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Peloton's Path to IPO: Growth and Strategy

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## Abstract

This case analyses Peloton Interactive's Initial Public Offering (IPO) in September 2019, exploring its rapid revenue growth, innovative business model, and financial challenges. Peloton disrupted the fitness industry by combining premium hardware with subscription-based services, offering boutique studio experiences at home. This study examines Peloton's strategic decisions, market positioning, and valuation compared to industry peers. Students are tasked to evaluate Peloton's profitability potential and the sustainability of its business model, fostering insights into entrepreneurial finance and high-growth ventures.

## Keywords

IPO, Peloton, Entrepreneurial Finance, Valuation, Profitability.

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### **Peloton's Path to IPO: Growth and Strategy**

It's September 25, 2019, the day before Peloton's highly anticipated IPO. Carlos, an investment associate at Falcon Capital Advisors (FCA), has just finished a workout on his Peloton bike. As a dedicated user of Peloton's interactive fitness platform, Carlos has followed the company closely over the years. Now, with the IPO imminent, he's weighing the pros and cons of investing in Peloton's stock. Carlos believes strongly in CEO John Foley's vision of bringing boutique fitness studio experiences into homes. These studios offer intimate and high-energy group classes led by expert instructors, typically specializing in areas like cycling, yoga, or strength training. Known for their personalized approach, sense of community, and premium quality, boutique fitness studios have gained popularity among fitness enthusiasts. Peloton aims to replicate these characteristics through its connected fitness platform, but Carlos remains mindful of the company's recent financial performance.

Despite the company's rapid growth, Peloton's financials have shown mixed results in the last year, particularly concerning him is the company's net losses and high operating expenses. His excitement for Peloton's potential is tempered by this financial uncertainty as he evaluates whether to take part in the IPO. Peloton's revenue in the year leading up to its IPO reached \$915 million, a 110% increase from the previous year, but losses totalled \$195.6 million. This dichotomy between growth and profitability weighs heavily on his decision.

Peloton began in 2011, sparked by a personal need. John Foley, then President of Barnes & Noble, was captivated by New York City's boutique fitness culture, especially cycling classes, but found it increasingly difficult to balance attending these classes with his demanding job and family life. Recognizing the need for a convenient alternative, he envisioned bringing the "high-energy, instructor-led group fitness" experience directly

into people's homes, accessible and affordable. By 2012, Foley left Barnes & Noble to establish Peloton with a mission to "better ourselves, inspire each other, and unite the world through fitness."

Foley saw Peloton's potential to transcend fitness, aspiring to build "one of the most innovative global technology platforms" and an "influential media company" that could positively impact lives. To realize this, Peloton developed a vertically integrated platform that combined hardware, software, and media content, offering a seamless connected fitness experience. As the brand expanded from a small team to a global company with over one million members, Foley emphasized Peloton's mission to foster a diverse and supportive community.

In the Peloton IPO prospectus, the company highlights significant growth opportunities within the global health and wellness industry. This sector has seen steady expansion due to a rising emphasis on fitness and wellness, with spending reaching an estimated \$4.2 trillion globally by 2017. Within this, the fitness segment alone represented nearly \$600 billion, including activities like meditation and yoga. Peloton's role within this industry is unique, as it not only addresses traditional gym-goers but also those looking for high-quality, at-home fitness solutions, appealing to a broad range of consumers.

The Peloton consumer demographic is generally aged 18 to 70 and includes a wide income range of \$50k+ of total income though the company has been particularly popular with urban and suburban professionals. This group values convenience and quality, often facing time constraints that make home-based fitness solutions appealing. As of 2019, Peloton has achieved low churn rates (Exhibit 1) among its connected subscribers, indicating strong brand loyalty and retention driven by immersive experiences, live-streamed classes, and community features like leaderboards and shoutouts.

In terms of market opportunity, Peloton has a total addressable market (TAM) of approximately 67 million households (US, Canada, UK and Germany), of which 45 million are in the U.S (Exhibit 2). The serviceable addressable market (SAM) encompasses an estimated 14 million Connected Fitness Products, predominantly in the U.S. (12 million). With only 4% penetration in this SAM, Peloton sees substantial room for growth through expanding product offerings and increasing brand awareness, particularly in international markets like the U.K., Germany, and Canada. Additionally,

trends such as increased employer investment in health and wellness programs, the rise of dual-income families, and consumer demand for streaming media services align with Peloton's offerings, further reinforcing the potential for market expansion and sustained user engagement.

### *The fitness industry*

At the time of Peloton's IPO in 2019, the global fitness industry was booming, valued at over \$100 billion globally, with more than 183 million health club members worldwide. In the U.S. alone, health club revenues exceeded \$32 billion, with 62 million members. Since 2008, fitness memberships had grown by 37%, with nearly 21% of U.S. households now holding fitness club memberships.

One of the most significant trends driving this growth was the shift toward boutique fitness studios like SoulCycle, Orangetheory, and Barry's Bootcamp. From 2010 to 2018, boutique fitness studios saw annual membership growth of 23%, far outpacing traditional gyms, which grew at just 0.6% annually. This surge reflected consumer demand for personalized, high-intensity, and community-focused workouts. Peloton positioned itself as a leader in the growing connected fitness segment, offering high-quality hardware and an engaging digital fitness platform. Peloton's subscription model provided a competitive alternative to in-person boutique fitness classes, with analysts from Canaccord Genuity estimating that the typical Peloton user would spend around \$97 per month versus \$276 for in-person classes. At the time, Peloton faced competition from both traditional fitness equipment manufacturers and boutique fitness studios. Major competitors in the connected fitness space included NordicTrack iFit, which had 287,000 subscribers and sold fitness equipment in the \$1,600 to \$4,000 range. Other competitors included Nautilus, Mirror, and Tonal, which catered to the growing demand for home fitness solutions.

### *Business Model*

Peloton's business model is rooted in a combination of premium fitness equipment sales and subscription-based services that generate ongoing revenue while fostering customer loyalty. Peloton offers an initial purchase of high-end fitness equipment, including the Peloton Bike (\$2,245) and Peloton Tread (\$4,295), with built-in interactive touchscreens

that connect users to Peloton's digital platform. Through this platform, members can access a vast selection of live and on-demand classes led by expert instructors, spanning various workout categories like cycling, running, strength training, and yoga. Users pay \$39 per month for the full equipment-connected experience or \$12.99 per month for the standalone app, allowing users to benefit from Peloton's content library without the need for Peloton hardware. This subscription model not only builds a steady revenue stream but also creates a sense of community, as interactive features like leaderboards and class shoutouts keep members motivated and engaged.

Peloton's unique consumer value proposition lies in how it addresses the core challenges of busy lifestyles and limited time for gym commutes. John Foley, Peloton's founder, recognized this need as a working parent balancing a demanding career and family time, identifying a gap in the market for convenient, high-quality fitness accessible from home. Peloton offers a solution that allows consumers to manage time more efficiently and save on gym memberships over the long run. For instance, in 2019, the average U.S. monthly spending on boutique fitness studios, which include specialized classes like cycling, was around \$90 per person. For a dual-income household where both partners might attend, the monthly expense totals \$180, or approximately \$2,160 per year. By purchasing a Peloton Bike for \$2,245, along with a \$39 monthly subscription, the same couple would cover the cost of the bike within roughly 16 months, achieving monthly savings of approximately \$141 afterward. Over a three-year period, the couple would have saved approximately \$2,820; over five years, the savings grow to \$6,204. This value goes beyond cost-effectiveness, incorporating convenience, time savings, and the flexibility to work out at any time. Beyond equipment and subscriptions, Peloton generates revenue through fitness apparel and accessories. These items, while a smaller portion of overall revenue, contribute to brand loyalty and help foster Peloton's community-driven image. Accessories such as yoga mats, water bottles, and weights enhance the home fitness experience while reinforcing Peloton's brand. Through its hybrid business model, Peloton appeals to a consumer base that values high-end, tech-enhanced fitness experiences, flexible scheduling, and the social aspect of community-driven workouts.

#### *The Team - Executive Officers*

**John Foley** – As Peloton's co-founder and CEO since 2012, John Foley has overseen Peloton's rise from a startup to a major player in fitness technology. Previously, Foley

was President of eCommerce at Barnes & Noble, where he developed a strong background in digital sales and marketing. Before this, Foley co-founded Pronto.com, a price comparison platform that gave him experience in data-driven consumer insight. With degrees in Industrial Engineering from Georgia Tech and an M.B.A. from Harvard, Foley's expertise in operational efficiency and business strategy has been integral to Peloton's growth and market positioning. His leadership has helped Peloton differentiate itself through technology-driven, at-home fitness.

**William Lynch** – Since becoming Peloton's President in 2017, William Lynch has leveraged his experience as former CEO of Barnes & Noble, where he led the development of the Nook e-reader and introduced digital innovations in the publishing industry. His roles at Savant Systems and HSN.com further honed his expertise in consumer electronics and digital platforms. With degrees in Economics from the University of Texas and an M.B.A. from Columbia, Lynch's strategic and technical acumen complements Peloton's goals of integrating user-friendly technology with high-quality content to deliver an immersive fitness experience.

**Jill Woodworth** – Joining Peloton as CFO in 2018, Jill Woodworth brings over two decades of financial expertise, including experience as Managing Director at JPMorgan Chase. Her prior roles in investment banking at Morgan Stanley involved working with capital markets and financial strategy, giving her the ability to oversee Peloton's financial management and investor relations effectively. Woodworth holds a B.S. in Economics from MIT, providing her with strong analytical skills that help in navigating Peloton's growth and expanding its financial footprint in a competitive landscape.

**Thomas Cortese** – A Peloton co-founder, Thomas Cortese has served as COO since 2012, later also leading Product Development. With prior experience as CEO of Proust.com, a memory-sharing platform, and VP of Product Management at Pronto.com, Cortese has a strong background in product innovation. His education in Philosophy from George Washington University adds a unique perspective on user experience, making him adept at creating consumer-centric products that align with Peloton's mission to bring boutique fitness into users' homes.

**Hisao Kushi** – Serving as Chief Legal Officer since 2015, co-founder Hisao Kushi brings extensive legal experience from his roles as General Counsel at Liberty Media

subsidiaries like Evite and Gifts.com, where he worked on compliance in digital services. Kushi's legal insight helps Peloton navigate regulatory and intellectual property matters in the digital fitness and streaming space. His education includes a B.A. in English from UMass Amherst and a J.D. from Boston College, equipping him to manage legal complexities while supporting Peloton's innovation.

