

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File Number: 001-39058

Peloton Interactive, Inc.
(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*
441 Ninth Avenue, Sixth Floor
New York, New York
(Address of principal executive offices)

47-3533761
*(I.R.S. Employer
Identification No.)*
10001
(Zip Code)

(929) 567-0006
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, \$0.000025 par value per share	PTON	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of February 4, 2025, the number of shares of the registrant's Class A common stock outstanding was 373,898,690, and the number of shares of the registrant's Class B common stock outstanding was 16,065,806.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including, without limitation, statements regarding our execution of and timing of and the expected benefits from our restructuring initiatives and cost-saving measures, the cost savings and other efficiencies of expanding relationships with our third-party partners, details regarding and the timing of the launch of new products and services, our new initiatives with retailer partners and our efforts to optimize our retail showroom footprint, the prices of our products and services in the future, our future operating results and financial position, our business strategy and plans, market growth, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “potential,” “continue,” “anticipate,” “intend,” “expect,” “could,” “would,” “project,” “plan,” “target,” and similar expressions are intended to identify forward-looking statements, though not all forward-looking statements use these words or expressions.

We have based these forward-looking statements on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions and other important factors that could cause actual results to differ materially from those stated, including, but not limited to:

- our ability to achieve and maintain profitability and positive free cash flow;
- our ability to attract and maintain Subscribers;
- our ability to accurately forecast consumer demand for our products and services and adequately manage our inventory;
- our ability to execute and achieve the expected benefits of our restructuring initiatives and other cost-saving measures and whether our efforts will result in further actions or additional asset impairment charges that adversely affect our business;
- our ability to effectively manage our growth and costs;
- our ability to anticipate consumer preferences and successfully develop and offer new products and services in a timely manner, and effectively manage the introduction of new or enhanced products and services;
- demand for our products and services and growth of the Connected Fitness Products market;
- our ability to maintain the value and reputation of the Peloton brand;
- disruptions or failures of our information technology systems or websites, or those of third parties on whom we rely;
- our reliance on a limited number of suppliers, contract manufacturers, and logistics partners for our Connected Fitness Products;
- our lack of control over suppliers, contract manufacturers and logistics partners for our Connected Fitness Products;
- our ability to predict our long-term performance and changes to our revenue as our business matures;
- any declines in sales of our Connected Fitness Products;
- the effects of increased competition in our markets and our ability to compete effectively;
- our dependence on third-party licenses for use of music in our content;
- actual or perceived defects in, or safety of, our products, including any impact of product recalls or legal or regulatory claims, proceedings or investigations involving our products;
- increases in component costs, long lead times, supply shortages or other supply chain disruptions;
- accidents, safety incidents or workforce disruptions;
- seasonality or other fluctuations in our quarterly results;
- our ability to generate class content;
- risks related to acquisitions or dispositions and our ability to integrate any such acquired companies into our operations and control environment, including Precor;
- risks related to expansion into international markets;
- risks related to payment processing, cybersecurity, or data privacy;
- risks related to the Peloton App and its ability to work with a range of mobile and streaming technologies, systems, networks, and standards;
- our ability to effectively price and market our Connected Fitness Products and subscriptions and our limited operating history with which to predict the profitability of our subscription model;
- any inaccuracies in, or failure to achieve, operational and business metrics or forecasts of market growth;
- our ability to maintain effective internal control over financial and management systems and remediate material weaknesses, including with respect to Precor;
- impacts from warranty claims or product returns;
- our ability to maintain, protect, and enhance our intellectual property;
- our ability to comply with laws and regulations that currently apply or become applicable to our business both in the United States and internationally;
- risks related to changes in global trade policies, including our ability to mitigate the effects of tariffs and other non-tariff restrictions, such as taxes, quotas, local content rules, customs detentions and other protectionist measures;
- our reliance on third parties for computing, storage, processing and similar services and delivery and installation of our products;
- our ability to attract and retain highly skilled personnel and maintain our culture;
- risks related to our common stock and indebtedness; and
- those risks and uncertainties described in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part I, Item 2 in this Quarterly Report on Form 10-Q and the sections titled “Risk Factors” in Part I, Item 1A and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024, as such factors may be updated in our filings with the Securities and Exchange Commission (the “SEC”).

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future results, performance, or achievements. Our forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q, and we undertake no obligation to update any of these forward-looking statements for any reason after the date of this Quarterly Report on Form 10-Q or to conform these statements to actual results or revised expectations, except as required by law.

You should read this Quarterly Report on Form 10-Q, and the documents that we reference in this Quarterly Report on Form 10-Q and have filed with the SEC, with the understanding that our actual future results, performance, and events and circumstances may be materially different from what we expect.

In this Quarterly Report on Form 10-Q, the words “we,” “us,” “our,” and “Peloton” refer to Peloton Interactive, Inc. and its wholly owned subsidiaries, unless the context requires otherwise.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	December 31, 2024 (unaudited)	June 30, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 829.0	\$ 697.6
Accounts receivable, net	96.8	103.6
Inventories, net	257.8	329.7
Prepaid expenses and other current assets	123.9	135.1
Total current assets	<u>1,307.5</u>	<u>1,266.0</u>
Property and equipment, net	294.7	353.7
Intangible assets, net	10.0	15.0
Goodwill	41.2	41.2
Restricted cash	47.9	53.2
Operating lease right-of-use assets, net	387.2	435.0
Other assets	21.1	21.0
Total assets	<u>\$ 2,109.8</u>	<u>\$ 2,185.2</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	\$ 390.6	\$ 432.3
Deferred revenue and customer deposits	159.7	163.7
Current portion of long-term debt	10.0	10.0
Operating lease liabilities, current	70.1	75.3
Other current liabilities	4.4	3.9
Total current liabilities	<u>634.7</u>	<u>685.2</u>
Convertible senior notes, net	541.0	540.0
Term loan, net	948.3	950.1
Operating lease liabilities, non-current	457.1	503.3
Other non-current liabilities	25.8	25.7
Total liabilities	<u>2,607.0</u>	<u>2,704.3</u>
Commitments and contingencies (Note 8)		
Stockholders' deficit		
Common stock, \$0.000025 par value; 2,500,000,000 and 2,500,000,000 shares of Class A common stock authorized, 373,793,790 and 358,120,105 shares of Class A common stock issued and outstanding as of December 31, 2024 and June 30, 2024, respectively; 2,500,000,000 and 2,500,000,000 shares of Class B common stock authorized, 16,065,806 and 18,141,608 shares of Class B common stock issued and outstanding as of December 31, 2024 and June 30, 2024, respectively.		
Additional paid-in capital	5,060.3	4,948.6
Accumulated other comprehensive income	19.0	15.9
Accumulated deficit	<u>(5,576.5)</u>	<u>(5,483.7)</u>
Total stockholders' deficit	<u>(497.2)</u>	<u>(519.1)</u>
Total liabilities and stockholders' deficit	<u>\$ 2,109.8</u>	<u>\$ 2,185.2</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Revenue:				
Connected Fitness Products	\$ 253.4	\$ 319.1	\$ 413.0	\$ 499.7
Subscription	420.6	424.5	846.9	839.5
Total revenue	673.9	743.6	1,259.9	1,339.2
Cost of revenue:				
Connected Fitness Products	220.6	305.3	365.5	480.2
Subscription	135.0	139.0	272.2	274.2
Total cost of revenue	355.6	444.2	637.8	754.4
Gross profit	318.4	299.4	622.1	584.8
Operating expenses:				
Sales and marketing	152.7	230.3	234.6	376.4
General and administrative	131.3	160.8	250.8	311.8
Research and development	60.3	79.9	118.8	158.6
Impairment expense	16.7	3.6	21.6	27.7
Restructuring expense	3.3	13.4	6.2	31.2
Supplier settlements	—	(1.5)	23.5	(1.5)
Total operating expenses	364.3	486.5	655.5	904.2
Loss from operations	(45.9)	(187.1)	(33.4)	(319.4)
Other expense, net:				
Interest expense	(34.6)	(27.7)	(70.0)	(54.9)
Interest income	7.7	8.4	15.8	16.9
Foreign exchange (loss) gain	(18.5)	9.6	(3.7)	1.9
Other income, net	0.2	0.1	0.1	0.4
Total other expense, net	(45.3)	(9.5)	(57.8)	(35.7)
Loss before provision for income taxes	(91.2)	(196.6)	(91.3)	(355.1)
Income tax expense (benefit)	0.7	(1.7)	1.6	(1.0)
Net loss	\$ (92.0)	\$ (194.9)	\$ (92.8)	\$ (354.1)
Net loss attributable to Class A and Class B common stockholders	\$ (92.0)	\$ (194.9)	\$ (92.8)	\$ (354.1)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.24)	\$ (0.54)	\$ (0.24)	\$ (0.98)
Weighted-average of shares of Class A and Class B common stock outstanding, basic and diluted	385,591,039	362,334,326	382,059,323	360,440,945
Other comprehensive income:				
Change in foreign currency translation adjustment	13.0	0.8	3.1	2.7
Total other comprehensive income	13.0	0.8	3.1	2.7
Comprehensive loss	\$ (79.0)	\$ (194.1)	\$ (89.8)	\$ (351.5)

See accompanying notes to these unaudited condensed consolidated financial statements.

PELOTON INTERACTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in millions)

	Six Months Ended December 31,	
	2024	2023
Cash Flows from Operating Activities:		
Net loss	\$ (92.8)	\$ (354.1)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	47.6	55.9
Stock-based compensation expense	108.7	140.8
Non-cash operating lease expense	28.6	33.7
Amortization of debt discount and issuance costs	4.4	7.0
Impairment expense	21.6	27.7
Loss on sale of subsidiary	—	3.8
Foreign exchange loss (gain)	3.7	(1.9)
Changes in operating assets and liabilities:		
Accounts receivable	6.7	(44.0)
Inventories	78.8	80.1
Prepaid expenses and other current assets	14.5	(21.1)
Other assets	(0.1)	(1.2)
Accounts payable and accrued expenses	(56.4)	8.6
Deferred revenue and customer deposits	(4.0)	1.9
Operating lease liabilities, net	(42.2)	(44.5)
Other liabilities	0.1	(3.0)
Net cash provided by (used in) operating activities	119.2	(110.4)
Cash Flows from Investing Activities:		
Capital expenditures	(2.5)	(10.0)
Proceeds from sale of subsidiary and net assets	—	14.6
Proceeds from sale of Peloton Output Park	4.2	—
Net cash provided by investing activities	1.7	4.6
Cash Flows from Financing Activities:		
Principal repayment of Term Loan	(5.0)	(3.8)
Proceeds, net from employee stock purchase plan withholdings	1.9	1.9
Proceeds from employee stock plans	7.1	19.1
Principal repayments of finance leases	—	(0.5)
Net cash provided by financing activities	4.0	16.8
Effect of exchange rate changes	1.2	1.7
Net change in cash, cash equivalents, and restricted cash	126.1	(87.3)
Cash, cash equivalents, and restricted cash — Beginning of period	750.9	885.5
Cash, cash equivalents, and restricted cash — End of period	\$ 876.9	\$ 798.1
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 76.1	\$ 47.8
Cash paid for income taxes	\$ 3.1	\$ 1.9
Supplemental Disclosures of Non-Cash Investing and Financing Information:		
Accrued and unpaid capital expenditures, including software	\$ 0.2	\$ 2.2

See accompanying notes to these unaudited condensed consolidated financial statements.

