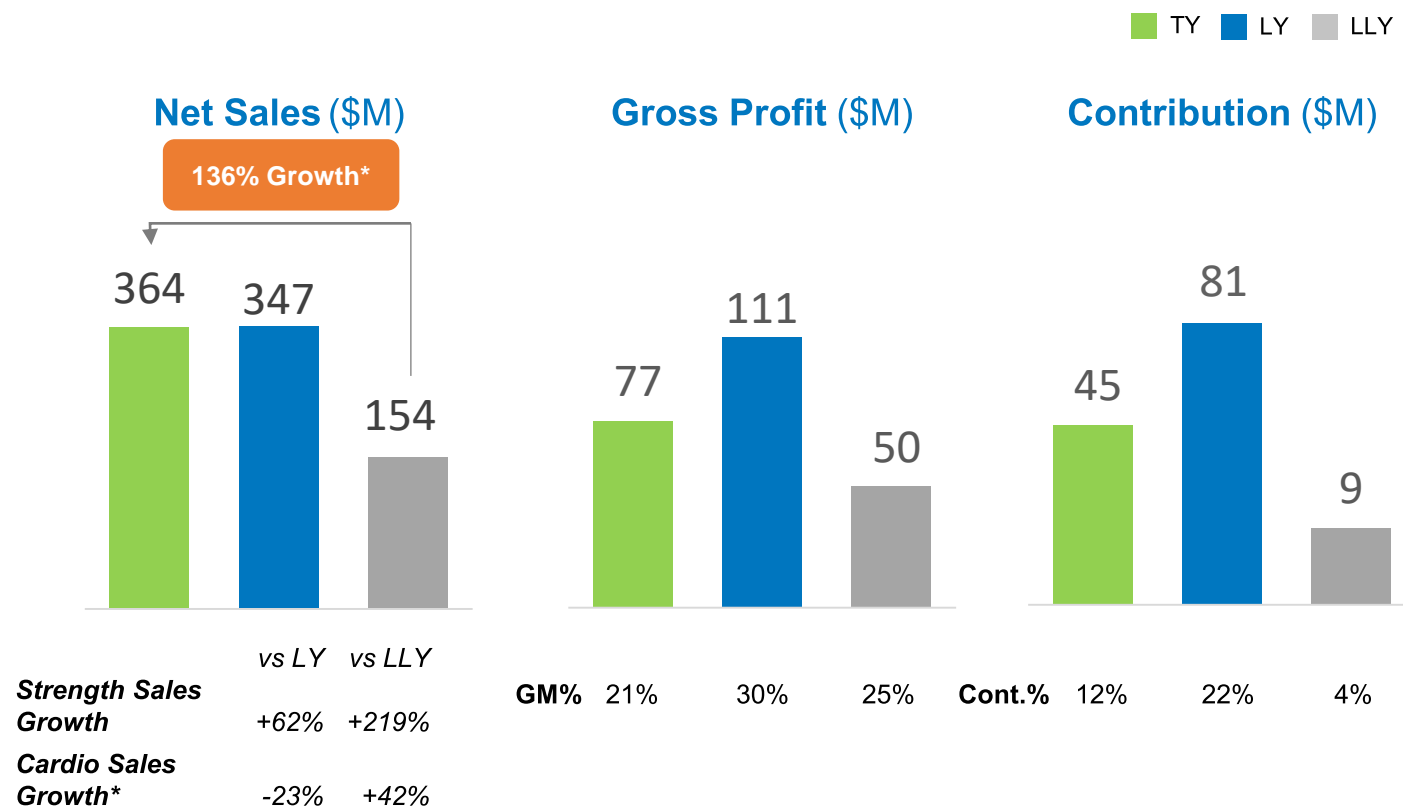
Direct Segment Results – FY2022



- The 22.7 ppt decrease in gross profit margin was primarily driven by: increased product costs, logistics, and discounting (-19 pts) and increased investments in JRNY® (-4 pts)



Retail Segment Results – FY2022






- The 9.3 ppt decrease in gross profit margin was primarily driven by increased product costs, logistics, and discounting

* Excluding Octane



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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