### *Non-Employee Directors*

Peloton's non-employee board members bring diverse expertise to support its growth in the high-end, tech-enabled fitness market. Erik Blachford's background in digital marketplaces, Karen Boone's experience in consumer goods finance, and Jay Hoag's leadership in tech investment offer critical insights into scaling operations and brand management. Meanwhile, Jon Callaghan and Howard Draft contribute strategic perspectives from venture capital and marketing, respectively, and Pamela Thomas-Graham provides guidance on luxury market positioning. For further information on Peloton's management team, consult Exhibit 3.

### *Company History*

John Foley left Barnes & Noble in 2012. At the time, he was serving as the president of the eCommerce division. After leaving the company, he focused on founding Peloton. After conceiving Peloton, John Foley shared his vision with his wife, Jill, who provided crucial early support. On the same year, during a shared vacation, Foley discussed the concept with John Pleasants, President of Disney's Interactive Media Group, receiving positive feedback and a first angel investor. Foley then reached out to Hisao Kushi and Tom Cortese, former colleagues from IAC Corporation, who eagerly joined the founding team. In just four key conversations, Foley secured the backing of his spouse, attracted an initial investor, and assembled a strong management core, setting the foundation for Peloton's future success.

To kickstart Peloton's journey, John Foley and his team faced an early strategic challenge: should they incorporate their new software into an existing stationary bike to launch quickly, or design a custom bike from scratch? Given their limited initial capital and uncertainty about finding a suitable bike on the market, this decision was critical. Foley initially hoped to bring a bike to market within a few months in 2012, but when no existing

bike met their needs, Peloton had to design and manufacture its own, delaying the timeline by about two years. This extended development process delayed the launch of Peloton's first bike to 2014, following a Kickstarter campaign that raised over \$307,332 (297 backers). To promote the campaign effectively, Peloton hired video professionals and editors to create compelling marketing content (costing around \$6,500) and partnered with media outlets like The Wall Street Journal and Time, targeting an audience of economically minded consumers. The campaign offered an "early bird" special at a discounted price starting at \$1,500 per bike, ultimately securing 178 orders. While these efforts helped generate initial interest, the company continued to face significant challenges, including delays in production, difficulties in securing additional funding, and the ongoing task of convincing investors of the feasibility and scalability of their hybrid hardware and subscription-based business model. Despite these hurdles, Peloton's determination and strategic refinement paved the way for its first connected fitness bike to enter the market.

In 2012, John Foley faced a significant challenge in securing funding for Peloton, a startup with no established track record and considerable market risk in terms of both consumer acceptance and execution. To kickstart the seed funding round, he turned to family and friends, successfully raising \$400,000 from twelve investors. This initial funding laid the foundation for future growth despite the inherent risks associated with the unproven market and product concept.

### *Crafting the Fitness Experience*

In the early stages of Peloton's development, the company primarily functioned as a technology and software enterprise. However, to fulfil its mission of revolutionizing the fitness experience by bringing the excitement of studio spinning classes into homes, it became evident that Peloton needed to recruit skilled instructors. In fact, Foley's recognized that partnering with renowned fitness instructors was crucial for attracting customers and enhancing brand credibility.

Moreover, Peloton sought partnerships with established fitness studios to promote its offerings and provide these studios with an additional revenue stream through online classes. However, companies like SoulCycle and Flywheel viewed Peloton's model as a direct competitive threat, ultimately hindering potential collaborations. These studios

understood that a successful Peloton could divert clientele from their physical locations, making them resistant to Foley’s proposals. Consequently, the lack of partnerships forced Peloton to independently create its online content, necessitating significant capital investment to build a recording studio for production.

While securing partnerships with fitness studios proved challenging, recruiting instructors was more straightforward. Foley utilized social media to post advertisements targeting the best cycling instructors across the country, which yielded promising results. Jenn Sherman emerged as Peloton's first instructor in 2013. At the time, Sherman was a stay-at-home mom in her 40s with a burgeoning passion for indoor cycling, which had led her to establish a successful spinning studio. Her connection to Peloton was initiated when she sent a video demonstrating her enthusiasm for cycling, captivating Foley and illustrating her energetic teaching style.

Following Sherman’s recruitment, several notable instructors joined Peloton, including Robin Arzon, Hannah Corbin, and Cody Rigsby. To produce their initial online streaming content, Foley and his funding team transformed a makeshift fitness video studio equipped with rented lights and basic camera equipment. This improvised approach enabled Peloton to launch its digital fitness offerings and begin building a community around its innovative platform.

### *The Light After the Struggle*

#### **2014: Product Launch and Early Market Testing**

Peloton officially launched its first connected bike in 2014 (Exhibit 4), priced at approximately \$2,000—considerably more than other home exercise bikes at the time. However, Peloton wasn’t just selling a bike; it was offering a hybrid fitness solution combining high-quality hardware with access to live and on-demand cycling classes through a \$39 monthly subscription. Peloton's efforts were buoyed by a successful Series B funding round in April 2014, which raised \$10.5 million from investors like Tiger Global Management (see exhibit 5 for extended information on funding rounds).

#### **2015: Early Growth and Revenue Building**

By 2015, Peloton's direct-to-consumer sales model started to show promise. The strategy of selling bikes directly through its website and a few physical showrooms began to gain traction. Peloton also focused on building its content production capabilities, offering more fitness classes and hiring top-tier instructors. This growth momentum was fuelled by a Series C funding round in April 2015, which raised \$30 million from Tiger Global Management.

### **2016: Significant Revenue Growth**

In 2016, Peloton began to witness a substantial increase in revenue, driven by a growing customer base and the effectiveness of its subscription model. The company reported annual revenues of \$60 million, a remarkable leap from its earlier financial performance. By this time, Peloton had successfully sold over 10,000 bikes, establishing a solid foundation for its expanding community of fitness enthusiasts. Recognizing the potential to broaden its appeal, Peloton strategically diversified its product offerings beyond cycling. The company began introducing new fitness classes, including yoga, strength training, and bootcamp-style workouts, to its digital platform. This expansion not only enhanced the user experience for existing bike owners but also attracted a wider audience, allowing customers without bikes to access its premium fitness services. The company's progress was supported by a Series D funding round in December 2015, raising \$75 million from investors such as L Catterton.

### **2017: Explosive Growth, Crossing \$200 Million**

By 2017, Peloton's revenue skyrocketed to \$220 million (exhibit 6), largely driven by its growing base of tens of thousands of connected fitness subscribers. These subscribers paid a monthly fee for live and on-demand fitness classes. To fuel this expansion, Peloton secured a Series E funding round in May 2017, raising a massive \$325 million from investors such as Wellington Management, Fidelity Investments, and NBCUniversal. This round of funding was instrumental in scaling Peloton's operations and increasing brand awareness. With this capital, Peloton expanded its physical showrooms, ramped up advertising, and prepared for international expansion, setting the stage for global growth.

### **2018: Scaling the Business, Expanding Product Line**

In 2018, Peloton's revenue surged past \$400 million (exhibit 6) as its focus on customer acquisition began to pay off. The connected fitness subscription base grew to over 250,000 users. Despite strong revenue growth, profitability remained a challenge, as Peloton continued to invest heavily in marketing and product development. This year's momentum was supported by a Series F funding round in August 2018, which raised \$550 million from investors including Winslow Capital Management and GGV Capital.

### **2019: The Year of the IPO**

2019 was a landmark year for Peloton, as the company filed for its Initial Public Offering (IPO), shedding light on its impressive financial growth. For fiscal year 2019 (ending June 30), Peloton reported revenue of \$915 million, nearly double the \$435 million it had earned the previous year. Its connected fitness subscription base grew to over 511,202, with subscribers averaging 12 workouts per month.

#### *Profitability Challenges*

Peloton's profitability challenges, despite rapid revenue growth, stemmed from significant operational expenses related to its business model, which emphasized high-quality content production and hardware development. According to Peloton's S-1 filing and subsequent reports, the company's costs were driven by the need to maintain a robust library of live and on-demand classes. This required substantial investment in production studios, instructors, and content creation. By 2019, Peloton had amassed hundreds of thousands of subscribers, but its financial losses remained steep. For fiscal year 2019, Peloton reported a net loss of \$195.6 million, while revenue almost doubled to \$915 million.

A major factor behind these losses was the expensive infrastructure needed to sustain its connected fitness business. For example, Peloton invested heavily in producing exclusive, high-quality content, which included securing music licenses and maintaining a fleet of instructors across disciplines. Marketing alone spiked from \$107 million in 2018 to \$324 million in 2019 as Peloton pursued aggressive growth strategies.

Peloton attempted to scale its business to offset these high fixed costs, banking on the idea that as the subscriber base grew, the subscription revenue would eventually cover content creation expenses. Subscription Contribution Margin, a metric Peloton tracked

closely, did show improvements, but the company continued to experience cash burn due to ongoing capital investments and operational expenses. Furthermore, restructuring costs and legal settlements also added to the financial burden, contributing to overall losses.

### *The IPO window*

In early 2019, investor demand for high-growth tech-enabled stocks remained robust, largely driven by public market enthusiasm for disruptive technology companies in sectors like wellness and digital services. As demonstrated by successful IPOs of tech companies such as Zoom and Pinterest, investors showed interest in growth potential over immediate profitability, which supported a favourable environment for Peloton's growth-focused business model. Additionally, the Federal Reserve's low-interest rate policy (Exhibit 7) in 2019 contributed to a risk-on atmosphere, where investors sought growth-oriented opportunities rather than conservative or income-focused investments. This demand helped justify Peloton's decision to proceed with an IPO, as low-interest rates provided an optimal environment to maximize the capital raised from the offering.

The early part of 2019 saw a crowded IPO landscape (Exhibit 8) with high-profile listings from companies like Uber and Lyft, whose IPOs faced scrutiny due to their unclear profitability paths and heavy cash burn. This indicated a level of caution among investors toward companies without a clear roadmap to profitability. In response, Peloton's strategy emphasized revenue stability and growth potential, particularly through its hybrid revenue model of subscription services paired with hardware sales. This timing allowed Peloton to present a differentiated offering, highlighting its high subscription renewal rates and recurring revenue streams (Exhibit 1), which contrasted favourably against other tech IPOs focused solely on user growth.

Peloton's growth trajectory necessitated significant capital for expansion in product development, content creation, and international market entry. The decision to go public in September was, therefore, driven by the need to fund these strategic initiatives while demand was high. With mid-year financials reflecting strong growth in subscriptions and engagement, Peloton's public listing could present the company as a high-potential investment with a clear expansion roadmap. By entering the market in September, Peloton effectively capitalized on strong first-half results to attract investors looking to support ambitious growth-oriented companies.