PELOTON INTERACTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(unaudited)
(in millions)

	Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
Balance - September 30, 2023	360.4	\$ —	\$ 4,701.4	\$ 18.7	\$ (5,091.0)	\$ (370.9)
Activity related to stock-based compensation	3.8	—	65.7	—	—	65.7
Other comprehensive income	—	—	—	0.8	—	0.8
Net loss	—	—	—	—	(194.9)	(194.9)
Balance - December 31, 2023	<u>364.2</u>	<u>\$ —</u>	<u>\$ 4,767.1</u>	<u>\$ 19.5</u>	<u>\$ (5,285.9)</u>	<u>\$ (499.3)</u>
Balance - September 30, 2024	381.3	\$ —	\$ 4,998.2	\$ 6.0	\$ (5,484.6)	\$ (480.3)
Activity related to stock-based compensation, net of withholding taxes	8.6	—	62.1	—	—	62.1
Other comprehensive income	—	—	—	13.0	—	13.0
Net loss	—	—	—	—	(92.0)	(92.0)
Balance - December 31, 2024	<u>389.9</u>	<u>\$ —</u>	<u>\$ 5,060.3</u>	<u>\$ 19.0</u>	<u>\$ (5,576.5)</u>	<u>\$ (497.2)</u>

	Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
Balance - June 30, 2023	356.8	\$ —	\$ 4,619.8	\$ 16.8	\$ (4,931.8)	\$ (295.1)
Activity related to stock-based compensation	7.0	—	145.3	—	—	145.3
Issuance of common stock under employee stock purchase plan	0.4	—	2.0	—	—	2.0
Other comprehensive income	—	—	—	2.7	—	2.7
Net loss	—	—	—	—	(354.1)	(354.1)
Balance - December 31, 2023	<u>364.2</u>	<u>\$ —</u>	<u>\$ 4,767.1</u>	<u>\$ 19.5</u>	<u>\$ (5,285.9)</u>	<u>\$ (499.3)</u>
Balance - June 30, 2024	376.3	\$ —	\$ 4,948.6	\$ 15.9	\$ (5,483.7)	\$ (519.1)
Activity related to stock-based compensation, net of withholding taxes	13.1	—	110.2	—	—	110.2
Issuance of common stock under employee stock purchase plan	0.4	—	1.5	—	—	1.5
Other comprehensive income	—	—	—	3.1	—	3.1
Net loss	—	—	—	—	(92.8)	(92.8)
Balance - December 31, 2024	<u>389.9</u>	<u>\$ —</u>	<u>\$ 5,060.3</u>	<u>\$ 19.0</u>	<u>\$ (5,576.5)</u>	<u>\$ (497.2)</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

PELOTON INTERACTIVE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
(in millions, except share and per share amounts)

1. Description of Business and Basis of Presentation

Description and Organization

Peloton Interactive, Inc. ("Peloton" or the "Company") is a leading global fitness company with a highly engaged community of Members, which the Company defines as any individual who has a Peloton account through a paid Connected Fitness Subscription or a paid Peloton App Subscription, inclusive of a Strength+ App Membership, and completes one or more workouts in the trailing 12 month period. The Company is a category innovator at the nexus of fitness, technology, and media, with a first-of-its-kind subscription platform that seamlessly combines innovative hardware, distinctive software, and exclusive content. Its world-renowned Instructors coach and motivate Members to be the best version of themselves anytime, anywhere.

The Company's Connected Fitness Products portfolio includes the Peloton Bike, Bike+, Tread, Tread+, Guide, Row, and various Precor products. Access to the Peloton App is available with an All-Access or Guide Membership for Members who have Connected Fitness Products or through a standalone App Membership with multiple Membership tiers. Access to the Strength+ App is available with an All Access, Guide, or App+ Membership or through a standalone Strength+ subscription. The Company's revenue is generated primarily from recurring Subscription revenue and the sale of its Connected Fitness Products. The Company defines a "Connected Fitness Subscription" as a person, household, or commercial property, such as a hotel or residential building, who has paid for a subscription to a Connected Fitness Product (a Connected Fitness Subscription with a successful credit card billing or with prepaid subscription credits or waivers).

Basis of Presentation and Consolidation

The accompanying interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and applicable rules and regulations of the U.S. Securities and Exchange Commission ("SEC") regarding interim financial reporting. The condensed consolidated balance sheet as of June 30, 2024, included herein, was derived from the audited financial statements as of that date, but does not include all disclosures including certain notes required by GAAP on an annual reporting basis. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations of the SEC. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024 (the "Form 10-K"). However, the Company believes that the disclosures provided herein are adequate to prevent the information presented from being misleading.

The condensed consolidated financial statements include the accounts of Peloton Interactive, Inc. and its subsidiaries in which the Company has a controlling financial interest. All significant intercompany balances and transactions have been eliminated.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, cash flows, and the changes in stockholders' deficit for the interim periods. The results for the three and six months ended December 31, 2024 are not necessarily indicative of the results to be expected for any subsequent quarter, the fiscal year ending June 30, 2025, or any other period.

Certain monetary amounts, percentages, and other figures included elsewhere in these financial statements have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

Except as described elsewhere in *Note 2, Summary of Significant Accounting Policies* in the section titled "*Recently Issued Accounting Pronouncements*," there have been no material changes to the Company's significant accounting policies as described in the Form 10-K.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. On an ongoing basis, the Company evaluates its estimates, including, among others, those related to revenue related reserves, product recall and corrective action cost, the realizability of inventory, fair value measurements, the incremental borrowing rate associated with lease liabilities, impairment of long-lived and intangible assets, useful lives of long-lived assets, including property and equipment and finite-lived intangible assets, product warranty, goodwill, accounting for income taxes, stock-based compensation expense, standalone selling price and transaction price estimates, the fair values of assets acquired and liabilities assumed in business combinations and asset acquisitions, future restructuring charges, contingent consideration, and commitments and contingencies. Actual results may differ from these estimates.

There have been no material changes to the Company's significant accounting policies from its Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

Recently Issued Accounting Pronouncements

Accounting Pronouncements Not Yet Adopted

ASU 2023-07

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). ASU 2023-07 improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses, and is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 on a retrospective basis. The Company is currently evaluating the impact of adopting ASU 2023-07.

ASU 2023-09

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"). ASU 2023-09 enhances income tax information primarily through changes in the rate reconciliation and income taxes paid information, and is effective for fiscal years beginning after December 15, 2024 on a prospective basis. The Company is currently evaluating the impact of adopting ASU 2023-09.

ASU 2024-03

In November 2024, the FASB issued ASU 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40)* ("ASU 2024-03"). ASU 2024-03 requires the disaggregation of certain expense captions on the face of the income statement into specified categories in disclosures within the footnotes to the financial statements. It is effective for fiscal years beginning after December 15, 2026 on a prospective basis. The Company is currently evaluating the impact of adopting ASU 2024-03.

ASU 2024-04

In November 2024, the FASB issued ASU 2024-04, *Debt-Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments* ("ASU 2024-04"). ASU 2024-04 clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. It is effective for fiscal years beginning after December 15, 2025 and is permitted on either a prospective or retrospective basis. The Company is currently evaluating the impact of adopting ASU 2024-04.

3. Revenue

The Company's primary sources of revenue are its recurring content Subscription revenue and revenue from sales of its Connected Fitness Products and related accessories, as well as Precor branded fitness products, delivery and installation services.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

Revenue is recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration that the Company expects to be entitled to in exchange for those goods or services. The Company's revenue is reported net of sales returns and concessions, discounts and allowances, incentives, and rebates to commercial distributors as a reduction of the transaction price. Certain contracts include consideration payable that is accounted for as a payment for distinct goods or services. The Company's transaction price estimate includes its estimate for product returns and concessions based on the terms and conditions of home trial programs, historical return trends by product category, impact of seasonality, an evaluation of current economic and market conditions, and current business practices, and the Company records the expected customer refund liability as a reduction to revenue, and the expected inventory right

to return asset as a reduction of cost of revenue. If actual return costs differ from previous estimates, the amount of the liability and corresponding revenue are adjusted in the period in which such costs occur.

For customer contracts that include multiple performance obligations, the Company accounts for individual performance obligations if they are distinct. The transaction price is then allocated to each performance obligation based on its standalone selling price. The Company generally determines the standalone selling price based on the prices charged to customers.

The Company applies the practical expedient as per ASC 606-10-50-14, *Revenue from Contracts with Customers* and does not disclose information related to remaining performance obligations due to their original expected terms being one year or less.

The Company applies the practical expedient as per ASC 340-40-25-4, *Other Assets and Deferred Costs – Contracts with Customers* and expenses sales commissions when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less. These costs are recorded in Sales and marketing in the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss.

Some of the Company's revenues relate to arrangements for our Bike rental products. The Company's rental program allows Members to lease certain Bike products with a Peloton Rental Membership for a single monthly cost and a one-time delivery fee, and gives the Member the option to purchase the equipment outright or cancel at any time with no penalty. These lease arrangements include both lease and non-lease components. Consideration is allocated between the lease and non-lease components based on management's best estimate of the relative standalone selling price of each component. The lease component relates to the customer's right to use the equipment over the lease term and is accounted for as an operating lease in accordance with ASC 842, *Leases*. Lease revenue is recognized on a straight-line basis over the term of the lease within Connected Fitness Products Revenue and was \$11.9 million and \$24.4 million for the three and six months ended December 31, 2024, respectively, and \$17.5 million and \$26.6 million for the three and six months ended December 31, 2023, respectively. The underlying equipment subject to the lease remains within Property and equipment, net on the Company's Condensed Consolidated Balance Sheets and depreciates over the equipment's useful life. Depreciation expense associated with the underlying equipment is reflected in Connected Fitness Products Cost of revenue in the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss. Non-lease components primarily consist of an All-Access Membership, which is recognized ratably over the subscription term within Subscription Revenue.

Connected Fitness Products

Connected Fitness Products include the Company's portfolio of Connected Fitness Products and related accessories, Precor branded fitness products, delivery and installation services, Bike rental products, extended warranty agreements, branded apparel, and commercial service contracts. The Company recognizes Connected Fitness Products Revenue net of sales returns and concessions, discounts and allowances, and third-party financing program fees, when the product has been delivered to the customer, except for extended warranty revenue that is recognized over the warranty period and service revenue that is recognized over the term of the service contract. The Company generally allows customers to return Peloton branded Connected Fitness Products within thirty days of purchase, as stated in its return policy.

The Company records fees paid to third-party financing partners in connection with its consumer financing program as a reduction of revenue, as it considers such costs to be a customer sales incentive. The Company records payment processing fees for its credit card sales for Connected Fitness Products within Sales and marketing in the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss.

Subscription

The Company's subscriptions provide access to Peloton content and its library of live and on-demand fitness classes. The Company's subscriptions are offered on a month-to-month or prepaid basis.

Amounts paid for subscription fees, net of refunds are included within Deferred revenue and customer deposits on the Company's Condensed Consolidated Balance Sheets and recognized ratably over the subscription term. The Company records payment processing fees for its monthly subscription charges within Subscription Cost of revenue in the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss.

Sales tax collected from customers and remitted to governmental authorities is not included in revenue and is reflected as a liability on the Company's Condensed Consolidated Balance Sheets.

Product Warranty

The Company offers a standard product warranty that its Connected Fitness Products will operate under normal, non-commercial use covering the touchscreen and most original Bike, Bike+, Tread, Tread+, Row, and Guide components. The Company has the obligation, at its option, to either repair or replace the defective product. At the time revenue is recognized, an estimate of future warranty costs is recorded as a component of cost of revenue. Factors that affect the warranty obligation include historical as well as current product failure rates, service delivery costs incurred in correcting product failures, and warranty policies and business practices. The Company's products are manufactured by contract manufacturers and, in certain cases, the Company may have recourse to such contract manufacturers.

