

Nautilus (NLS)

The Fastest Growing Name in Stay at Home Fitness – Yeah Really

\$30 Target in 2020

What you are about to read is absolutely extreme and absolutely TRUE.

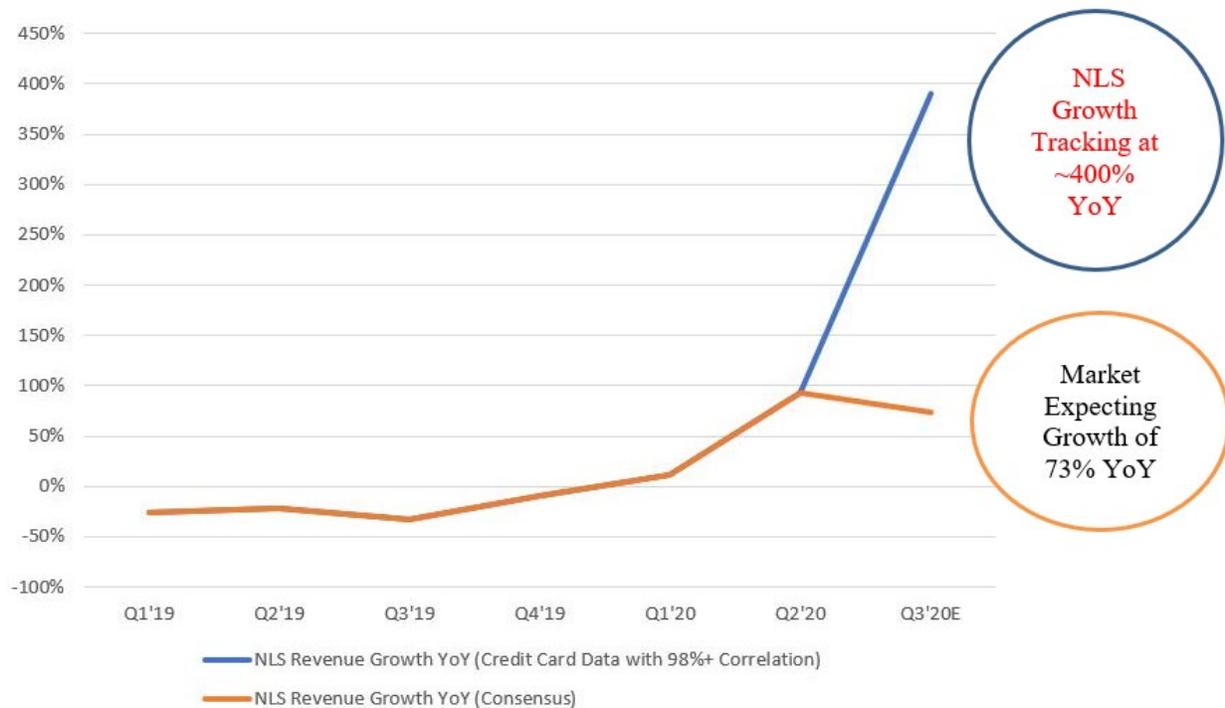
Out of a multi panel proprietary credit card database of >500 consumer names, the fastest growing name behind Zoom (ZM) is none other than Nautilus (NLS).

Did You Really Think Peloton Would Be the Only Winner??

As Peloton bikes have been on 6-8-week backorder... not all 130 million US households have been willing to wait or only wanted the Peloton experience. Enter Nautilus. This multi branded 30-year-old fitness company has found a new life under former MSFT executive Jim Barr and is about to blow out its earnings.

Credit Card Data is Showing Hyperbolic Growth Second Only to Zoom

The 98%+ correlation credit card data available to the institutional investors who are willing to spend millions of dollars will show that QTD YoY revenue growth for NLS is tracking at close to 400% vs. consensus at 73%. While Citron cannot print the sources as we do not own the publishing rights for the data, every institution knows the names.



This unexpected burst in business has occurred as:

1. The stay at home fitness trend is real and expands beyond PTON
2. Not everyone wants a spin bike as NLS sell everything from connected treadmills to kettle bells
3. Compared to PTON, NLS has competitive price points and delivery times
4. NLS has the advantage of the Amazon/Dick's Sporting Goods retail channel

This spike in popularity for Nautilus has now given them the "Peloton Problem" as within their connected fitness offerings, 3 of the products are sold out while the other 2 are backordered due to "high demand" on the company's website.

- Sold out: Max Total trainer, BXT116 treadmill, BXT216 treadmill
- Backordered due to "high demand" for 8-10 weeks: VeloCore bike, M6 trainer



Bowflex Max Total

\$2,799.00

★★★★★ 915 Reviews [Write a Review](#)

Total Options

- Add In-Home Assembly [\$169.00] [Details](#)
- Add a Bowflex Protection Plan [Details](#)

Qty:

Add to Cart

Out of Stock.