Further bolstering the IPO was the backing of Technology Crossover Ventures (TCV), a major institutional investor that committed to a \$50 million anchor investment. TCV's involvement added credibility and highlighted their confidence in Peloton's long-term growth potential.

Strategically, September positioned Peloton to take advantage of seasonal demand increases for fitness products in the lead-up to New Year, when fitness spending typically spikes. Entering the public market ahead of this seasonal upswing allowed Peloton to capture potential investor enthusiasm for anticipated growth in subscriptions and hardware sales as fitness consumers prepared for the holiday and New Year periods.

In conclusion, the IPO timing in September 2019 enabled Peloton to enter a high-demand environment for growth stocks, capitalize on investor appetite for tech-enabled consumer goods, and prepare for seasonal demand in the fitness market. The combination of its financial results, strong investor backing, and favourable market conditions created a strategically sound window to support Peloton's ambitious expansion goals, maximizing shareholder value from the IPO. Exhibits 7 to 11 on IPO activity, S&P 500 performance, and Peloton's market conditions corroborate this rationale, providing a clear picture of why September 2019 represented an opportune time for Peloton to go public.

### *The Offering*

The Peloton IPO in 2019 was structured as a dual offering: the company directly placed<sup>1</sup> 40 million shares of its Class A common stock through a public sale and conducted a private placement with existing stockholder Technology Crossover Ventures (TCV), totalling \$50 million. The private placement shares, bought at the initial IPO price (assumed to be \$27.50 per share, based on mid-range estimates), amounted to 1,818,181 shares, but these shares were subject to a 180-day lock-up period, meaning they could not be sold during that time (Exhibit 12). Led by a consortium of major investment banks. Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC served as the lead bookrunning managers, indicating they were responsible for organizing the underwriting process, setting the offering price, and distributing the shares to investors. Bank of America Merrill Lynch, Barclays Capital Inc., UBS Securities LLC, and Cowen and

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<sup>1</sup> No shares were placed by Peloton's existing shareholders during the IPO.

Company, LLC were also key bookrunning managers, playing substantial roles in promoting and selling the offering. Several additional banks, including Canaccord Genuity LLC, Evercore Group L.L.C., and others, served as co-managers, supporting the broader distribution and administrative tasks of the IPO.

The public IPO also granted an overallotment option to purchase an additional 6 million shares, potentially bringing the total Class A shares sold in the IPO to 46 million. Following the IPO and private placement, Peloton anticipated a total of approximately 41.8 million shares of Class A stock and 235.9 million shares of Class B stock to be outstanding. If the underwriters fully exercised their option, this would raise the share count to 47.8 million for Class A and 283.7 million total shares outstanding.

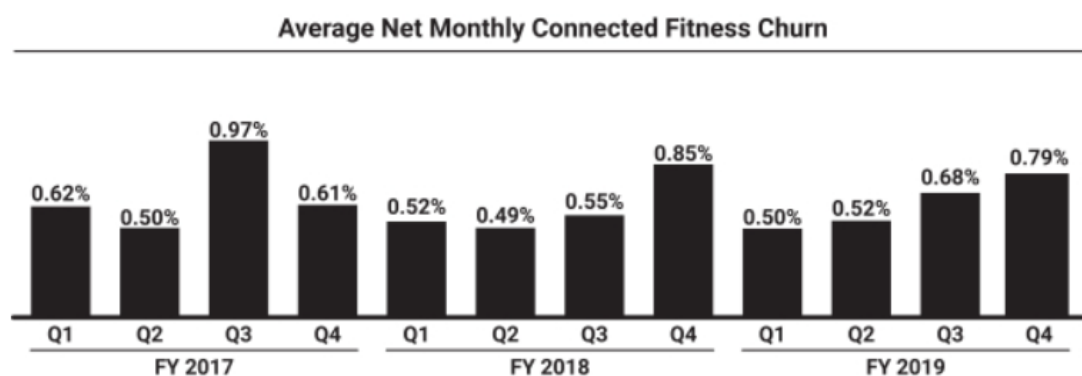
Class A shares were granted one vote per share, whereas Class B shares carried 20 votes each, giving substantial control to Class B stockholders even post-IPO. The significant number of Class B shares held by Peloton's directors and executive officers (collectively holding 59.9% of voting power post-IPO) effectively concentrated control within this group. Notably, Class B shares were convertible to Class A shares, either voluntarily or under certain conditions, such as a vote by 66 2/3% of Class B stockholders, 10 years from IPO, or if Class B stockholders represented less than 1% of voting power. The estimated \$1.1 billion raised through the IPO, or \$1.3 billion if the overallotment option was fully exercised, would be allocated to increase Peloton's capitalization, provide financial flexibility, and enable continued growth in areas such as R&D, marketing, and potential strategic acquisitions.

### *The last sprint*

As Carlos approaches the decision to invest in Peloton, he weighs several critical factors. Under CEO John Foley's leadership, Peloton's mission of bringing boutique fitness studio experiences into homes has resonated strongly with consumers, positioning the company for growth in the rapidly expanding digital fitness market. Despite reporting negative EBITDA, Peloton's hybrid business model combining premium hardware sales with a lucrative subscription-based service projects robust revenue potential, with estimated revenues reaching \$915 million in 2019. The IPO share price is expected to be between \$27 and \$29 per share, valuing the company approximately between \$7.6 and \$7.9 billion.

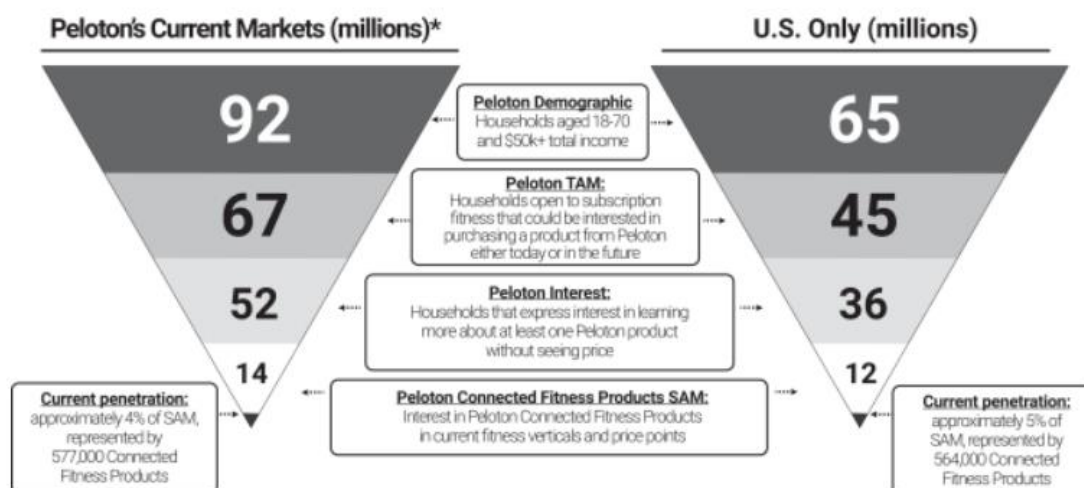
While this valuation aligns with industry benchmarks, Carlos's analysis of from comparable companies, such as Planet Fitness, suggests that there could be both upside potential and inherent risks tied to this investment. Moreover, Carlos has compiled a categorized list of comparable firms under Subscription Content Providers and Fitness Equipment, and Gyms, presented in Exhibit 13. He must consider whether Peloton's ambitious growth strategy, including international expansion and product diversification, can counterbalance its current unprofitability. Ultimately, Carlos faces the challenge of determining if Peloton's market momentum and long-term vision outweigh the short-term financial uncertainties associated with this high-growth venture.

## Exhibit 1: Peloton's customer engagement performance



Source: Peloton's IPO Prospectus

## Exhibit 2: Peloton's Market Overview



\* Represents our total addressable market within our current and announced markets—the United States, the United Kingdom, Canada, and Germany.

Source: Peloton's IPO Prospectus

## Exhibit 3: Peloton's Management team

### Executive Officers and Non-Employee Directors

The following table provides information regarding our executive officers and directors as of June 30, 2019.

Name	Age	Position(s)
<b>Executive Officers:</b>		
John Foley	48	Chairman of the Board of Directors and Chief Executive Officer
William Lynch	49	President and Director
Jill Woodworth	47	Chief Financial Officer
Thomas Cortese	39	Chief Operating Officer and Head of Product Development
Hisao Kushi	54	Chief Legal Officer and Secretary
<b>Non-Employee Directors:</b>		
Erik Blachford(1)(3)*	52	Director
Karen Boone(2)	45	Director
Jon Callaghan(1)(2)	50	Director
Howard Draft(2)	65	Director
Jay Hoag(3)	61	Director
Pamela Thomas-Graham(1)(3)	56	Director

\* Lead independent director.

(1) Member of the Nominating, Governance, and Corporate Responsibility Committee.

(2) Member of the Audit Committee.

(3) Member of the Compensation Committee.

### **Executive Officers**

**John Foley** is one of our co-founders and has served as our Chief Executive Officer since June 2012 and chairman of our board of directors since April 2015 when we converted from a limited liability company to a Delaware corporation. Before our founding, Mr. Foley served as the President of eCommerce at Barnes & Noble, Inc., a retailer of content, digital media, and educational products, from August 2010 to June 2012. From March 2005 to August 2010, Mr. Foley served as the co-founder and Chief Executive Officer of Pronto.com, a price comparison service platform and a subsidiary of IAC/InterActiveCorp, a media and internet company. Mr. Foley holds a B.S. in Industrial Engineering from the Georgia Institute of Technology and an M.B.A. from Harvard Business School. We believe Mr. Foley is qualified to serve on our board of directors because of the historical knowledge, operational expertise, leadership, and continuity that he brings to our board of directors as our co-founder and Chief Executive Officer.

**William Lynch** has served as our President since January 2017 and as a member of our board of directors since August 2019. Prior to joining us, Mr. Lynch served as the Chief Executive Officer of Savant Systems, LLC, a luxury smart home technology company, from May 2014 to November 2016. From March 2010 to June 2013, Mr. Lynch served as the Chief Executive Officer of Barnes & Noble, and from February 2009 to March 2010, Mr. Lynch served as the President of Barnes & Noble.com, a business division of Barnes & Noble, where he oversaw the creation of the Nook product line and software. Mr. Lynch has also held senior management roles at HSN.com, IAC/InterActiveCorp, and Palm Computing. Mr. Lynch previously served on the board of directors of Barnes & Noble from October 2011 to July 2013. Mr. Lynch holds a B.S. in Economics from the University of Texas at Austin and an M.B.A. from Columbia Business School. We believe Mr. Lynch is qualified to serve on our board of directors because of the strategic and operational experience and leadership that he brings as our President and the former chief executive officer and executive leader of public and private companies.