Activity related to the Company's accrual for its estimated future product warranty obligation was as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
	(in millions)			
Balance at beginning of period	\$ 20.3	\$ 20.7	\$ 20.3	\$ 26.4
Provision for warranty accrual	10.0	7.9	17.1	9.7
Warranty claims	(9.7)	(7.2)	(16.8)	(14.7)
Balance at end of period	<u>\$ 20.6</u>	<u>\$ 21.5</u>	<u>\$ 20.6</u>	<u>\$ 21.5</u>

The Company also offers the option for customers in some markets to purchase an extended warranty and service contract that extends or enhances the technical support, parts, and labor coverage offered as part of the base warranty included with the Connected Fitness Products for additional periods beyond the standard product warranty period.

Extended warranty revenue is recognized ratably over the extended warranty coverage period and is included in Connected Fitness Product revenue in the Condensed Consolidated Statements of Operations and Comprehensive Loss. The Company's revenue attributable to extended warranty was \$5.6 million and \$11.8 million, respectively, representing 1% of total revenue for both the three and six months ended December 31, 2024, and \$9.5 million and \$19.7 million, respectively, representing 1% of total revenue for both the three and six months ended December 31, 2023.

Disaggregation of Revenue

The Company's revenue disaggregated by segment, excluding sales-based taxes, is included in *Note 12, Segment Information*.

The Company's revenue disaggregated by geographic region was as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
	(in millions)			
North America	\$ 616.7	\$ 686.3	\$ 1,152.5	\$ 1,235.0
International	57.3	57.4	107.4	104.1
Total revenue	<u>\$ 673.9</u>	<u>\$ 743.6</u>	<u>\$ 1,259.9</u>	<u>\$ 1,339.2</u>

During the three and six months ended December 31, 2024, the Company's revenue attributable to the United States, included within North America above, was \$592.2 million and \$1,107.6 million, respectively, or 88% of total revenue. During the three and six months ended December 31, 2023, the Company's revenue attributable to the United States, included within North America above, was \$658.0 million and \$1,186.1 million, or 88% and 89% of total revenue, respectively.

Deferred Revenue and Customer Deposits

Deferred revenue is recorded for nonrefundable cash payments received for the Company's performance obligation to transfer, or stand ready to transfer, goods or services in the future. Customer deposits represent payments received in advance before the Company transfers a good or service to the customer and are refundable.

As of December 31, 2024 and June 30, 2024, deferred revenue of \$80.7 million and \$95.9 million, respectively, and customer deposits of \$78.9 million and \$67.7 million, respectively, were included in Deferred revenue and customer deposits on the Company's Condensed Consolidated Balance Sheets.

In the six months ended December 31, 2024 and 2023, the Company recognized revenue of \$89.1 million and \$92.5 million, respectively, that was included in the deferred revenue balance as of June 30, 2024 and 2023, respectively.

4. Restructuring

In February 2022, the Company announced and began implementing a restructuring plan to realign the Company's operational focus to support its multi-year growth, scale the business, and improve costs (the "2022 Restructuring Plan"). The 2022 Restructuring Plan originally included: (i) reducing the Company's headcount; (ii) closing several assembly and manufacturing plants, including the completion and subsequent sale of the shell facility for the Company's previously planned Peloton Output Park; (iii) closing and consolidating several distribution facilities; and (iv) shifting to third-party logistics providers in certain locations.

Throughout fiscal year 2023 and 2024, the Company continued to take actions to implement the 2022 Restructuring Plan and announced that it was (i) exiting all owned-manufacturing operations and fully transitioning its North American Field Operations to third-party providers, including a

significant reduction in its delivery workforce teams; (ii) eliminating a significant number of roles on the North America Member support team and exiting its real-estate footprints in its Plano and Tempe locations; and (iii) reducing its retail showroom presence.

In April 2024, the Company's Board of Directors approved a new restructuring plan to expand upon its 2022 Restructuring Plan (as expanded, the "2024 Restructuring Plan", collectively, the "Restructuring Plans"). The Company believes the 2024 Restructuring Plan will position Peloton for sustained, positive free cash flow, while enabling the Company to continue to invest in software, hardware and content innovation, improvements to its Member support experience, and optimizations to marketing efforts to scale the business. The 2024 Restructuring Plan includes: (i) a reduction in global headcount; and (ii) continued closures of the Company's retail locations. The Company expects the majority of the 2024 Restructuring Plan to be implemented by the end of fiscal 2025.

As a result of these restructuring initiatives, the Company incurred the charges shown in the following table. Asset write-downs and write-offs are included within Impairment expense, and Write-offs of inventory related to restructuring activities are included within Connected Fitness Products Cost of revenue, in the Condensed Consolidated Statements of Operations and Comprehensive Loss. The remaining charges incurred during the relevant periods are included within Restructuring expense in the Condensed Consolidated Statements of Operations and Comprehensive Loss:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Cash restructuring charges:⁽¹⁾	(in millions)			
Severance and other personnel costs	\$ 0.6	\$ 0.3	\$ 0.1	\$ 6.4
Exit and disposal costs and professional fees	2.7	9.3	6.1	13.8
Total cash restructuring charges	3.3	9.6	6.2	20.2
Non-cash restructuring charges:⁽¹⁾				
Asset write-downs and write-offs ⁽²⁾	\$ 15.5	\$ 1.3	\$ 20.6	\$ 24.1
Stock-based compensation expense	—	—	—	7.2
Write-offs of inventory related to restructuring activities ⁽³⁾	—	0.5	—	1.0
Loss on sale of subsidiary	—	3.8	—	3.8
Total non-cash restructuring charges	15.5	5.6	20.6	36.1
Total	\$ 18.8	\$ 15.2	\$ 26.9	\$ 56.4

(1) All cash and non-cash restructuring charges for the three and six months ended December 31, 2024 related to the 2024 Restructuring Plan. All cash and non-cash restructuring charges for the three and six months ended December 31, 2023 related to the 2022 Restructuring Plan.

(2) Asset write-downs and write-offs are included within Impairment expense in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

(3) Write-offs of inventory are included within Connected Fitness Products Cost of revenue in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

Due to the actions taken pursuant to the Restructuring Plans, the Company tested certain long-lived assets (asset groups) for recoverability by comparing the carrying values of the asset group to estimates of their future undiscounted cash flows, which were generally the liquidation value, or for operating lease right-of-use assets, income from a sublease arrangement. Based on the results of the recoverability tests, the Company determined that during the three and six months ended December 31, 2024 and 2023, the undiscounted cash flows of certain assets (asset groups) were below their carrying values, indicating impairment. The assets were written down to their estimated fair values, which were determined based on their estimated liquidation or sales value, or for operating lease right-of-use assets, discounted cash flows of a sublease arrangement.

The following table presents a roll-forward of cash restructuring-related liabilities, which are included within Accounts payable and accrued expenses in the Condensed Consolidated Balance Sheets:

	Severance and other personnel costs	Exit and disposal costs and professional fees	Total
	(in millions)		
Balance as of September 30, 2023	\$ 5.9	\$ 0.6	\$ 6.5
Cash restructuring charges ⁽¹⁾	0.3	9.3	9.6
Cash payments	(3.9)	(5.2)	(9.1)
Balance as of December 31, 2023	<u>\$ 2.2</u>	<u>\$ 4.7</u>	<u>\$ 7.0</u>
Balance as of September 30, 2024	\$ 1.8	\$ 3.1	\$ 4.8
Cash restructuring charges ⁽¹⁾	0.6	2.7	3.3
Cash payments	(1.4)	(3.2)	(4.5)
Balance as of December 31, 2024	<u>\$ 1.0</u>	<u>\$ 2.6</u>	<u>\$ 3.6</u>

(1) All cash restructuring-related liabilities for the three and six months ended December 31, 2024 related to the 2024 Restructuring Plan. All cash restructuring-related liabilities for the three and six months ended December 31, 2023 related to the 2022 Restructuring Plan.

	Severance and other personnel costs	Exit and disposal costs and professional fees	Total
	(in millions)		
Balance as of June 30, 2023	\$ 13.6	\$ 0.3	\$ 13.9
Cash restructuring charges ⁽¹⁾	6.4	13.8	20.2
Cash payments	(17.8)	(9.4)	(27.2)
Balance as of December 31, 2023	<u>\$ 2.2</u>	<u>\$ 4.7</u>	<u>\$ 7.0</u>
Balance as of June 30, 2024	\$ 12.7	\$ 4.3	\$ 17.0
Cash restructuring charges ⁽¹⁾	0.1	6.1	6.2
Cash payments	(11.8)	(7.8)	(19.6)
Balance as of December 31, 2024	<u>\$ 1.0</u>	<u>\$ 2.6</u>	<u>\$ 3.6</u>

(1) All cash restructuring-related liabilities for the three and six months ended December 31, 2024 related to the 2024 Restructuring Plan. All cash restructuring-related liabilities for the three and six months ended December 31, 2023 related to the 2022 Restructuring Plan.

Under the 2024 Restructuring Plan, which includes any remaining restructuring activity under the original 2022 Restructuring Plan, the Company estimates that it will incur additional cash restructuring charges of approximately \$20.0 million, primarily composed of lease termination and other exit costs, and non-cash restructuring charges of approximately \$15.0 million, primarily composed of asset write-downs and write-offs, in connection with the continued exit of the Company's retail and other leased locations. The Company expects actions pursuant to the 2024 Restructuring Plan to be substantially complete by the end of fiscal year 2025.

5. Fair Value Measurements

Fair Value Measurements of Other Financial Instruments

The following table presents the estimated fair values and carrying amounts of the Company's financial instruments that are not recorded at fair value on the Condensed Consolidated Balance Sheets. All of these liabilities' fair value are considered Level 2.

	December 31, 2024		June 30, 2024	
	Carrying Amount, Net	Estimated Fair Value	Carrying Amount, Net	Estimated Fair Value
	(in millions)			
0.00% Convertible Senior Notes due 2026	\$ 198.0	\$ 186.0	\$ 197.6	\$ 175.0
5.50% Convertible Senior Notes due 2029	343.0	758.4	342.4	353.0
Term Loan due and payable on May 30, 2029	958.3	958.3	960.1	960.1
Total	\$ 1,499.3	\$ 1,902.6	\$ 1,500.0	\$ 1,488.0

The fair value of the 2026 Notes and the fair value of the 2029 Notes (each as defined in *Note 7 - Debt*) are determined based on the respective closing prices on the last trading day of the reporting period.

The carrying value of the Term Loan (as defined in *Note 7 - Debt*) approximates the fair value of the Term Loan as of December 31, 2024 and June 30, 2024, respectively.

6. Inventories

Inventories, net were as follows:

	December 31, 2024	June 30, 2024
	(in millions)	
Raw materials	\$ 25.1	\$ 29.8
Finished products ⁽¹⁾	405.1	487.6
Total inventories	430.2	517.4
Less: Reserves	(172.4)	(187.7)
Total inventories, net	\$ 257.8	\$ 329.7

(1) Includes \$16.9 million and \$35.2 million of finished goods inventory in transit, products owned by the Company that have not yet been received at a Company distribution center, as of December 31, 2024 and June 30, 2024, respectively.

The Company periodically assesses and adjusts the value of inventory for estimated excess and obsolete inventory based upon estimates of future demand and market conditions, as well as damaged or otherwise impaired goods. The Company's recorded inventory reserves as of December 31, 2024 and June 30, 2024 primarily consisted of \$77.6 million and \$78.3 million, respectively, related to excess accessories and apparel inventory, and \$71.8 million and \$85.2 million, respectively, related to excess returned Connected Fitness Products, including Guide.