[Get notified](#) when new model is available.



\$156 /Month

Suggested monthly payments with 18 month financing.
[Important monthly payment information](#)



Bowflex BXT116 Treadmill

\$1,599.00

★★★★★ 164 Reviews [Write a Review](#)

BXT116 Options

- Add a Bowflex Protection Plan [Details](#)

Qty:

Add to Cart

Out of stock

[Get notified](#) when new model is available.



Bowflex BXT216 Treadmill

\$1,899.00

★★★★★ 348 Reviews [Write a Review](#)

BXT216 Options

- Add a Bowflex Protection Plan [Details](#)

Add to Cart

Out of stock

[Get notified](#) when new model is available.

Racing with Peloton – The Story Gets Better

New VeloCore Product – Most Disruptive Equipment in Home Cycling

The VeloCore bike is the first to let a rider simulate the actual feeling of riding a bike by Nautilus' patent pending lean mode. Just watch this video.



<https://www.youtube.com/watch?v=9DseC78ShNc&t=21s>

It is worth noting that NLS was seeing this massive inflection in demand **before** the company introduced the VeloCore.

Consumers have taken notice as only 2 weeks after launch, with proper inventory, the VeloCore is already 8-10 weeks backordered.



Bowflex VeloCore Bike - 16"

\$1,699.00

Free Shipping! [Details](#)

Choose your Console Size:



VeloCore Bike 16" Options

- Add In-Home Assembly [\$199.00] [Details](#)
- Add a Bowflex Protection Plan [Details](#)

Qty:

1 ▾

Add to Cart



This item is in high demand. Orders placed today may take up to 10 weeks to deliver. [Learn More](#)

The internet has also taken notice as such commentary has come in:

- *"Bowflex managed to create a much more immersive experience as a whole. With the introduction of the innovative Lean Mode, riders are able to experience what it is really like riding through their favorite environments with connected app experiences. This alone makes it a more interactive bike"*

Others agree that NLS' new VeloCore bike is the best bike on the market:

- *"The VeloCore is a magical exercise bike that trumps other options on the open market. With its gorgeous touchscreen technology, lean mode, and general improvement in ride quality, the exercise bike continues to shine as you put it to the test. A lot of exercise bikes can disappoint with conventional setups and average customizable features, but that's not the case here. Bowflex has hit a home run with this world-class exercise bike"*

<https://dynamicsystech.com/bowflex-velocore-vs-peloton/>

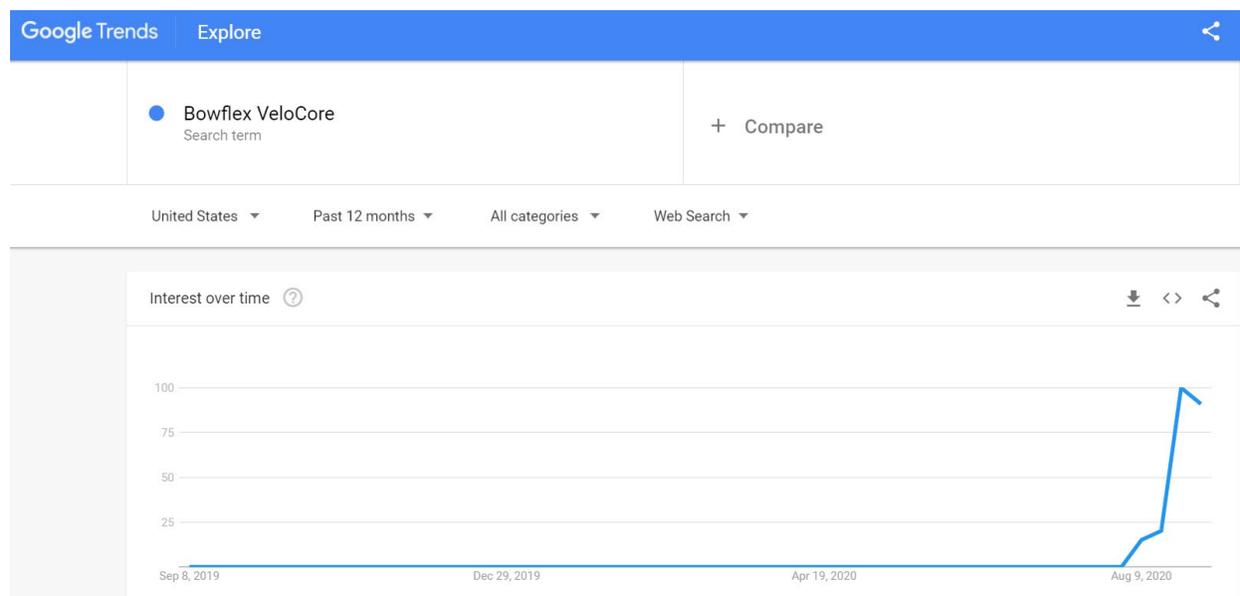
<https://infomotionsports.com/bowflex-velocore-review/>