**Jill Woodworth** has served as our Chief Financial Officer since April 2018. From April 2006 to April 2018, Ms. Woodworth served as a Managing Director for J.P. Morgan, a multinational investment bank and financial services company. From July 1994 to April 2006, Ms. Woodworth worked in investment banking at Morgan Stanley & Co. LLC, a multinational investment bank and financial services company, where she held various positions within equity capital markets and client coverage. Ms. Woodworth holds a B.S. in Economics from the Massachusetts Institute of Technology.

**Thomas Cortese** is one of our co-founders and has served as our Chief Operating Officer since February 2012 and Head of Product Development since April 2019. Prior to our founding, Mr. Cortese served as the Chief Executive Officer of Proust.com, an online social media and memory sharing company, and a subsidiary of IAC/InterActiveCorp, from February 2010 to January 2012. From February 2008 to February 2010, Mr. Cortese served as the Vice President of Product Management at Pronto.com, a price comparison service platform and a subsidiary of IAC/InterActiveCorp, a media and internet company. Mr. Cortese holds a B.A. in Philosophy from The George Washington University.

**Hisao Kushi** is one of our co-founders and has served as our Secretary since March 2015 and our Chief Legal Officer since June 2015. Prior to that, Mr. Kushi served as an advisor to us from January 2012 to May 2015. From November 2013 to January 2015, Mr. Kushi served as the Chief Operating Officer of Evite, Inc., a social-planning website for creating and sending digital invitations, and a subsidiary of Liberty Media Corporation. From December 2010 to April 2014, Mr. Kushi served as General Counsel to a variety of companies owned by Liberty Media including BuySeasons, Inc., Evite, and Gifts.com. Prior to Liberty Media, between 2003 and 2010, Mr. Kushi served as general counsel to a number of companies owned by IAC/InterActiveCorp, including Citysearch, Pronto, and Proust, among others. Mr. Kushi holds a B.A. in English from the University of Massachusetts Amherst and a J.D. from Boston College.

### **Non-Employee Directors**

**Erik Blachford** has served as a member of our board of directors since April 2015. As an independent venture capital investor and advisor since January 2011, he focuses on consumer tech and travel companies and has invested in companies such as Zillow, Glassdoor, Grove Collaborative, and Hotel Tonight. He was a member of the founding team at Expedia, and served as the company's second Chief Executive Officer, then as the Chief Executive Officer of IAC/InterActiveCorp's travel division, IAC Travel, until 2005. He was the Chief Executive Officer at Terrapass, Inc. from April 2007 to September 2009, and the Chief Executive Officer at Butterfield & Robinson, Inc. from September 2009 to January 2011. Mr. Blachford has also consulted as a Venture Partner at Technology Crossover Ventures, a private equity and venture capital firm, since March 2011. Mr. Blachford currently serves on the board of directors of Zillow Group, Inc. and several private companies. He holds a B.A. in English and theater from Princeton University, an M.B.A. from Columbia Business School, and an M.F.A. in Creative Writing from San Francisco State University. We believe Mr. Blachford is qualified to serve on our board of directors based on his strategic and operational experience as a former executive officer and his extensive experience working with the management teams of, and investing in, a number of privately and publicly held companies.

**Karen Boone** has served as a member of our board of directors since January 2019. Ms. Boone most recently served as the President, Chief Financial and Administrative Officer of Restoration Hardware, Inc., a home furnishings company, from May 2014 to August 2018 and as Chief Financial Officer from June 2012 to May 2014. Prior to that, from 1996 to 2012, Ms. Boone held various roles at Deloitte & Touche LLP, a public accounting firm, most recently as an Audit Partner. Ms. Boone currently serves on the board of directors of Sonos, Inc. Ms. Boone holds a B.S. in Business Economics from the University of California, Davis. We believe Ms. Boone is qualified to serve on our board of directors because of her extensive experience leading a consumer brand and her expertise and background with regard to accounting and financial matters.

**Jon Callaghan** has served as a member of our board of directors since April 2015. Mr. Callaghan is a founder and Managing Member of True Ventures, a venture capital firm, where he has served since January 2006. Prior to True Ventures, Mr. Callaghan served as a Managing Director at Globespan Capital, a venture capital firm, and as a Managing Partner at CMGI@Ventures, CMGI Inc.'s affiliated venture capital group. Mr. Callaghan served on the board of directors of Fitbit, Inc. from September 2008 to May 2018 and currently serves as a member of the board of directors of several private companies. Mr. Callaghan holds a B.A. in Government from Dartmouth College and an M.B.A. from Harvard Business School. We believe Mr. Callaghan is qualified to serve on our board of directors because of his extensive experience working with the management teams of, and investing in, a number of privately and publicly held companies.

**Howard Draft** has served as a member of our board of directors since April 2015. Mr. Draft retired as the Executive Chairman at DraftFCB, a global integrated marketing communications firm in 2015. He was Chairman and CEO of DraftWorldWide from 1988 until 2006, at which time FCB and Draft were merged. Mr. Draft served as their Chairman and CEO until 2009. Mr. Draft previously sat on the board of directors of optionsXpress Holdings, Inc. from April 2007 until its acquisition by Charles Schwab Corporation in September 2011. Mr. Draft holds a B.A. in Philosophy and Art History from Ripon College. We believe Mr. Draft is qualified to serve on our board of directors because he brings entrepreneurial and

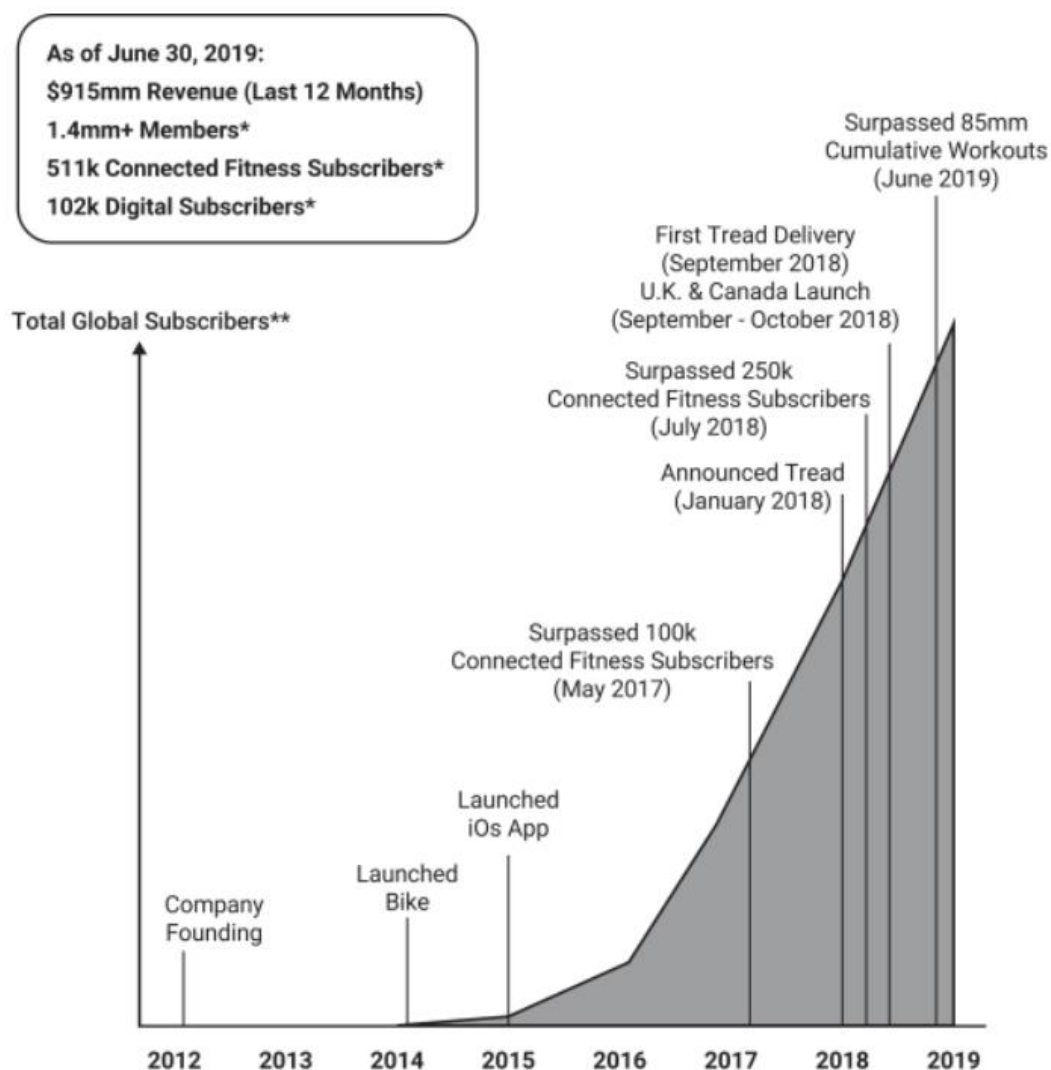
executive management experience, particularly in the areas of direct marketing and integrated marketing offerings on a global basis.

**Jay Hoag** has served as a member of our board of directors since August 2018. Mr. Hoag is a co-founder and General Partner of Technology Crossover Ventures where he has served since June 1995. Mr. Hoag currently serves on the board of directors of Electronic Arts Inc., Tripadvisor, Inc., Zillow Group, Inc., and Netflix Inc. and several private companies. Mr. Hoag also previously served on the board of directors of various public companies, including, TechTarget, Inc. from May 2004 to July 2016. Mr. Hoag holds a B.A. from Northwestern University and an M.B.A. from the University of Michigan. We believe Mr. Hoag is qualified to serve on our board of directors because of his extensive experience working with the management teams of, and investing in, a number of privately and publicly held companies.