7. Debt

Convertible Notes due 2029

In May 2024, the Company issued \$350.0 million aggregate principal amount of 5.50% Convertible Senior Notes due 2029 (the "2029 Notes") in a private offering, including the exercise in full of the option granted to the initial purchasers to purchase \$50.0 million of the 2029 Notes. The 2029 Notes were issued pursuant to an Indenture (the "2029 Notes Indenture") between the Company and U.S. Bank Trust Company, National Association, as trustee. The 2029 Notes bear interest at a rate of 5.50% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2024. The net proceeds from this offering of 2029 Notes were approximately \$342.3 million, after deducting the initial purchasers' discounts and commissions of \$7.7 million.

Each \$1,000 principal amount of the 2029 Notes is initially convertible into 218.4360 shares of Class A common stock, which is equivalent to an initial conversion price of approximately \$4.58 per share. The conversion rate is subject to customary adjustments under certain circumstances in accordance with the terms of the 2029 Notes Indenture. In addition, if certain corporate events that constitute a make-whole fundamental change occur or the Company elects to redeem the 2029 Notes, then the conversion rate will, in certain circumstances, be increased for a specified period of time.

The 2029 Notes will mature on December 1, 2029, unless earlier converted, redeemed, or repurchased. The 2029 Notes will be convertible at the option of the holders at certain times and upon the occurrence of certain events. A holder may convert its 2029 Notes during any calendar quarter (and only during such calendar quarter), if the last reported sale price per share of the Class A common stock exceeds 130% of the conversion price for each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on, and

including, the last trading day of the immediately preceding calendar quarter. The last reported sale price of the Class A common stock exceeded 130% of the conversion price of the 2029 Notes for more than 20 trading days during the 30 consecutive trading days ended December 31, 2024. Accordingly, as of January 1, 2025, the 2029 Notes may be converted at the option of the applicable holder through March 31, 2025.

On or after September 1, 2029, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2029 Notes, in multiples of \$1,000 principal amount, at the option of the holder.

The Company may satisfy any conversion obligation under the 2029 Notes by paying and/or delivering, as the case may be, cash, shares of the Class A common stock or a combination of cash and shares of the Class A common stock, at the Company's election, in the manner and subject to the terms and conditions provided in the 2029 Notes Indenture. If all of the 2029 Notes were to be converted prior to March 31, 2025, the Company's current intention would be to settle such conversion in shares of the Class A common stock.

The Company may redeem for cash all or any portion (subject to the partial redemption limitation described in the 2029 Notes Indenture) of the 2029 Notes, at its option, on or after June 7, 2027 and on or before the 20th scheduled trading day immediately before the maturity date, if the last reported sale price per share of the Class A common stock exceeds 130% of the conversion price then in effect on (1) each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption and (2) the trading day immediately before the date the Company sends such notice at a redemption price equal to 100% of the principal amount of the 2029 Notes to be redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2029 Notes, which means that the Company is not required to redeem or retire the 2029 Notes periodically.

Upon the occurrence of a fundamental change (as defined in the 2029 Notes Indenture), subject to certain conditions, holders may require the Company to repurchase all or a portion of the 2029 Notes for cash at a price equal to 100% of the principal amount of the 2029 Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date. The definition of fundamental change includes certain business combination transactions involving the Company and certain de-listing events with respect to the Company's common stock.

The 2029 Notes are senior unsecured obligations of the Company and rank senior in right of payment to any of the Company's future indebtedness that is expressly subordinated in right of payment to the 2029 Notes; equal in right of payment to any of the Company's existing and future indebtedness that is not so subordinated; effectively subordinated in right of payment to any of the Company's existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness; and structurally subordinated to all existing and future indebtedness and other liabilities of current or future subsidiaries of the Company (including trade payables and to the extent the Company is not a holder thereof, preferred equity, if any, of the Company's subsidiaries).

The effective interest rate upon issuance of the 2029 Notes was 5.97%, which is the effective interest rate as of December 31, 2024.

The net carrying amount of the 2029 Notes was as follows:

	December 31, 2024	June 30, 2024
	(in millions)	
Principal	\$ 350.0	\$ 350.0
Unamortized debt issuance costs	(7.0)	(7.6)
Net carrying amount	<u>\$ 343.0</u>	<u>\$ 342.4</u>

The following table sets forth the interest expense recognized related to the 2029 Notes:

	Three Months Ended December 31, 2024	Six Months Ended December 31, 2024
	(in millions)	
Amortization of debt issuance costs	\$ 0.3	\$ 0.6
Total non-cash interest expense related to the 2029 Notes	0.3	0.6
Cash interest expense	4.8	9.6
Total interest expense related to the 2029 Notes	<u>\$ 5.1</u>	<u>\$ 10.2</u>

Convertible Notes due 2026

In February 2021, the Company issued \$1.0 billion aggregate principal amount of 0.00% Convertible Senior Notes due 2026 (the "2026 Notes") in a private offering, including the exercise in full of the option granted to the initial purchasers to purchase \$125.0 million of the 2026 Notes. The 2026 Notes were issued pursuant to an Indenture (the "2026 Notes Indenture") between the Company and U.S. Bank Trust Company, National Association, as trustee. The 2026 Notes do not bear regular interest, and the principal amount of the 2026 Notes does not accrete.

Each \$1,000 principal amount of the 2026 Notes is initially convertible into 4.1800 shares of Class A common stock, which is equivalent to an initial conversion price of approximately \$239.23 per share. The conversion rate is subject to customary adjustments under certain circumstances in accordance with the terms of the 2026 Notes Indenture. In addition, if certain corporate events that constitute a make-whole fundamental change occur or the Company elects to redeem the 2026 Notes, then the conversion rate will, in certain circumstances, be increased for a specified period of time.

The 2026 Notes will mature on February 15, 2026, unless earlier converted, redeemed, or repurchased. The 2026 Notes will be convertible at the option of the holders at certain times and upon the occurrence of certain events.

On or after August 15, 2025, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2026 Notes, in multiples of \$1,000 principal amount, at the option of the holder. Upon conversion, the Company may satisfy its conversion obligation by paying and/or delivering, as the case may be, cash, shares of Class A common stock or a combination of cash and shares of Class A common stock, at the Company's election, in the manner and subject to the terms and conditions provided in the 2026 Notes Indenture.

The Company may redeem for cash all or any portion (subject to the partial redemption limitation described in the 2026 Notes Indenture) of the 2026 Notes, at its option, on or before the 20th scheduled trading day immediately before the maturity date, if the last reported sale price per share of the Class A common stock exceeds 130% of the conversion price then in effect on (1) each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption and (2) the trading day immediately before the date the Company sends such notice at a redemption price equal to 100% of the principal amount of the 2026 Notes to be redeemed, plus any accrued and unpaid special interest, if any, to, but excluding, the redemption date. No sinking fund is provided for the 2026 Notes, which means that the Company is not required to redeem or retire the 2026 Notes periodically.

Upon the occurrence of a fundamental change (as defined in the 2026 Notes Indenture), subject to certain conditions, holders may require the Company to repurchase all or a portion of the 2026 Notes for cash at a price equal to 100% of the principal amount of the 2026 Notes to be repurchased, plus any accrued and unpaid special interest, if any, to, but excluding, the fundamental change repurchase date. The definition of fundamental change includes certain business combination transactions involving the Company and certain de-listing events with respect to the Company's common stock.

The 2026 Notes are senior unsecured obligations of the Company and rank senior in right of payment to any of the Company's future indebtedness that is expressly subordinated in right of payment to the 2026 Notes; equal in right of payment to any of the Company's existing and future indebtedness that is not so subordinated; effectively subordinated in right of payment to any of the Company's existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness; and structurally subordinated to all existing and future indebtedness and other liabilities of current or future subsidiaries of the Company (including trade payables and to the extent the Company is not a holder thereof, preferred equity, if any, of the Company's subsidiaries).

Repurchase of a Portion of the 2026 Convertible Notes

In May 2024, the Company entered into separate, privately negotiated transactions with certain holders of the 2026 Notes to repurchase \$801.0 million of aggregate principal amount of the 2026 Notes for an aggregate of \$724.9 million of cash. The Company accounted for this repurchase of the 2026 Notes as a debt extinguishment under ASC 470-50, *Debt – Modifications and Extinguishments* ("ASC 470-50"). The Company recorded a \$69.8 million gain on early extinguishment of debt during the fiscal year ending June 30, 2024, which included the write-off of previously deferred debt issuance costs of \$6.3 million, which was included within Net gain on debt refinancing on the Consolidated Statements of Operations and Comprehensive Loss within the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

The effective interest rate upon issuance of the 2026 Notes was 0.45%, which is the effective interest rate as of December 31, 2024.

The net carrying amount of the 2026 Notes was as follows:

	December 31, 2024		June 30, 2024	
	(in millions)			
Principal	\$	199.0	\$	199.0
Unamortized debt issuance costs		(1.0)		(1.4)
Net carrying amount	\$	198.0	\$	197.6

The following table sets forth the interest expense recognized related to the 2026 Notes:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
	(in millions)			
Amortization of debt issuance costs	\$ 0.2	\$ 1.1	\$ 0.4	\$ 2.3
Total interest expense related to the 2026 Notes	\$ 0.2	\$ 1.1	\$ 0.4	\$ 2.3

Termination of Capped Call Transactions

In connection with the offering of the 2026 Notes, the Company entered into privately negotiated capped call transactions with certain counterparties (the "Capped Call Transactions"). In the last quarter of its fiscal year ending June 30, 2024, the Company terminated the Capped Call Transactions in their entirety pursuant to negotiated termination agreements with each such counterparty.

Third Amended and Restated Credit Agreement

On May 30, 2024, the Company entered into a Third Amended and Restated Credit Agreement (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Third Amended and Restated Credit Agreement"), with JPMorgan Chase Bank, N.A., as administrative agent, and certain banks and financial institutions party thereto as lenders and issuing banks.

The Third Amended and Restated Credit Agreement provides for a \$1.0 billion term loan facility (the "Term Loan"), which will be due and payable on May 30, 2029. The Term Loan amortizes in quarterly installments of 0.25%, payable at the end of each fiscal quarter and on the maturity date.

The Third Amended and Restated Credit Agreement also provides for a \$100.0 million revolving credit facility (the "Revolving Facility"), which will mature on May 30, 2029. The Company is only required to meet the total liquidity covenant, set at \$250.0 million for the last business day of any week, and the subscription revenues covenant, set at \$1.2 billion for the four-quarter trailing period, to the extent any revolving loans are borrowed and outstanding.

The Revolving Facility, when drawn, bears interest at a rate equal to, at the Company's option, either the Alternate Base Rate (as defined in the Third Amended and Restated Credit Agreement) plus 4.00% per annum or the Term SOFR Rate (as defined in the Third Amended and Restated Credit Agreement) plus 5.00% per annum. The Company is required to pay an annual commitment fee of 0.50% per annum on a quarterly basis based on the unused portion of the Revolving Facility, provided that the commitment fee is subject to one 0.125% step-down after the delivery of the financial statements and related compliance certificate for the fiscal quarter ending on or after September 30, 2024 for which the First Lien Net Leverage Ratio (as defined in the Third Amended and Restated Credit Agreement) is less than 5.00 to 1.00.

The Term Loan initially bears interest at a rate equal to, at the Company's option, either the Alternate Base Rate (as defined in the Third Amended and Restated Credit Agreement) plus 5.00% per annum or the Term SOFR Rate (as defined in the Third Amended and Restated Credit Agreement) plus 6.00% per annum. After the delivery of the financial statements and related compliance certificate for the fiscal quarter ending on or after September 30, 2024 for which the First Lien Net Leverage Ratio (as defined in the Third Amended and Restated Credit Agreement) is less than 5.00 to 1.00, the applicable rate for Alternate Base Rate loans or Term SOFR Rate loans will be subject to one 0.50% step-down. Any borrowing at the Alternate Base Rate is subject to a 1.00% floor and the Term SOFR Rate is subject to a 0.00% floor.