<https://www.fitrated.com/exercise-bikes/bowflex-velocore-review>

<https://www.allexercisebikes.net/bowflex-velocore-bike-review.html>

<https://www.barrons.com/press-release/nautilus-inc-disrupts-home-fitness-with-first-dual-mode-indoor-cycling-bike-01598361045?tesla=y&tesla=y>

Not surprisingly, Google Trends is picking up a massive spike in interest from consumers searching for the new NLS bike.



***What is most interesting about the products that are on backorder or sold out is that all of them including the VeloCore are subscription based connected fitness products.

Transformation to Connected Fitness – Someone Noticed

Investors are beginning to take notice of the transformation of NLS. Last week, William Blair wrote a great note highlighting the long-term potential of this connected fitness company:

- *“We believe reason exists to be bullish on Nautilus’s long-term prospects, as the company remains in the early innings of a long-term transformation to reinvigorate its well-known brands while embracing broad digital and connected fitness innovation and de-emphasizing single “hero” products”*
- *“The pandemic has created a surge in demand for Nautilus’s brands as consumers sought fitness alternatives amid stay-at-home restrictions and fitness club/studio closures. In the second quarter alone, Nautilus’s website had a 300% increase in visits, including a 700% increase in organic traffic, with disproportionate growth in customers new to its brands and products.”*
- *“Jim Barr joined as CEO in July 2019, bringing a lengthy track record of transforming and optimizing businesses in a number of industries spanning retail, software, and industrial equipment. Barr has spearheaded a*

complete repositioning at Nautilus to focus on the development of connected fitness solutions”

So, what is this all worth?? Where will NLS stock trade to?

Forbes will Tell You That PTON should use their high stock price currency to buy NLS now.

<https://www.forbes.com/sites/mergermarket/2020/09/03/peloton-could-mount-a-push-amid-home-fitness-wave/#1ecc719e6883>

To put things in perspective... Peloton's increase in market cap just yesterday would be the equivalent of them buying NLS at \$100 a share.

Everything is about to change next Q when CEO Jim Barr starts mentioning the words “recurring revenue”.

Acquisition Target

Now that LULU has bought Mirror, we think it is only a matter of time before someone acquires NLS for a significant premium.

Though Mirror was acquired several months ago by LULU at 5x revenue and PTON is currently trading at 11x, NLS is trading at 0.5x.

At even 1x revenue, NLS trades for \$30.

If NLS were to trade in-line with Mirror's takeout multiple of 5x, NLS would trade at \$150. At PTON's valuation, NLS would trade at \$300.

<https://www.nytimes.com/2020/06/29/business/lululemon-buys-mirror.html>

(\$ in mn)

					MIRROR	PELOTON
2020 Sales	\$900	\$900	\$900	\$900	\$900	\$900
EV/Sales	1.0x	2.0x	3.0x	4.0x	5.0x	10.0x
Enterprise Value	\$900	\$1,800	\$2,700	\$3,600	\$4,500	\$9,000
Debt	\$38	\$38	\$38	\$38	\$38	\$38
Cash	\$46	\$46	\$46	\$46	\$46	\$46
Market Cap	\$908	\$1,808	\$2,708	\$3,608	\$4,508	\$9,008
Shares Outstanding	30	30	30	30	30	30
Stock Price	\$30	\$60	\$90	\$120	\$150	\$300
Current Price	\$14	\$14	\$14	\$14	\$14	\$14
% Upside	116%	330%	545%	759%	973%	2045%

Conclusion

We believe this small cap stock has been off the radar of most hedge funds and investors until now as the market realizes that former MSFT executive / NLS CEO Jim Barr has taken NLS' industry leading fitness brands and successfully pivoted to become a leading connected fitness company with eye popping growth, which will force investors to value NLS (which trades at just 0.5x sales) against peers Mirror (acquired at 5x by LULU) and PTON (trading at 10x).

With a newly revamped connected fitness product line, imminent launch of its improved digital JRNY platform, the availability of NLS product at a broader range of retailers, accelerating subscription revenue, and explosive growth second only to ZM across multiple credit card data panels, we believe it is only a matter of time before NLS re-rates to over \$30 if it isn't acquired before then.

Cautious Investing to All

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