**Pamela Thomas-Graham** has served as a member of our board of directors since March 2018. Ms. Thomas-Graham is the founder and has served as the Chief Executive Officer at Dandelion Chandelier LLC, a private digital media enterprise focused on the world of luxury, since August 2016. From October 2015 to August 2016, Ms. Thomas-Graham served as Chair, New Markets, of Credit Suisse Group AG, a multinational investment bank and financial services company, and from January 2010 to October 2015, she served as Chief Marketing and Talent Officer, Head of Private Banking & Wealth Management New Markets, and member of the Executive Board of Credit Suisse. From January 2008 to January 2010, she served as a Managing Director at Angelo, Gordon & Co., a privately-held investment firm. From September 2005 to December 2007, Ms. Thomas-Graham was Group President of Liz Claiborne Inc.'s Women's Better and Moderate Apparel business unit. She also served as President, Chief Executive Officer, and Chairman of NBC Universal's CNBC television business unit, Director of CNBC International, and President and Chief Executive Officer of CNBC.com. Ms. Thomas-Graham currently serves on the board of directors of Bank of N.T. Butterfield & Son, Norwegian Line Holdings Ltd., and The Clorox Company. Ms. Thomas-Graham holds a B.A. in Economics from Harvard University and a joint M.B.A. from Harvard Business School and J.D. from Harvard Law School. We believe Ms. Thomas-Graham is qualified to serve on our board of directors because she brings invaluable strategic, operational, and corporate governance experience as a chief executive officer and executive leader of public and private companies.

Source: Peloton's IPO Prospectus

**Exhibit 4:** Main Peloton’s milestones



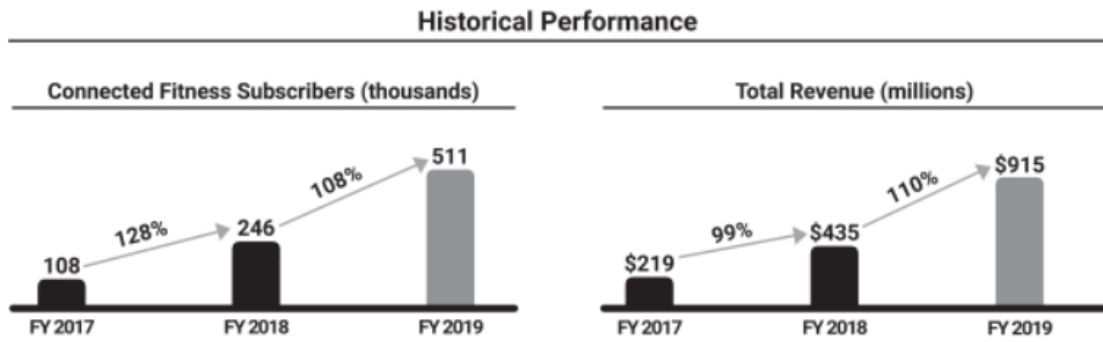
Source: Peloton’s IPO Prospectus

**Exhibit 5:** Peloton’s Financing Rounds

Round	Date	Lead Investor	Amount (\$ millions)
Seed	February 2012	Bullish	0.4
Series A	December 2012	Grace Beauty Capital	3.5
Crowdfunding	July 2013		0.3
Series B	April 2014	Tiger Global Management (TGM)	10.5
Series C	April 2015	Tiger Global Management (TGM)	30
Series D	December 2015	L Catterton	75
Series E	May 2017	QuestMark Partners	325
Series F	August 2018	Winslow Capital Management	550

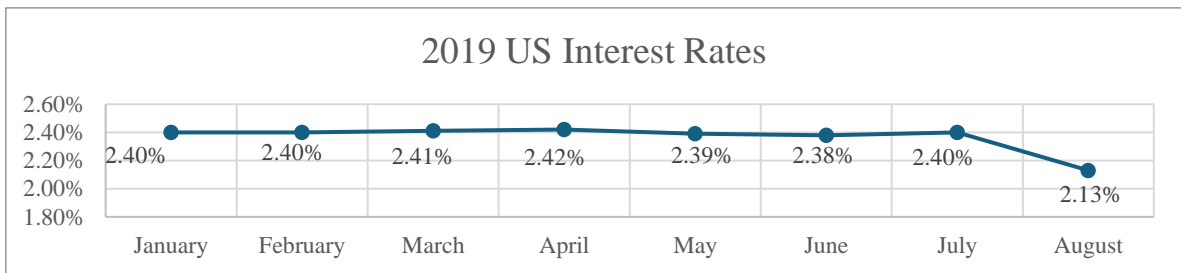
Source: Golden

**Exhibit 6: Peloton’s Subscription and Revenue Overview**



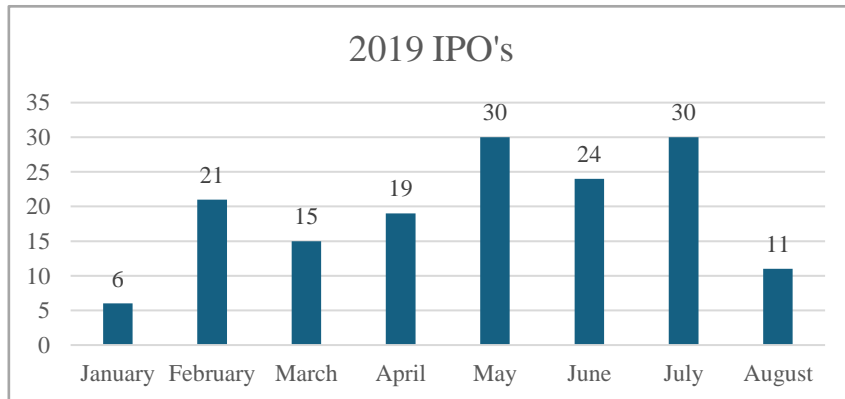
Source: Peloton’s IPO Prospectus

**Exhibit 7: 2019 US Interest Rates**



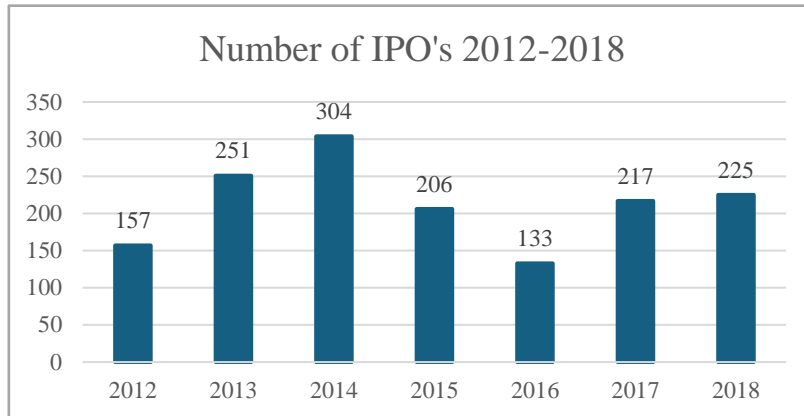
Source: fred.stlouisfed.org

**Exhibit 8: Number of IPOs in 2019**



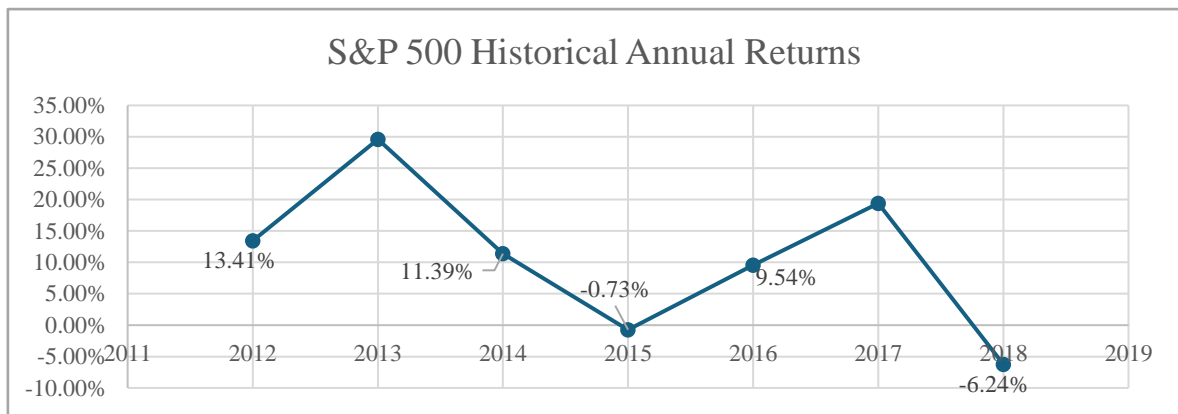
Source: stockanalysis.com

**Exhibit 9:** Number of IPO's 2012-2018



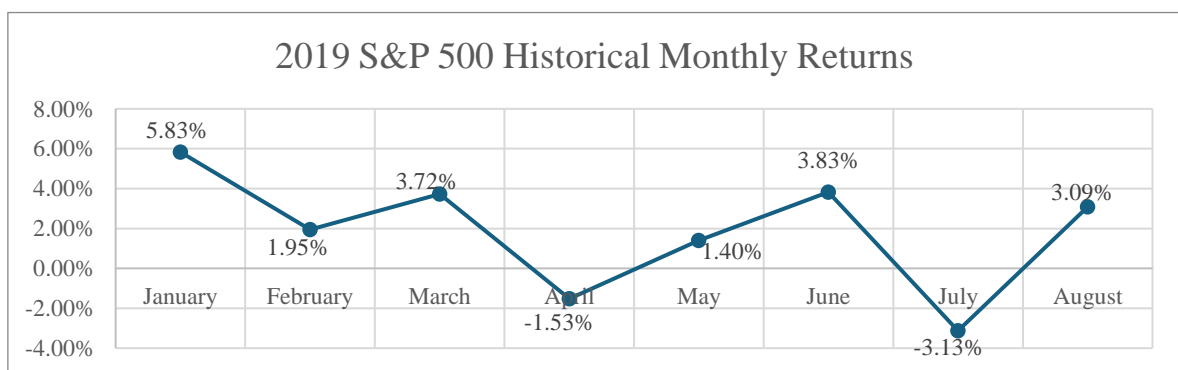
Source: stockanalysis.com

**Exhibit 10:** S&P 500 Historical Annual Returns




Source: macrotrends.net

**Exhibit 11:** 2019 S&P 500 Historical Monthly Returns



Source: macrotrends.net

**Exhibit 12: Front Page of Peloton’s IPO Prospectus**



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**CLASS A COMMON STOCK**

**40,000,000 SHARES**

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This is the initial public offering of shares of Class A common stock of Peloton Interactive, Inc.

We are offering 40,000,000 shares of our Class A common stock.

We have two classes of authorized common stock, Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion rights. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to 20 votes per share and is convertible into one share of Class A common stock. Outstanding shares of Class B common stock will represent approximately 99.1% of the voting power of our outstanding capital stock immediately following the completion of this offering and the private placement, with our directors, executive officers, and 5% stockholders, and their respective affiliates, holding approximately 59.9% of the voting power of our outstanding capital stock immediately following the completion of this offering and the private placement, assuming in each case no exercise of the underwriters’ option to purchase additional shares.