The Third Amended and Restated Credit Agreement contains customary affirmative covenants as well as customary negative covenants that restrict the Company's ability to, among other things, incur additional indebtedness, incur liens or grant negative pledges, make loans and investments, conduct certain transactions with affiliates, sell certain assets, enter into certain swap agreements, guarantee obligations of third parties, declare dividends or make certain distributions, and undergo a merger or consolidation or certain other transactions. The Third Amended and Restated Credit Agreement also contains certain customary events of default. Certain baskets and covenant levels have been adjusted and will apply equally to both the Term Loan and Revolving Facility for so long as the Term Loan is outstanding.

The obligations under the Third Amended and Restated Credit Agreement with respect to the Term Loan and the Revolving Facility are secured by substantially all of the Company's assets, with certain exceptions set forth in the Third Amended and Restated Credit Agreement, and are required to be guaranteed by certain material subsidiaries of the Company if, at the end of future financial quarters, certain conditions are not met.

During the three and six months ended December 31, 2024, the Company incurred total commitment fees of \$0.1 million and \$0.3 million, respectively, and \$0.3 million and \$0.7 million during the three and six months ended December 31, 2023, respectively, which are included in Interest expense in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

As of December 31, 2024, the Company had drawn the full amount of the Term Loan and had not drawn on the Revolving Facility, and the Company had \$995.0 million total outstanding borrowings under the Third Amended and Restated Credit Agreement.

In connection with the execution of the Third Amended and Restated Credit Agreement, the Term Loan was accounted for as a modification, extinguishment, or new loan for certain lenders in accordance with ASC 470-50. Accordingly, incremental discount and debt issuance costs of \$10.0 million and \$2.3 million, respectively, will be amortized to Interest expense using the effective interest method over the term of the Third Amended and Restated Credit Agreement. Furthermore, the Company expensed \$8.7 million of debt issuance costs incurred with third parties related to loss on debt modification and recognized a \$7.5 million loss on extinguishment related to previously deferred debt discount and debt issuance costs, which was included within Net gain on debt refinancing on the Consolidated Statements of Operations and Comprehensive Loss within the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

As of December 31, 2024, the Company had not drawn any amount under the Revolving Facility and as such did not have to test the financial covenants under the Third Amended and Restated Credit Agreement. The Company is required to pledge or otherwise restrict a portion of cash and cash equivalents as collateral for standby letters of credit. As of December 31, 2024, the Company had outstanding letters of credit totaling \$47.9 million, which are classified as Restricted cash on the Condensed Consolidated Balance Sheets.

Upon entering into the Term Loan, the effective interest rate was 12.4% and the current effective interest rate as of December 31, 2024 is 11.4%.

The net carrying amount of the Term Loan was as follows:

	December 31, 2024	June 30, 2024
	(in millions)	
Principal	\$ 1,000.0	\$ 1,000.0
Principal payments	(5.0)	—
Unamortized debt discount	(25.2)	(27.4)
Unamortized debt issuance costs	(11.6)	(12.6)
Net carrying amount	<u>\$ 958.3</u>	<u>\$ 960.1</u>

The following table sets forth the interest expense recognized related to the Term Loan:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
	(in millions)			
Amortization of debt discount	\$ 1.1	\$ 1.5	\$ 2.2	\$ 2.8
Amortization of debt issuance costs	0.5	0.9	1.0	1.7
Total non-cash interest expense related to the Term Loan	1.6	2.3	3.2	4.5
Cash interest expense	27.3	23.4	56.2	46.7
Total interest expense related to the Term Loan	<u>\$ 28.9</u>	<u>\$ 25.7</u>	<u>\$ 59.4</u>	<u>\$ 51.2</u>

Maturities of Debt Instruments

The following table sets forth maturities of the Company's debt instruments, including convertible notes payable, gross of debt issuance costs and debt discounts, as of December 31, 2024:

Fiscal Year Ended June 30,	Future Minimum Payments
	(in millions)
2025 (remaining)	\$ 5.0
2026 ⁽¹⁾	209.0
2027	10.0
2028	10.0
2029	960.0
Thereafter ⁽²⁾	350.0
Total	<u>\$ 1,544.0</u>

(1) Includes \$10.0 million related to the Term Loan and \$199.0 million related to the 2026 Notes.

(2) Includes \$350.0 million related to the 2029 Notes due December 1, 2029.

8. Commitments and Contingencies

Music License Agreements

The Company is subject to minimum guarantee royalty payments associated under certain music license agreements.

The following represents the Company's minimum annual guarantee payments under music license agreements, as of December 31, 2024:

Fiscal Year Ended June 30,	Future Minimum Payments	
	(in millions)	
2025 (remaining)	\$	20.7
2026		69.3
2027		15.0
2028		—
2029		—
Thereafter		0.3
Total	\$	105.3

Commitments to Suppliers

The Company utilizes contract manufacturers to build its products and accessories. These contract manufacturers acquire components and build products based on demand forecast information the Company supplies, which typically covers a rolling 12-month period. Consistent with industry practice, the Company acquires inventories from such manufacturers through purchase orders against which orders are applied based on projected demand information and availability of goods. Such purchase commitments typically cover the Company's forecasted product and manufacturing requirements for periods that range a number of months. In certain instances, these agreements allow the Company the option to cancel, reschedule, and/or adjust its requirements based on its business needs for a period of time before the order is due to be fulfilled. While the Company's purchase orders are legally cancellable in many situations, there are some which are not cancellable in the event of a demand plan change or other circumstances, such as where the supplier has procured unique, Peloton-specific designs, and/or specific non-cancellable, non-returnable components based on the Company's provided forecasts.

As of December 31, 2024, the Company's commitments to contract with third-party manufacturers for their inventory on-hand and component purchase commitments related to the manufacture of Peloton products were estimated to be approximately \$68.8 million, of which \$62.6 million is expected to be paid over the next twelve months, the majority of which is expected to be paid by the end of fiscal year 2025.

Legal and Regulatory Proceedings

The Company is, or may become, a party to legal and regulatory proceedings with respect to a variety of matters in the ordinary course of its business, including the matters set forth below. The Company denies the allegations in the active matters described below and intends to vigorously defend against such matters.

Some of the Company's legal and regulatory proceedings, including matters and litigation that center around intellectual property claims, may be based on complex claims involving substantial uncertainties and unascertainable damages. Accordingly, except for proceedings that have settled or been terminated, or except where otherwise indicated below, it is not possible to determine the probability of loss or estimate damages for such matters, and therefore, the Company has not established reserves for any of these proceedings. When the Company determines that a loss is both probable and reasonably estimable, the Company records a liability, and, if the liability is material, discloses the amount of the liability reserved.

Unless otherwise disclosed below, while it is reasonably possible that a loss may be incurred, the Company is unable to estimate a range of potential loss due to the complexity and current status of these lawsuits. In these matters, the Company has not established a reserve.

The Company evaluates, on a regular basis, developments in its legal proceedings and other contingencies that could affect the amount of liability, including amounts in excess of any previous accruals and reasonably possible losses disclosed, and make adjustments and changes to the Company's accruals and disclosures as appropriate. For the matters the Company discloses that do not include an estimate of the amount of loss or range of losses, such an estimate is not possible or is immaterial.

Given that the Company's legal and regulatory proceedings are subject to uncertainty, there can be no assurance that such legal and regulatory proceedings, either individually or in the aggregate, will not have a material adverse effect on its business, results of operations, financial condition or cash flows.

In May 2021, the Company initiated a voluntary recall of its Tread+ product in collaboration with the CPSC. In December 2022, the Company entered into a settlement agreement with the CPSC regarding matters related to the Tread+ recall. In the settlement, the Company agreed to pay a \$19.1 million civil penalty, resolving the CPSC's charges that the Company violated the Consumer Product Safety Act (the "CPSA"). On May 18, 2023, the Company and the CPSC jointly announced the approval of a rear guard repair for the recalled Tread+. In 2021, the U.S. Department of Justice and Department of Homeland Security subpoenaed the Company for documents and other information related to the Company's statutory obligations, including under the CPSA.

On October 26, 2021 and January 24, 2022, the United States District Court for the Eastern District of New York consolidated four stockholder derivative actions purportedly brought on behalf of the Company against certain of the Company's officers and directors under the caption *In re Peloton Interactive, Inc. Derivative Litigation*, Master File No. 21-cv-02862-CBA-PK (the "EDNY Derivative Action"), which alleged, among other claims, breaches of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, waste, and violations of Section 14(a) of the Exchange Act related to the Peloton Tread+ and the safety of the product. Alan Chu, Moshe Genack, Xingqi Liu and Anthony Franchi were appointed as co-lead plaintiffs. On December 14, 2022, two putative verified stockholder derivative actions in the Court of Chancery of the State of Delaware, purportedly brought on behalf of the Company against certain of the Company's officers and directors asserting similar allegations to those made in the EDNY Derivative Action, were consolidated as *In re Peloton Interactive, Inc. Stockholder Derivative Litigation*, Consol. Case No. 2022-1051-KSJM (the "Chancery Derivative Action"). On December 22, 2022, a stockholder filed a related putative stockholder derivative action in the United States District Court for the District of Delaware, asserting similar allegations to those in the EDNY Derivative Action and the Chancery Derivative Action against certain of the Company's officers and directors, captioned *Blackburn v. Foley, et al.*, Case No. 22-cv-01618-GBW (the "Blackburn Action"). The EDNY Derivative Action, the Chancery Derivative Action, and the Blackburn Action were all stayed pending the resolution of a related securities class action in the United States District Court for the Eastern District of New York (the "EDNY Class Action"). The court entered a final judgment in the EDNY Class Action on July 9, 2024. The parties in the EDNY Derivative Action, the Chancery Derivative Action, and the Blackburn Action agreed to a settlement-in-principle to resolve those derivative actions on July 29, 2024, and plaintiffs filed a motion for preliminary approval of that settlement in the EDNY Derivative Action on November 15, 2024. That motion remains pending.

On May 11, 2023, in collaboration with the CPSC, the Company announced a voluntary recall of the original Peloton Bike (not Bike+) sold in the U.S. from January 2018 to May 2023 related to its seat post, and the Company is offering a free replacement seat post as the approved repair. On June 9, 2023, Sam Solomon filed a putative securities class action against the Company and certain of the Company's officers in the U.S. District Court for the Eastern District of New York, Case No. 1:23-cv-04279-MKB-JRC (the "2023 Securities Litigation"). Jia Tian and David Feigelman were appointed as co-lead plaintiffs. On November 6, 2023, co-lead plaintiffs filed an amended complaint purportedly on behalf of a class consisting of those individuals who purchased or otherwise acquired the Company's common stock between May 6, 2021 and August 22, 2023, alleging that the defendants made false and/or misleading statements relating to the seat post recall in violation of Sections 10(b) and 20(a) of the Exchange Act. On February 2, 2024, defendants served a motion to dismiss the amended complaint. Briefing on defendants' motion to dismiss the amended complaint in the 2023 Securities Litigation was completed on May 17, 2024.

On September 27, 2023, Courtney Cooper and Abdo P. Faissal filed a verified stockholder derivative complaint, purportedly on behalf of the Company against certain of the Company's officers and directors, captioned *Cooper v. Boone, et al.*, Case No. 23-cv-07193-MKB-MMH, in the U.S. District Court for the Eastern District of New York, which alleges breaches of fiduciary duties and violations of Section 14(a) of the Exchange Act, as well as a claim for contribution under Sections 10(b) and 21D of the Exchange Act for any liability the Company may incur as a result of the 2023 Securities Litigation. On January 8, 2024, the court stayed the action pending resolution of the motion to dismiss in the 2023 Securities Litigation.