Prior to this offering, there has been no public market for our Class A common stock. It is currently estimated that the initial public offering price per share will be between \$26.00 and \$29.00.

We have applied to list our Class A common stock on the Nasdaq Global Select Market under the symbol “PTON.”

We are an “emerging growth company” as that term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, may elect to comply with certain reduced public company reporting requirements in future reports after the completion of this offering. In a private placement, entities affiliated with TCV, an existing stockholder, have agreed, subject to certain regulatory conditions, to purchase a number of shares of Class A common stock with an aggregate purchase price of approximately \$50.0 million, at a price per share equal to the initial public offering price. Based upon an assumed initial public offering price of \$27.50 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, this would be 1,818,181 shares of Class A common stock.

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SEE THE SECTION TITLED “RISK FACTORS” BEGINNING ON PAGE 15 TO READ ABOUT FACTORS YOU SHOULD CONSIDER BEFORE BUYING SHARES OF OUR CLASS A COMMON STOCK.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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	PER SHARE	TOTAL
Initial public offering price .....	\$	\$
Underwriting discount <sup>(1)</sup> .....	\$	\$
Proceeds, before expenses, to us .....	\$	\$

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(1) See the section titled “Underwriting” for a description of the compensation payable to the underwriters.

To the extent that the underwriters sell more than 40,000,000 shares of Class A common stock, the underwriters have the option to purchase up to 6,000,000 additional shares at the initial public offering price, less the underwriting discount.

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The underwriters expect to deliver the shares against payment in New York, New York on \_\_\_\_\_, 2019.

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**GOLDMAN SACHS & CO. LLC**

**J.P. MORGAN**

**BofA MERRILL LYNCH**

**BARCLAYS**

**UBS INVESTMENT BANK**

**COWEN**

CANACCORD GENUITY

EVERCORE ISI

JMP SECURITIES

KEYBANC CAPITAL MARKETS

NEEDHAM & COMPANY

OPPENHEIMER & CO.

RAYMOND JAMES

STIFEL

SUNTRUST

ROBINSON HUMPHREY

WILLIAM BLAIR

TELSEY ADVISORY GROUP

ACADEMY SECURITIES

SIEBERT CISNEROS SHANK & CO., LLC

R. SEELAUS & CO., LLC

THE WILLIAMS CAPITAL GROUP, LP

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Prospectus dated \_\_\_\_\_, 2019.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES, AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED. SUBJECT TO COMPLETION, DATED SEPTEMBER 10, 2019.

**Source: Peloton’s IPO Prospectus**

## Exhibit 13: List of comparable companies

Companies	Ticket	Company Description	TTM Cash and Cash Equivalents	TTM Debt	Share Price <sup>2</sup>	TTM Shares Outstanding	MV Equity <sup>3</sup>	Revenue (TTM)	EBITDA (TTM)	Beta 5Y	CAGR <sup>1</sup>
<b>Subscription Content Providers</b>											
Netflix is a global streaming entertainment service offering a vast library of films, documentaries, and TV series, as well as producing original content. Founded in 1997, it pioneered subscription-based streaming and now serves over 200 million subscribers worldwide.											
Netflix	NFLX		3,794.48	10,360.06	\$246.39	435.37	107,271.80	15,794.34	9,476.60	1.25	21.38%
Spotify is a digital music streaming platform that provides users access to a wide catalog of songs, albums, and podcasts.											
Spotify	SPOT		891.00	0.00	\$112.16	177.15	19,869.59	5,259.00	-11.00	1.56	23.87%
<b>Fitness Equipment and Gyms</b>											
Lululemon is a premium athletic apparel company known for high-quality yoga and activewear, promoting a lifestyle of wellness and mindfulness. It has expanded into digital fitness experiences and innovative gear, emphasizing technical materials and performance design.											
Lululemon	LULU		881.32	0.00	\$151.89	133.41	20,264.10	3,288.32	756.31	1.24	12.03%
Planet Fitness operates a nationwide chain of affordable fitness clubs, targeting casual gym-goers with a welcoming, "Judgement Free Zone" <sup>3</sup> environment. The franchise-based model makes it one of the largest fitness center brands in the U.S. with a high member retention rate.											
Planet Fitness	PLNT		289.43	1,160.13	\$52.58	97.95	5,150.21	572.90	223.20	1.49	14.85%

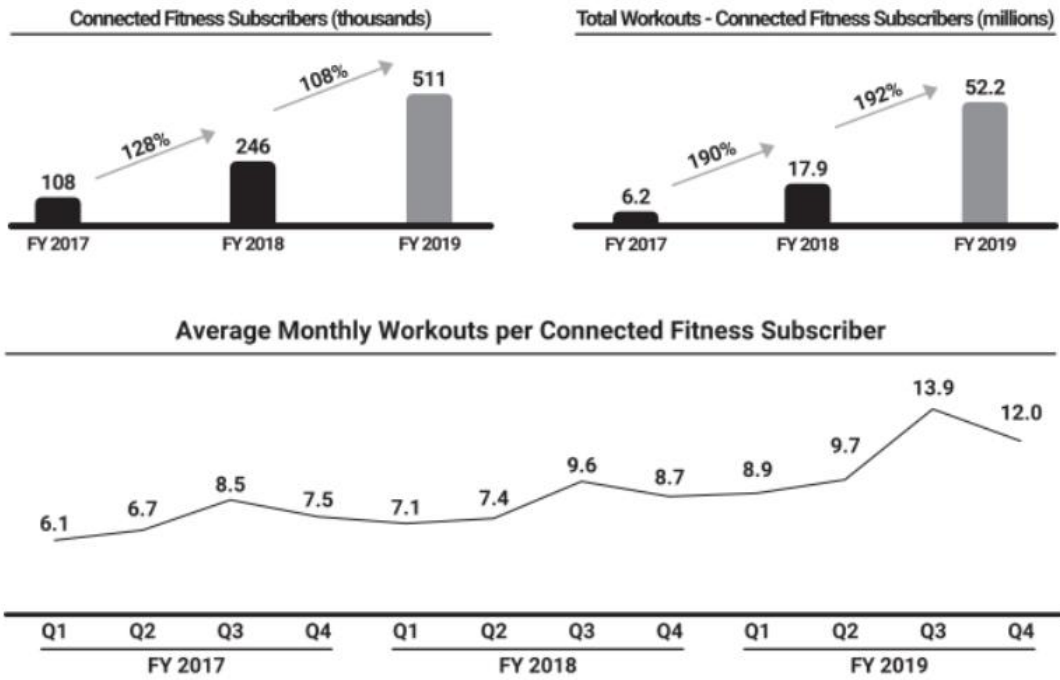
<sup>1</sup> CAGR (Compound Annual Growth Rate) was calculated based on the revenue growth of each company over the last three years (2016-2018), using data obtained from their respective financial statements and annual reports.

<sup>2</sup> Share Price at 28/12/2018

<sup>3</sup> Calculated as share price times n<sup>o</sup> of shares outstanding

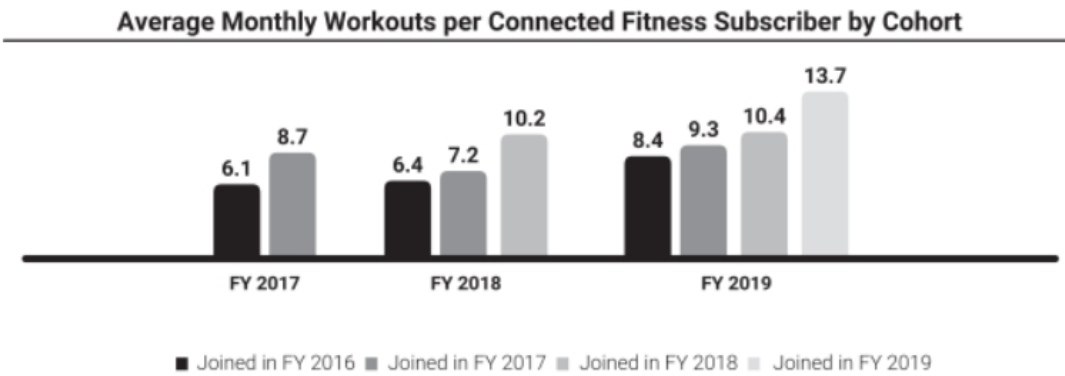
Source: All financial data taken from YCharts

**Exhibit 14:** Peloton’s customer engagement performance



Source: Peloton’s IPO Prospectus

**Exhibit 15:** Peloton’s customer engagement performance



Source: Peloton’s IPO Prospectus

## Exhibit 16: Peloton's Income Statement

**PELTON INTERACTIVE, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(in millions, except share and per share amounts)

Fiscal Year Ended June 30,		2017	2018	2019
<b>Revenue:</b>				
	Connected Fitness Products	\$ 183.50	\$ 348.60	\$ 719.20
	Subscription	32.50	80.30	181.10
	Other	2.60	6.20	14.7
	<b>Total revenue</b>	<b>218.60</b>	<b>435.00</b>	<b>915.00</b>
<b>Cost of revenue:</b>				
	Connected Fitness Products	113.50	195.00	410.80
	Subscription	29.30	45.50	103.70
	Other	1.90	4.90	17.00
	<b>Total cost of revenue</b>	<b>144.70</b>	<b>245.40</b>	<b>531.40</b>
	<b>Gross profit</b>	<b>73.90</b>	<b>189.60</b>	<b>383.60</b>
<b>Operating expenses:</b>				
	Research and development	13.00	23.40	54.80
	Sales and marketing	86.00	151.40	324.00
	General and administrative	45.60	62.40	207.00
	<b>Total operating expenses</b>	<b>144.70</b>	<b>237.10</b>	<b>585.8</b>
	<b>Loss from operations</b>	<b>-70.70</b>	<b>-47.50</b>	<b>-202.30</b>
<b>Other (expense) income, net:</b>				
	Interest (expense) income, net	-0.30	-0.30	7.00
	Other (expense) income, net	—	—	-0.30
	<b>Total other (expense) income, net</b>	<b>-0.30</b>	<b>-0.30</b>	<b>6.70</b>
	<b>Loss before provision for income taxes</b>	<b>(71.1)</b>	<b>(47.8)</b>	<b>(195.6)</b>
	Provision for income taxes	—	0.10	0.10
	<b>Net loss</b>	<b>\$ -71.10</b>	<b>\$ -47.90</b>	<b>\$ -195.60</b>
	Net loss attributable to common stockholders	\$ -163.40	\$ -47.90	\$ -245.70
	Net loss per share attributable to common stockholders, basic and diluted	\$ -5.97	\$ -2.18	\$ -10.72
	Weighted-average common shares outstanding, basic and diluted	27,379,789.00	21,934,228.00	22,911,764.00
	Pro forma net loss per share attributable to common stockholders, basic and			\$ -0.84
	Pro forma weighted-average common shares outstanding, basic and diluted			233,552,393.00
<b>Other comprehensive income:</b>				
	Change in unrealized gain (loss) on marketable securities	\$ -	\$ -	\$ -
	<b>Total other comprehensive income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0.20</b>
	<b>Comprehensive loss</b>	<b>\$ -71.10</b>	<b>\$ -47.90</b>	<b>\$ -195.40</b>