On May 5, 2022, the United States District Court for the Southern District of New York consolidated two putative securities class action lawsuits against the Company and certain of the Company's officers under the caption *City of Hialeah Employees Retirement System et al. v. Peloton Interactive, Inc., et al.*, Case No. 21-CV-09582-ALC-OTW and appointed Robeco Capital Growth Funds SICAV – Robeco Global Consumer Trends as lead plaintiff in the class action (the "SDNY Class Action"). Lead plaintiff filed its amended complaint on June 25, 2022, alleging that the defendants made false and/or misleading statements about demand for the Company's products and the reasons for the Company's inventory growth, and engaged in improper trading in violation of Sections 10(b) and 20A of the Exchange Act. On March 30, 2023, the court granted defendants' motion to dismiss, with leave to amend. Plaintiffs filed an amended complaint on May 6, 2023, purportedly on behalf of a class consisting of those individuals who purchased or otherwise acquired the Company's common stock between February 5, 2021 and January 19, 2022, and defendants moved to dismiss the complaint on June 16, 2023. On September 30, 2024, the court granted defendants' motion to dismiss the second amended complaint with prejudice (the "Order"). On October 21, 2024, plaintiffs filed a notice of appeal of the Order with the United States Court of Appeals for the Second Circuit and filed their brief in support of their appeal on December 10, 2024. Defendants filed their responsive brief on January 28, 2025.

On July 26, 2023, the Court of Chancery in the State of Delaware consolidated three stockholder derivative actions purportedly on behalf of the Company against certain of the Company's officers and directors under the caption *In re Peloton Interactive, Inc. 2023 Derivative Litigation*, Consol. Case No. 2023-0224-KSJM, which alleges that defendants breached their fiduciary duties by purportedly making false statements about demand for the Company's products and engaging in improper trading. Allison Manzella, Clark Ovruchesky, Daniel Banks and Karen Florentino are co-lead plaintiffs. The court stayed the action on September 26, 2023 pending final resolution of the motion to dismiss in the SDNY Class Action, including that any appeals have been concluded.

9. Equity-Based Compensation

2019 Equity Incentive Plan

In August 2019, the Board of Directors adopted the 2019 Equity Incentive Plan (the "2019 Plan"), which was subsequently approved by the Company's stockholders in September 2019. The 2019 Plan serves as the successor to the 2015 Stock Plan (the "2015 Plan"). The 2015 Plan continues to govern the terms and conditions of the outstanding awards previously granted thereunder. Any reserved shares not issued or subject to outstanding grants under the 2015 Plan on the effective date of the 2019 Plan became available for grant under the 2019 Plan and will be issued as Class A common stock.

Under the terms of the 2019 Plan, for stock option and restricted stock unit grants, vesting generally occurs over two to four years. Stock option grants are not exercisable after the expiration of ten years from the date of grant or such shorter period as specified in a stock award agreement. Restricted stock units are generally granted with a service condition only or both a service and performance condition. During the three months

ended December 31, 2024, the Company granted performance-based restricted stock units to certain members of management. The performance-based restricted stock units generally cliff vest, if earned, two and one-half months after the end of the fiscal year. The number of shares that can be earned generally ranges from 0% to 200% of the target number based on the achievement of the performance condition over the respective measurement period.

The number of shares reserved for issuance under the 2019 Plan will increase automatically on July 1 of each of 2020 through 2029 by the number of shares of Class A common stock equal to 5% of the total outstanding shares of all of the Company's classes of common stock as of each June 30 immediately preceding the date of increase (the "evergreen feature"), or a lesser amount as determined by the Board of Directors. On July 1, 2024, the number of shares of Class A common stock available for issuance under the 2019 Plan was automatically increased according to its terms by 18,813,085 shares.

In October 2023, the Company's Board of Directors adopted an amendment to the 2019 Plan (the "Amendment") that increases the number of shares available under the 2019 Plan by 36,000,000 shares of Class A common stock (and retains the existing evergreen feature through July 1, 2029) and extends the right to grant awards under the 2019 Plan through October 24, 2033. The Amendment became effective following approval by the Company's stockholders on December 7, 2023. As of December 31, 2024, 58,249,054 shares of Class A common stock were available for future award under the 2019 Plan.

Stock Options

The following summary sets forth the stock option activity under the 2019 Plan:

	Options Outstanding			
	Number of Stock Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Outstanding — June 30, 2024	28,901,489	\$ 20.14	4.7	\$ 3.4
Granted	255,145	\$ 4.63		
Exercised	(1,171,580)	\$ 3.91		\$ 4.8
Forfeited or expired	(2,137,044)	\$ 16.14		
Outstanding — December 31, 2024	25,848,010	\$ 21.05	3.4	\$ 16.3
Vested and Exercisable — December 31, 2024	24,274,303	\$ 21.68	3.2	\$ 16.2

Unvested option activity is as follows:

	Options	Weighted-Average Grant Date Fair Value
Unvested — June 30, 2024	6,348,265	\$ 17.24
Granted	255,145	\$ 2.86
Vested	(4,561,429)	\$ 17.25
Forfeited or expired	(468,274)	\$ 19.96
Unvested — December 31, 2024	1,573,707	\$ 14.09

The aggregate intrinsic value of options outstanding and vested and exercisable, were calculated as the difference between the exercise price of the options and the fair value of the Company's common stock as of December 31, 2024. The fair value of the common stock is the closing stock price of Class A common stock as reported on The Nasdaq Global Select Market. The aggregate intrinsic value of exercised options was \$4.8 million and \$5.0 million for the six months ended December 31, 2024 and 2023, respectively.

For the six months ended December 31, 2024, the weighted-average grant date fair value per option was \$2.86, and for the six months ended December 31, 2023 no options were granted. The fair value of each option was estimated at the grant date using the Black-Scholes method with the following assumptions:

	Six Months Ended December 31, 2024
Weighted average risk-free interest rate ⁽¹⁾	3.7 %
Weighted average expected term (in years)	3.3
Weighted average expected volatility ⁽²⁾	90.6 %
Expected dividend yield	—

(1) Based on U.S. Treasury yield curve in effect at the time of grant.

(2) Expected volatility is based on the historical volatility of the price of Class A common stock.

Restricted Stock and Restricted Stock Units

The following table summarizes the activity related to the Company's restricted stock and restricted stock units:

	Restricted Stock Units Outstanding	
	Number of Awards	Weighted-Average Grant Date Fair Value
Outstanding — June 30, 2024	55,811,463	\$ 6.80
Granted	31,443,180	\$ 4.88
Vested and converted to shares	(12,328,244)	\$ 7.35
Cancelled	(4,863,898)	\$ 6.53
Outstanding — December 31, 2024	70,062,501	\$ 5.86

Employee Stock Purchase Plan

In August 2019, the Board of Directors adopted, and in September 2019, the Company's stockholders approved, the Employee Stock Purchase Plan ("ESPP"), through which eligible employees may purchase shares of Class A common stock at a discount through accumulated payroll deductions. The ESPP became effective on September 25, 2019, the date the registration statement, filed in connection with the Company's initial public offering, was declared effective by the SEC (the "Effective Date"). The number of shares of Class A common stock that are available for issuance and sale to eligible employees under the ESPP will increase automatically on the first day of each fiscal year of the Company beginning on July 1, 2020 through 2029, in an amount equal to 1% of the total number of outstanding shares of all classes of the Company's common stock on the immediately preceding June 30, or such lesser number as may be determined by the Board of Directors or applicable committee in its sole discretion. On July 1, 2024, the number of shares of Class A common stock available for issuance under the ESPP was automatically increased according to its terms by 3,762,617 shares. As of December 31, 2024, 18,632,205 shares of Class A common stock were available for sale to employees under the ESPP.

Unless otherwise determined by the Board of Directors, each offering period will consist of four six-month purchase periods, commencing on September 1 and March 1 and ending on August 31 and February 28 of each two-year period or each six-month period, respectively, subject to a reset provision. If the closing price of Class A common stock on the first day of an offering period is higher than the closing price of Class A common stock on the last day of any applicable purchase period, participants will be withdrawn from the ongoing offering period immediately following the purchase of ESPP shares on the purchase date and would automatically be enrolled in the subsequent offering period ("ESPP reset"), resulting in a modification under ASC 718, *Compensation - Stock Compensation*.

Unless otherwise determined by the Board of Directors, the purchase price for each share of Class A common stock purchased under the ESPP will be 85% of the lower of the fair market value per share on the first trading day of the applicable offering period or the fair market value per share on the last trading day of the applicable purchase period.

The Black-Scholes option pricing model assumptions used to calculate the fair value of shares estimated to be purchased at the commencement of the ESPP offering periods were as follows:

	Six Months Ended December 31,	
	2024	2023
Weighted average risk-free interest rate	2.8 %	2.0 %
Weighted average expected term (in years)	1.3	1.3
Weighted average expected volatility	92.3 %	92.7 %
Expected dividend yield	—	—

The expected term assumptions were based on each offering period's respective purchase date. The expected volatility is based on the historical volatility of the price of Class A common stock. The risk-free rate assumptions were based on the U.S. treasury yield curve in effect at the time of the grants. The dividend yield assumption was zero as the Company has not historically paid any dividends and does not expect to declare or pay dividends in the foreseeable future.

During the three and six months ended December 31, 2024, the Company recorded stock-based compensation expense associated with the ESPP of \$1.1 million and \$2.7 million, respectively, and \$2.0 million and \$3.1 million for the three and six months ended December 31, 2023, respectively.

In connection with the offering period that ended on August 31, 2024, employees purchased 375,829 shares of Class A common stock at a weighted-average price of \$3.91 under the ESPP. As of December 31, 2024, total unrecognized compensation cost related to the ESPP was \$5.6 million, which will be amortized over a weighted-average remaining period of 1.3 years.

Stock-Based Compensation Expense

The Company's total stock-based compensation expense was as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
	(in millions)			
Cost of revenue				
Connected Fitness Products	\$ 2.5	\$ 2.6	\$ 4.7	\$ 4.9
Subscription	10.3	10.0	19.0	19.7
Total cost of revenue	12.8	12.6	23.8	24.6
Sales and marketing	4.8	6.0	8.5	10.7
General and administrative	31.3	32.2	52.4	67.6
Research and development	12.6	15.8	24.0	30.7
Restructuring expense	—	—	—	7.2
Total stock-based compensation expense	\$ 61.5	\$ 66.6	\$ 108.7	\$ 140.8

As of December 31, 2024, the Company had \$398.7 million of unrecognized stock-based compensation expense related to unvested stock-based awards that is expected to be recognized over a weighted-average period of 2.3 years.

During the six months ended December 31, 2024, one employee of the Company who was eligible to participate in the Company's Severance and Change in Control Plan (the "Severance Plan") terminated employment. Certain modifications were made to equity awards, including the extension of the post-termination period during which an employee may exercise outstanding stock options from 90 days to one year (or the option expiration date, if earlier). In the six months ended December 31, 2023, one employee who was eligible to participate in the Company's Severance and Change in Control Plan (the "Severance Plan") terminated employment. Certain modifications were made to equity awards, including the extension of the post-termination period during which an employee may exercise outstanding stock options from 90 days to the earlier of the original expiration date or 3 years. The employee transitioned to a non-executive advisory role and as a result of this modification, the Company recognized incremental stock-based compensation expense of \$5.4 million for the six months ended December 31, 2023 within Restructuring expense in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

10. Income Taxes

The Company recorded a provision from income taxes of \$0.7 million and \$1.6 million for the three and six months ended December 31, 2024, respectively, and a benefit of \$(1.7) million and \$(1.0) million for the three and six months ended December 31, 2023, respectively. Furthermore, the Company's effective tax rates were (0.77)% and (1.75)% for the three and six months ended December 31, 2024, respectively, and 0.88% and 0.27% for the three and six months ended December 31, 2023, respectively. The income tax provision and the effective tax rate are primarily driven by state and international taxes.

The Company maintains a valuation allowance on the majority of its deferred tax assets as it has concluded that it is more likely than not that the deferred assets will not be utilized.

11. Net Loss Per Share

The computation of basic and diluted net loss per share is as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
	(\$ in millions, except per share amounts)			
Numerator:				
Net loss attributable to common stockholders	\$ (92.0)	\$ (194.9)	\$ (92.8)	\$ (354.1)
Denominator:				
Weighted-average common shares outstanding	385,591,039	362,334,326	382,059,323	360,440,945
Net loss per share, basic and diluted	\$ (0.24)	\$ (0.54)	\$ (0.24)	\$ (0.98)

Basic and diluted loss per share are the same for each class of common stock because they are entitled to the same liquidation and dividend rights.

The following potentially dilutive shares were not included in the calculation of diluted shares outstanding above as the effect would have been anti-dilutive:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Employee stock options	6,941,850	7,693,440	6,468,819	8,198,291
Restricted stock units and awards	25,602,278	637,660	13,137,055	815,567
Shares estimated to be purchased under ESPP	87,677	—	43,839	—
Convertible senior notes	77,284,420	—	77,284,420	—

Capped Calls

For the three and six months ended December 31, 2023, the denominator for basic and diluted loss per share does not include any effect from the Capped Call Transactions the Company entered into concurrently with the issuance of the 2026 Notes as this effect would have been anti-dilutive. During the fiscal year ended June 30, 2024, the Capped Call Transactions were terminated. Refer to Note 7 - Debt for additional information.

12. Segment Information

The Company applies ASC 280, *Segment Reporting*, in determining reportable segments. The Company has two reportable segments: Connected Fitness Products and Subscription. Segment information is presented in the same manner that the chief operating decision maker ("CODM"), the Chief Executive Officer and President, reviews the operating results in assessing performance and allocating resources. The CODM reviews revenue and gross profit for both of the reportable segments. Gross profit is defined as revenue less cost of revenue incurred by the segment.

No operating segments have been aggregated to form the reportable segments. The Company does not allocate assets at the reportable segment level as these are managed on an entity wide group basis and, accordingly, the Company does not report asset information by segment.

The Connected Fitness Products segment derives revenue from sale of the Company's portfolio of Connected Fitness Products and related accessories, as well as Precor branded fitness products, delivery and installation services, Bike rental products, extended warranty agreements, branded apparel, and commercial service contracts. The Subscription segment derives revenue from monthly Subscription fees. There are no internal revenue transactions between the Company's segments.

Key financial performance measures of the segments including Revenue, Cost of revenue, and Gross profit are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
	(in millions)			
Connected Fitness Products:				
Revenue	\$ 253.4	\$ 319.1	\$ 413.0	\$ 499.7
Cost of revenue	220.6	305.3	365.5	480.2
Gross profit	<u>\$ 32.8</u>	<u>\$ 13.8</u>	<u>\$ 47.4</u>	<u>\$ 19.5</u>
Subscription:				
Revenue	\$ 420.6	\$ 424.5	\$ 846.9	\$ 839.5
Cost of revenue	135.0	139.0	272.2	274.2
Gross profit	<u>\$ 285.6</u>	<u>\$ 285.6</u>	<u>\$ 574.7</u>	<u>\$ 565.3</u>
Consolidated:				
Revenue	\$ 673.9	\$ 743.6	\$ 1,259.9	\$ 1,339.2
Cost of revenue	355.6	444.2	637.8	754.4
Gross profit	<u>\$ 318.4</u>	<u>\$ 299.4</u>	<u>\$ 622.1</u>	<u>\$ 584.8</u>

Reconciliation of Gross Profit

Operating expenditures, interest income and other expense, and taxes are not allocated to individual segments as these are managed on an entity wide group basis. The reconciliation between reportable Segment Gross Profit to consolidated loss before provision for income tax is as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
	(in millions)			
Segment Gross Profit	\$ 318.4	\$ 299.4	\$ 622.1	\$ 584.8
Sales and marketing	(152.7)	(230.3)	(234.6)	(376.4)
General and administrative	(131.3)	(160.8)	(250.8)	(311.8)
Research and development	(60.3)	(79.9)	(118.8)	(158.6)
Impairment expense	(16.7)	(3.6)	(21.6)	(27.7)
Restructuring expense	(3.3)	(13.4)	(6.2)	(31.2)
Supplier settlements	—	1.5	(23.5)	1.5
Total other expense, net	(45.3)	(9.5)	(57.8)	(35.7)
Loss before provision for income taxes	\$ (91.2)	\$ (196.6)	\$ (91.3)	\$ (355.1)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our interim condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024, filed with the SEC on August 22, 2024 ("Form 10-K"). As discussed in the section titled "Special Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward looking statements that involve risks, uncertainties, assumptions, and other important factors that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified below and those discussed in the section titled "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q and in Part I, Item 1A of our Form 10-K.

Overview

Peloton is a leading global fitness company with a highly engaged community of 6.2 million Members as of December 31, 2024. A category innovator at the nexus of fitness, technology, and media, Peloton's first-of-its-kind subscription platform seamlessly combines innovative hardware, distinctive software, and exclusive content. Its world-renowned instructors coach and motivate Members to be the best version of themselves anytime, anywhere. We define a "Member" as any individual who has a Peloton account through a paid Connected Fitness Subscription or a paid Peloton App Membership, inclusive of a Strength+ App Membership, and completes one or more workouts in the trailing 12 month period. We define a completed workout as either completing (i) at least 50% of an instructor-led class, scenic ride, scenic run, or coach-led Strength+ program, (ii) ten or more minutes of "Just Ride", "Just Run", "Just Row", or (iii) a custom Strength+ workout.

Our Connected Fitness Products portfolio includes the Peloton Bike, Bike+, Tread, Tread+, Guide, Row and various Precor products. Access to the Peloton App is available with an All Access or Guide Membership for Members who have Connected Fitness Products or through a standalone App Membership with multiple Membership tiers. Access to the Strength+ App is available with an All Access, Guide, or App+ Membership or through a standalone Strength+ subscription. Our revenue is generated primarily from recurring Subscription revenue and the sale of our Connected Fitness Products. We are additionally focused on growing our Paid App subscribers, including through efforts such as our branding and App relaunch in May 2023 and launch of the Strength+ App in December 2024. We define a "Connected Fitness Subscription" as a person, household, or commercial property, such as a hotel or residential building, who has paid for a subscription to a Connected Fitness Product (a Connected Fitness Subscription with a successful credit card billing or with prepaid subscription credits or waivers).

Our financial profile has been characterized by strong retention, recurring revenue, and efficient customer acquisition. We believe that our low Average Net Monthly Paid Connected Fitness Subscription Churn, together with our high Subscription Gross Profit and Subscription Contribution Margin, yields an attractive lifetime value ("LTV") for our Connected Fitness Subscriptions well in excess of our customer acquisition costs ("CAC"). Maintaining an attractive LTV/CAC ratio is a primary goal of our customer acquisition strategy.

Second Quarter Fiscal 2025 Update and Recent Developments

Innovating on Our Products and Experiences

Innovating on our products and experiences so we can deliver even better outcomes for our Members is our most important long-term opportunity. Third-party research studies have shown that people benefit from engaging in multiple fitness disciplines. This variety is not only good for our Members but also for our business, as we believe it drives higher engagement and retention. Our monthly churn rate is roughly 60% lower for Connected Fitness subscriptions engaging with two or more disciplines per month versus those engaging with just one.

While Peloton is best known for cardio workouts, and Cycling in particular, we are also a leader in Strength workouts¹. In the three months ended December 31, 2024, over 2.0 million unique Members completed a Strength workout, representing 735.0 million minutes of total workout time. Furthermore, the number of Strength workouts taken in the three months ended December 31, 2024 equaled 75% of the total number of Cycling workouts taken. On the cardio side, we also continue to elevate our Tread products, achieving higher new subscription attach rates year over year in the three months ended December 31, 2024, thanks to our marketing efforts. With the release of our 10K training program in the three months ended December 31, 2024, Peloton now offers training options for all major race distances. Over 300,000 Members have already trained for a race with Peloton.

We're also seeing the impact of innovative, new software features like Pace Targets, which offer running instruction with personalized intensity levels. Nearly 60% of our Members who take Instructor-led workouts on our Tread products are using Pace Targets, and our we're seeing improved running paces as a result.

Meeting Members in More Places

Meeting Members in more places is another way to improve our service and grow our business. In December, we launched Strength+, a new app designed for gym-based strength workouts with audio guidance from expert coaches, as well as a custom strength workout generator. It reached over 220,000 monthly active users in the three months ended December 31, 2024, the vast majority of whom were existing All-Access Members, and represents another value-add for our Members.

Third-party retail enables us to meet more new Members in places where they already shop. Our new seasonal partnership with Costco drove more Bike+ unit sales than any other third-party retail partner during the three months ended December 31, 2024. We also remain focused on meeting more Members around the globe. We are encouraged by hardware sales in International markets in the three months ended December

¹ Strength workouts include Strength, Bootcamp, Yoga, and Pilates classes, as well as non-class Strength and Yoga workouts taken on the Strength+ App or Peloton App

31, 2024, which exceeded our expectations, as well as the continued growth in International Connected Fitness Subscriptions, which was accomplished with greater capital efficiency and improved unit economics.

Deepening Connections Among Our Members

As you may know, Peloton is named after the pack of cyclists who ride closely together to reduce their collective resistance, thereby going further, faster. And research shows that people achieve better fitness outcomes when they work out together. So we're focused on deepening connections among our more than 6.0 million Members, both with Peloton and with our supportive community. In September, we launched Teams, which enables Members to share workouts and compete in challenges. 70,000 Teams have been created since launch, and Members who join them are more likely to work out. In the three months ended December 31, 2024, we hosted the 11th annual Thanksgiving Day Turkey Burn where over 50,000 Members worked out together live. This year's Turkey Burn also brought "The Feast," our first Thanksgiving live Strength class and the largest live Strength class in Peloton's history.

Improving Our Unit Economics and Right-Sizing Our Costs

We've discussed in recent quarters that improving our unit economics and right-sizing our costs are both critical to our long-term success. During this holiday quarter, we demonstrated continued progress on improving our hardware unit economics by selling a favorable mix of premium priced products and by aligning our discounts with the margins of our products. In the three months ended December 31, 2024, we achieved a 12.9% Connected Fitness Products Gross Margin, reaching double digits for the first time in over three years.

Restructuring

In February 2022, we announced and began implementing a restructuring plan to realign our operational focus to support our multi-year growth, scale the business, and improve costs (the "2022 Restructuring Plan"). In April 2024, our Board of Directors approved a new restructuring plan to expand upon the 2022 Restructuring Plan (as expanded, the "2024 Restructuring Plan", collectively, the "Restructuring Plans") in an effort to position us for sustained, positive free cash flow, while enabling us to continue to invest in software, hardware and content innovation, improvements to our Member support experience, and optimizations to marketing efforts to scale the business.