Source: Peloton's IPO Prospectus

## Exhibit 17: Peloton's Balance Sheet

**PELOTON INTERACTIVE, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in millions, except share and per share amounts)

As of June 30,	2018	2019
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 150.60	\$ 162.10
Marketable securities	—	216.00
Accounts receivable, net of allowances	9.40	18.50
Inventories	25.30	136.60
Prepaid expenses and other current assets	18.40	48.40
<b>Total current assets</b>	<b>203.8</b>	<b>581.7</b>
Property and equipment, net	36.20	249.70
Intangible assets, net	24.50	19.50
Goodwill	4.20	4.30
Restricted cash	1.00	0.80
Other assets	1.60	8.50
<b>Total assets</b>	<b>\$ 271.20</b>	<b>\$ 864.50</b>
<b>LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' DEFICIT</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 28.10	\$ 92.20
Accrued expenses	51.40	104.50
Customer deposits and deferred revenue	88.50	90.80
Other current liabilities	2.20	3.30
<b>Total current liabilities</b>	<b>170.20</b>	<b>290.80</b>
Deferred rent	9.40	23.70
Build-to-suit liability	—	147.10
Other non-current liabilities	1.00	0.40
<b>Total liabilities</b>	<b>180.50</b>	<b>462.00</b>
Commitments and contingencies (Note 11)		
Redeemable convertible preferred stock, \$0.000025 par value, 182,193,592 and 215,443,468 shares authorized; 176,313,468 and 210,640,629 shares issued and outstanding as of June 30, 2018 and 2019, respectively; no shares issued and outstanding as of June 30, 2019	406.3	941.1
Stockholders' Deficit:		
Common stock, \$0.000025 par value, 266,946,216 and 400,000,000 shares authorized; 25,936,848 and 25,301,604 shares issued and outstanding as of June 30, 2018 and 2019.	—	—
Additional paid-in capital	20.50	90.70
Accumulated other comprehensive loss	—	0.20
Accumulated deficit	-336.10	-629.50
<b>Total stockholders' deficit</b>	<b>-315.60</b>	<b>-538.60</b>
<b>Total liabilities, redeemable convertible preferred stock, and stockholders' deficit</b>	<b>\$ 271.20</b>	<b>\$ 864.50</b>

Source: Peloton's IPO Prospectus

## Exhibit 18: Peloton's Cash Flow Statement

**PELTON INTERACTIVE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions)

Fiscal Year Ended June 30,	2017	2018	2019
<b>Cash Flows from Operating Activities:</b>			
Net loss	\$ -71.10	\$ -47.90	\$ -195.60
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	3.70	6.60	21.70
Stock-based compensation expense	10.30	8.50	89.50
Impairment of long-lived assets	0.20	0.70	0.50
Amortization of debt issuance costs	0.10	0.30	0.30
Amortization of (discount) on marketable securities	—	—	-2.20
Changes in operating assets and liabilities:			
Accounts receivable	-3.60	-4.10	-9.10
Inventories	-5.00	-9.60	-111.30
Prepaid expenses and other current assets	-1.00	-12.10	-30.30
Other assets	-1.10	1.40	-5.50
Accounts payable and accrued expenses	22.10	41.00	117.30
Customer deposits and deferred revenue	19.00	63.00	2.20
Other liabilities	7.80	1.90	13.80
Net cash (used in) provided by operating activities	-18.60	49.70	-108.60
<b>Cash Flows from Investing Activities:</b>			
Purchases of marketable securities	—	—	-249.80
Maturities of marketable securities	—	—	36.00
Cash paid for cost method investment	—	—	-0.60
Purchases of property and equipment	-10.20	-28.00	-83.00
Acquisition of business, net of cash acquired	—	-28.70	-0.10
Net cash used in investing activities	-10.20	-56.70	-297.50
<b>Cash Flows from Financing Activities:</b>			
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	315.60	—	539.10
Repurchase of common and redeemable convertible preferred stock, including	-170.00	—	-130.30
Proceeds from borrowings under credit facility	10.50	—	—
Debt repayments	-13.00	-3.10	—
Debt issuance costs	-0.20	-1.20	-0.90
Proceeds from exercise of stock options	0.70	7.40	9.30
Net cash provided by financing activities	143.60	3.1	417.20
Effect of exchange rate changes	—	—	0.20
Net change in cash	114.80	-3.90	11.30
Cash, cash equivalents, and restricted cash — Beginning of period	40.70	155.50	151.60
Cash, cash equivalents, and restricted cash — End of period	\$ 155.50	\$ 151.60	\$ 163.00
<b>Supplemental Disclosures of Cash Flow Information:</b>			
Cash paid for interest	\$ 0.20	\$ 0.30	\$ 1.10
<b>Supplemental Disclosures of Non-Cash Investing and Financing Information:</b>			
Property and equipment accrued but unpaid	\$ 0.40	\$ 4.30	\$ 12.60
Building — build-to-suit asset	—	—	\$ 147.10
Stock-based compensation expense capitalized for software development costs	—	\$ 0.30	\$ 0.80

Source: Peloton's IPO Prospectus

**Exhibit 19: Treasury Yields and Expected Inflation**

	Treasury Yields	Expected Inflation
	20/09/2019	01/09/2019
1 Year	1.84%	1.64%
5 Years	1.61%	1.46%
10 Years	1.74%	1.56%
20 Years	1.99%	1.80%
30 Years	2.17%	1.99%

Source: For expected Inflation: Federal Reserve Bank of Cleveland. For Treasury Yields: US Department of the Treasury

**Exhibit 20: Market Risk Premium Expectations and Corporate Tax Rate**

	2019
Expected Market Risk Premium	5.96%
Corporate Tax Rate	21%

Source: Damodaran, A. (2019). *Equity risk premium: 2019*

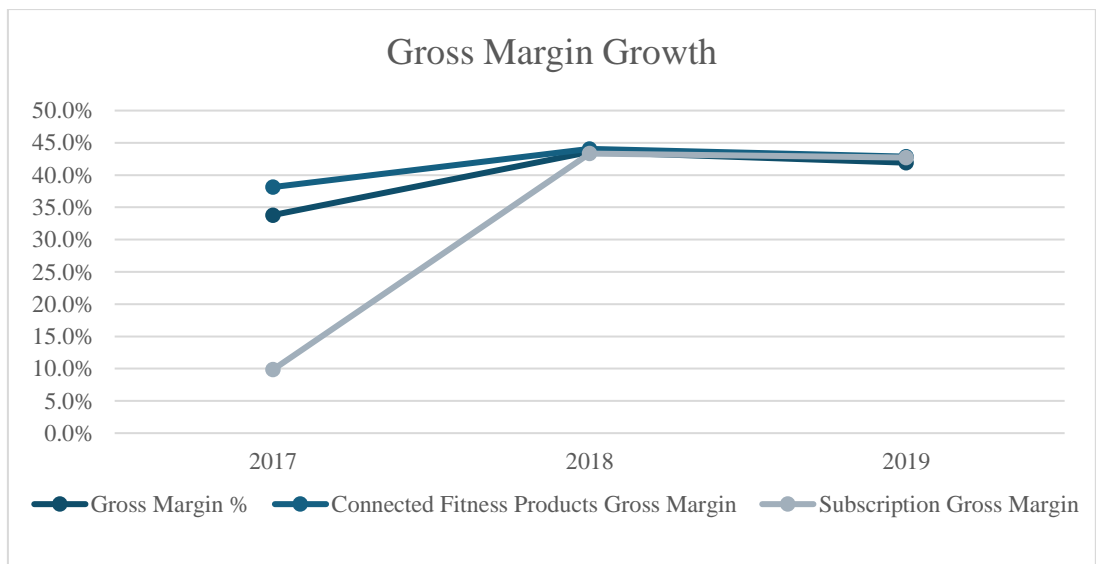
**Exhibit 21: Investor’s biography and track record**

<p>Bullish</p>	<p>Bullish is an early-stage venture capital fund focused on consumer brands, particularly those with disruptive business models. Their investments often target direct-to-consumer companies with strong brand differentiation. Bullish’s expertise in scaling consumer-focused startups helped Peloton refine its direct-to-consumer sales model and develop its strong brand identity, which became critical in the competitive fitness equipment market. Their involvement at the seed stage highlights their confidence in Peloton’s innovative concept and its potential to disrupt traditional fitness markets.</p>
<p>Grace Beauty Capital</p>	<p>Grace Beauty Capital specializes in early-stage investments in digitally native consumer brands and health and wellness startups. They have supported companies like Glamsquad and Birchbox, helping them scale efficiently. Grace Beauty Capital’s focus on building digitally connected brands made them a strategic early investor. Their experience in the consumer wellness sector aligned with Peloton’s vision of combining fitness hardware and subscription-based digital experiences to attract a premium audience.</p>
<p>Tiger Global Management (TGM)</p>	<p>Tiger Global is a leading investment firm with a strong focus on technology, e-commerce, and subscription-based businesses. They have backed high-growth companies like Spotify, Facebook, LinkedIn, and ByteDance. As a prominent growth-stage investor, Tiger Global provided not only capital but also guidance on scaling operations and expanding internationally. Their track record in subscription-driven models and tech platforms likely influenced Peloton’s approach to integrating digital content with hardware sales.</p>
<p>L Catterton</p>	<p>L Catterton is one of the largest consumer-focused private equity firms, with investments in companies like Equinox, Pure Barre, and CorePower Yoga. Their expertise spans health, wellness, and lifestyle brands. L Catterton’s deep knowledge of boutique fitness studios and premium consumer brands was invaluable for Peloton’s expansion. Their experience likely informed Peloton’s efforts to replicate the community-driven studio experience at home while targeting affluent, health-conscious customers.</p>
<p>QuestMark Partners</p>	<p>QuestMark Partners focuses on expansion-stage companies in tech and consumer markets. They have a history of investing in firms with strong growth potential and scalable business models. QuestMark’s focus on growth and scalability made them an ideal partner as Peloton began to expand its product line and subscription offerings. Their involvement likely supported Peloton in transitioning from a niche fitness concept to a broader global player.</p>
<p>Winslow Capital Management</p>	<p>Winslow Capital is known for managing growth-oriented portfolios, focusing on high-quality, large-cap companies in sectors like technology, consumer discretionary, and healthcare. Winslow Capital’s interest in high-growth, tech-enabled companies underscore Peloton’s appeal to institutional investors. Their investment likely bolstered confidence in Peloton’s long-term viability as a leader in connected fitness and supported the company’s positioning during the IPO.</p>

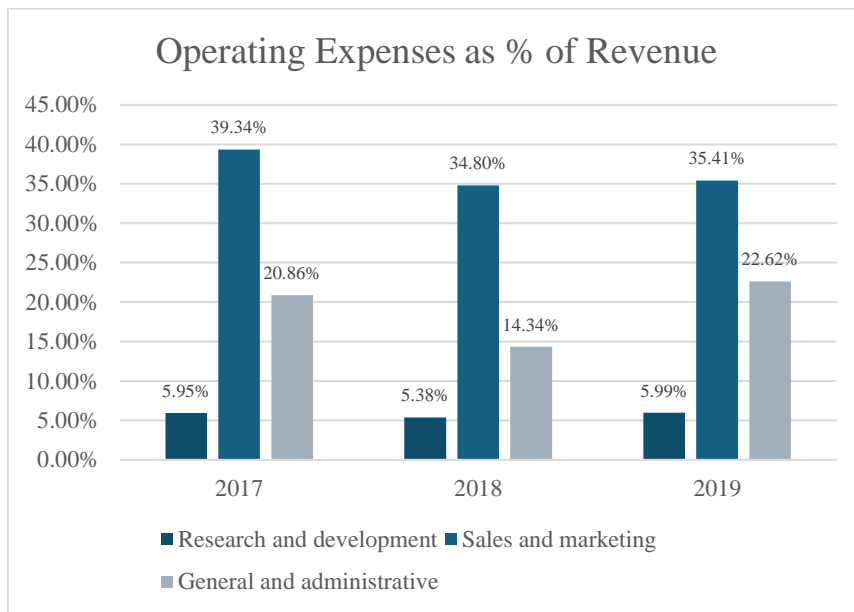
**Exhibit TN1 – Kickstarter campaign breakdown**

Kickstarter Campaign	
Revenue	\$ 307,332.00
N° of backers	297
N° of bikes ordered	178
Revenue from bikes	\$ 267,000.00
Other Revenue	\$ 40,332.00
Cost of bikes (as % of revenue)	61.85%
Total Cost of Revenue from connected fitness product	\$ 165,147.14
Video making costs	\$ 6,500.00
Kickstarter comission fee	5%
<b>Net amount of money raised</b>	<b>\$ 120,318.26</b>

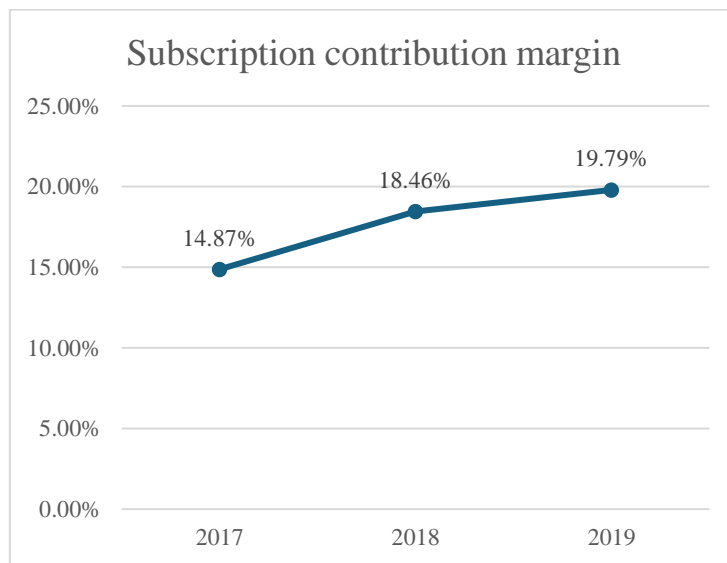
**Exhibit TN2 – Gross Margins growth**



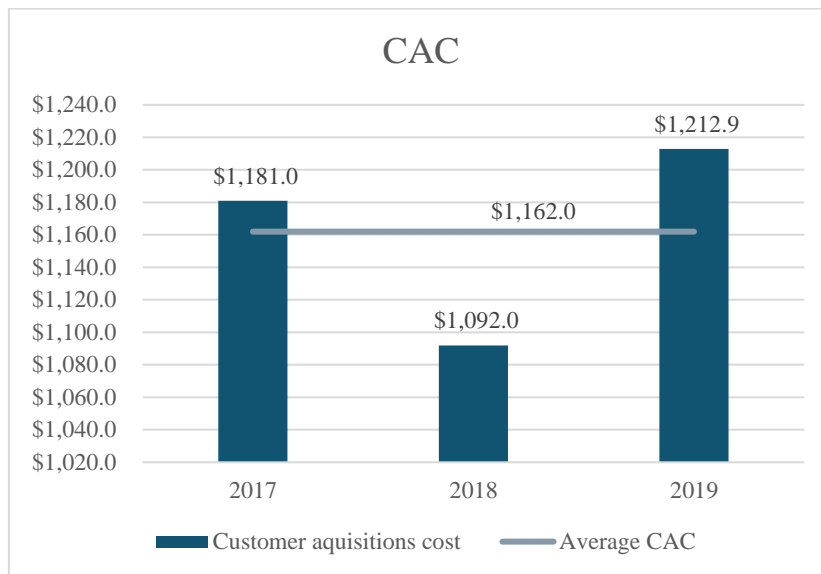
**Exhibit TN3 – Operating Expenses as percentage of revenue**



**Exhibit TN4 – Subscription contribution margin**



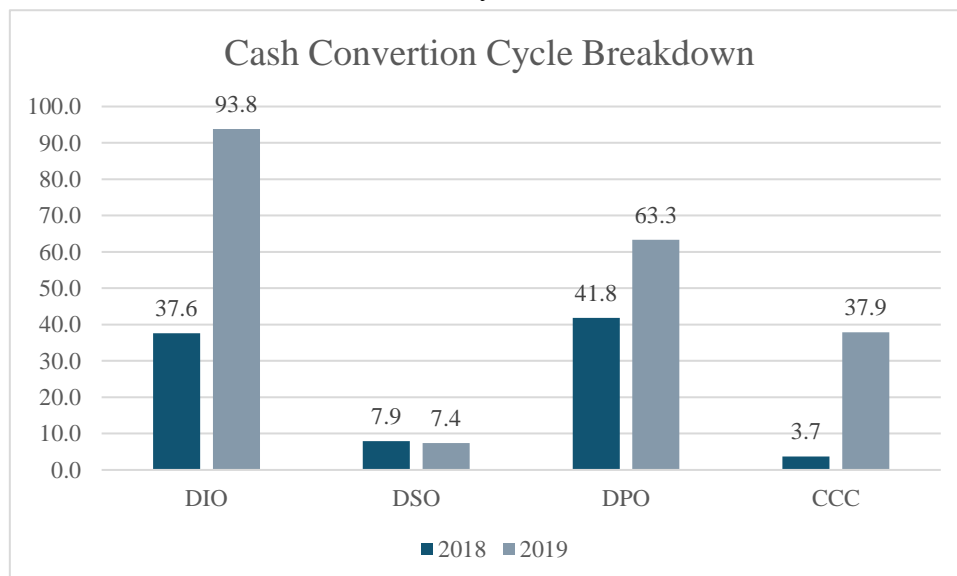
### Exhibit TN5 – Customer Acquisition Cost



### Exhibit TN6 – Customer Lifetime Value

	0	1	2	3	4	5	6	7	8	9	10
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
ARPU	\$ 354.26	\$ 354.26	\$ 351.91	\$ 349.58	\$ 347.26	\$ 344.96	\$ 342.67	\$ 340.40	\$ 338.14	\$ 335.89	\$ 333.67
Cost of revenue	57.26%	\$ 202.86	\$ 201.51	\$ 200.17	\$ 198.85	\$ 197.53	\$ 196.22	\$ 194.91	\$ 193.62	\$ 192.34	\$ 191.06
Tax	21%	42.60	42.32	42.04	41.76	41.48	41.21	40.93	40.66	40.39	40.12
βu	1.36										
WACC	7.48%										
Average Churn Rate	0.66%										
FCF	\$ -1,162.0	\$ 329.60	\$ 304.62	\$ 281.54	\$ 260.20	\$ 240.48	\$ 222.26	\$ 205.41	\$ 189.85	\$ 175.46	\$ 162.16
CLV	\$ 1,209.63										

### Exhibit TN7 – Peloton Cash Conversion Cycle Breakdown



## Exhibit TN8 – Comparable Companies Valuation

*In \$ millions*

<b>Companies</b>	<b>Enterprise Value<sup>1</sup></b>	<b>Sales</b>	<b>Growth Rate</b>	<b>EV/Sales (x)</b>
Netflix	113,837.37	15,794.34	21.38%	7.2x
Spotify	18,978.59	5,259.00	23.87%	3.6x
Lulemon	19,382.78	3,288.32	12.03%	5.9x
Planet Fitness	6,020.91	572.90	14.85%	10.5x

<sup>1</sup> Enterprise Value calculated as Market Value of Equity + Debt - Cash and Cash Equivalents

<b>Industry</b>	<b>Low</b>	<b>Average</b>	<b>High</b>
Subscription Content Providers	3.6x	5.4x	7.2x
Fitness Equipment and Gyms	5.9x	8.2x	10.5x
Company Valuation	8.0x	8.3x	8.6x

	<b>EV/Sales (x)</b>	<b>Valuation (billions)</b>
PELOTON Sales	915	
Average	6.8x	6.2
Median	6.6x	6.0

		<b>Market Cap (billions)</b>	<b>Cash &amp; Equivalents</b>	<b>Debt</b>	<b>EV</b>	<b>EV/Sales</b>	
Share Price	\$	27	7.50	0.16	0.0	7.3	8.0x
Share Price	\$	29	8.05	0.16	0.0	7.9	8.6x

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