We've made progress in implementing the Restructuring Plans and achieving the goals outlined in Note 4 - Restructuring. In fiscal year 2024, we completed the sale of the Peloton Output Park building and a portion of the corresponding land and received net proceeds of approximately \$31.9 million, successfully exited our owned-manufacturing operations, and reduced our global retail showroom footprint. In September 2024, we completed the sale of the remaining Peloton Output Park land parcel and received net proceeds of \$4.2 million. We expect substantial further improvements in the goals outlined in Note 4 - Restructuring as well as a number of other measures by which we measure the success of our restructuring initiatives and expect to continue optimizing our showroom footprint over the remainder of fiscal year 2025.

Refer to Note 4 - Restructuring in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for discussion around charges incurred to date and future expected charges under the Restructuring Plans. We expect the plan to result in reduced annual run-rate expenses by more than \$200 million by the end of fiscal year 2025.

We do not believe these cost-saving measures will impair our ability to conduct any of our key business functions. However, we may not be able to realize the cost savings and benefits initially anticipated as a result of the Restructuring Plans, and costs may be greater than expected. See *"Risk Factors—Risks Related to Our Business—We may not successfully execute or achieve the expected benefits of our restructuring initiatives and other cost-saving measures we may take in the future, and our efforts may result in further actions and/or additional asset impairment charges and adversely affect our business"* in our Form 10-K.

Global Trade Policies and Tariffs

We continue to closely monitor changes in international trade policies, relations, legislation and regulations, including those related to tariffs, which could adversely impact the global economy and our business, financial condition, and operating results. The impact of any tariffs will depend on various factors, including whether the tariffs are ultimately implemented, the timing of implementation, and the amount, scope and nature of the tariffs.

Key Operational and Business Metrics

In addition to the measures presented in our interim condensed consolidated financial statements, we use the following key operational and business metrics to evaluate our business, measure our performance, develop financial forecasts, and make strategic decisions.

	Three Months Ended December 31,	
	2024	2023
Ending Paid Connected Fitness Subscriptions	2,879,404	3,004,413
Average Net Monthly Paid Connected Fitness Subscription Churn	1.4 %	1.2 %
Ending Paid App Subscriptions	578,532	718,348
Average Monthly Paid App Subscription Churn	6.4 %	7.2 %
Subscription Gross Profit (in millions)	\$ 285.6	\$ 285.6
Subscription Contribution (in millions) ⁽¹⁾	\$ 303.4	\$ 304.3
Subscription Gross Margin	67.9 %	67.3 %
Subscription Contribution Margin ⁽¹⁾	72.1 %	71.7 %
Net loss (in millions)	\$ (92.0)	\$ (194.9)
Adjusted EBITDA (in millions) ⁽²⁾	\$ 58.4	\$ (81.7)
Net cash provided by (used in) operating activities	\$ 106.7	\$ (31.2)
Free Cash Flow (in millions) ⁽³⁾	\$ 106.0	\$ (37.2)

(1) Please see the section titled "Non-GAAP Financial Measures—Subscription Contribution and Subscription Contribution Margin" for a reconciliation of Subscription Gross Profit to Subscription Contribution and an explanation of why we consider Subscription Contribution and Subscription Contribution Margin to be helpful measures for investors.

(2) Please see the section titled "Non-GAAP Financial Measures—Adjusted EBITDA" for a reconciliation of Net loss to Adjusted EBITDA and an explanation of why we consider Adjusted EBITDA to be a helpful measure for investors.

(3) Please see the section titled "Non-GAAP Financial Measures—Free Cash Flow" for a reconciliation of net cash provided by (used in) operating activities to Free Cash Flow and an explanation of why we consider Free Cash Flow to be a helpful measure for investors.

Ending Paid Connected Fitness Subscriptions

Ending Paid Connected Fitness Subscriptions includes all Connected Fitness Subscriptions for which we are currently receiving payment (a successful credit card billing or prepaid subscription credit or waiver). We do not include paused Connected Fitness Subscriptions in our Ending Paid Connected Fitness Subscription count.

Average Net Monthly Paid Connected Fitness Subscription Churn

To align with the definition of Ending Paid Connected Fitness Subscriptions above, our quarterly Average Net Monthly Paid Connected Fitness Subscription Churn is calculated as follows: Paid Connected Fitness Subscriber "churn count" in the quarter, divided by the average number of beginning Paid Connected Fitness Subscribers each month, divided by three months. "Churn count" is defined as quarterly Connected Fitness Subscription churn events minus Connected Fitness Subscription unpause events minus Connected Fitness Subscription reactivations.

We refer to any cancellation or pausing of a subscription for our All-Access Membership as a churn event. Because we do not receive payment for paused Connected Fitness Subscriptions, a paused Connected Fitness Subscription is treated as a churn event at the time the pause goes into effect, which is the start of the next billing cycle. An unpause event occurs when a pause period elapses without a cancellation and the Connected Fitness Subscription resumes, and is therefore counted as a reduction in our churn count in that period. Our churn count is shown net of reactivations and our new quarterly Average Net Monthly Paid Connected Fitness Subscription Churn metric averages the monthly Connected Fitness churn percentage across the three months of the reported quarter.

Ending Paid App Subscriptions

Ending Paid App Subscriptions include all App One, App+, and Strength+ subscriptions for which we are currently receiving payment.

Average Monthly Paid App Subscription Churn

When a Subscriber to App One or App+ cancels their membership (a churn event) and resubscribes in a subsequent period, the resubscription is considered a new subscription (rather than a reactivation that is counted as a reduction in our churn count). Average Paid App Subscription Churn is calculated as follows: Paid App Subscription cancellations in the quarter, divided by the average number of beginning Paid App Subscriptions each month, divided by three months.

Components of our Results of Operations

Revenue

Connected Fitness Products

Connected Fitness Products Revenue consists of sales of our portfolio of Connected Fitness Products and related accessories, as well as Precor branded fitness products, delivery and installation services, Bike rental products, extended warranty agreements, branded apparel, and commercial service contracts. Connected Fitness Products Revenue is recognized at the time of delivery, except for extended warranty revenue that is recognized over the warranty period and service revenue that is recognized over the term, and is recorded net of sales returns and concessions, discounts and allowances, and third-party financing program fees, when applicable.

Subscription

Subscription Revenue primarily consists of revenue generated from our Paid Connected Fitness Subscriptions and Paid Peloton App Subscriptions, inclusive of the Strength+ App, which are offered on a month-to-month or prepaid basis.

As of December 31, 2024, 99% and 83% of our Connected Fitness Subscription and Paid App Subscription bases, respectively, were paying month-to-month.

If a Connected Fitness Subscription owns multiple, different Peloton Connected Fitness Products (such as a Peloton Bike and Peloton Tread) in the same household, the price of the Subscription remains \$44 monthly. As of December 31, 2024, approximately 11% of our Connected Fitness Subscriptions owned multiple, different Connected Fitness Products.

Cost of revenue

Connected Fitness Products

Connected Fitness Products Cost of revenue consists of our portfolio of Connected Fitness Products, related accessories, Precor branded fitness products, and branded apparel product costs, including third party manufacturing costs, duties and other applicable importing costs, shipping and handling costs, packaging, warranty replacement and service costs, fulfillment costs, warehousing costs, costs related to our commercial business, depreciation of property and equipment, and certain costs related to management, facilities, and personnel-related expenses associated with supply chain logistics. Inventory write-downs and related obsolescence reserve expense are also included within Connected Fitness Products Cost of revenue.

Subscription

Subscription Cost of revenue includes costs associated with content creation and costs to stream content to our Members. These costs consist of both fixed costs, including studio rent and occupancy, other studio overhead, Instructor and production personnel-related expenses, depreciation of property and equipment as well as variable costs, including music royalty fees, third-party platform streaming costs, and payment processing fees for our monthly subscription billings.

Operating expenses

Sales and marketing

Sales and marketing expense consists of performance marketing media spend, asset creation, and other brand creative, costs to operate our retail showrooms including rent and occupancy charges, payment processing fees incurred in connection with the sale of our Connected Fitness Products, sales and marketing personnel-related expenses, expenses related to the Peloton App and Strength+ App, and depreciation of property and equipment.

General and administrative

General and administrative expense includes personnel-related expenses and facilities-related costs primarily for our executive, finance, accounting, legal, human resources, IT functions and Member support team. General and administrative expense also includes fees for professional services principally comprised of legal, audit, tax and accounting services, depreciation of property and equipment, and insurance, as well as litigation settlement costs.

Research and development

Research and development expense primarily consists of personnel and facilities-related expenses, consulting and contractor expenses, tooling and prototype materials, software platform expenses, and depreciation of property and equipment. We capitalize certain qualified costs incurred in connection with the development of internal-use software that may also cause research and development expenses to vary from period to period.

Impairment expense

Impairment expense consists of non-cash impairment charges relating to long-lived assets. Impairments are determined using management's judgment about our anticipated ability to continue to use fixed assets in-service and under development, current economic and market conditions and their effects based on information available as of the date of these condensed consolidated financial statements. Management disposes of fixed assets during the regular course of business due to damage, obsolescence, strategic shifts, and loss.

Additionally, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an

asset group to future undiscounted net cash flows expected to be generated by the assets. If the carrying amount of an asset group exceeds its estimated undiscounted net future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset group exceeds its fair value.

Restructuring expense

Restructuring expense consists of severance and other personnel costs, including stock-based compensation expense, professional services, facility closures and other costs associated with exit and disposal activities.

Supplier settlements

Supplier settlements are payments made to third-party suppliers to terminate certain future inventory purchase commitments or settle disputes with suppliers about and to terminate certain alleged past and future commitments.

Non-operating income and expenses**Other (expense) income, net**

Other (expense) income, net consists of interest (expense) income, unrealized and realized gains (losses) on investments, and foreign exchange gains (losses).

Income tax provision

The provision for income taxes consists primarily of income taxes related to state and international taxes for jurisdictions in which we conduct business. We maintain a valuation allowance on the majority of our deferred tax assets as we have concluded that it is more likely than not that the deferred assets will not be utilized.

Results of Operations

The following tables set forth our consolidated results of operations in dollars and as a percentage of total revenue for the periods presented. The period-to-period comparisons of our historical results are not necessarily indicative of the results that may be expected in the future.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
	(in millions)			
Consolidated Statement of Operations Data:				
Revenue				
Connected Fitness Products	\$ 253.4	\$ 319.1	\$ 413.0	\$ 499.7
Subscription	420.6	424.5	846.9	839.5
Total revenue	673.9	743.6	1,259.9	1,339.2
Cost of revenue ⁽¹⁾⁽²⁾				
Connected Fitness Products	220.6	305.3	365.5	480.2
Subscription	135.0	139.0	272.2	274.2
Total cost of revenue	355.6	444.2	637.8	754.4
Gross profit	318.4	299.4	622.1	584.8
Operating expenses				
Sales and marketing ⁽¹⁾⁽²⁾	152.7	230.3	234.6	376.4
General and administrative ⁽¹⁾⁽²⁾	131.3	160.8	250.8	311.8
Research and development ⁽¹⁾⁽²⁾	60.3	79.9	118.8	158.6
Impairment expense	16.7	3.6	21.6	27.7
Restructuring expense ⁽¹⁾	3.3	13.4	6.2	31.2
Supplier settlements	—	(1.5)	23.5	(1.5)
Total operating expenses	364.3	486.5	655.5	904.2
Loss from operations	(45.9)	(187.1)	(33.4)	(319.4)
Other expense, net:				
Interest expense	(34.6)	(27.7)	(70.0)	(54.9)
Interest income	7.7	8.4	15.8	16.9
Foreign exchange (loss) gain	(18.5)	9.6	(3.7)	1.9
Other income, net	0.2	0.1	0.1	0.4
Total other expense, net	(45.3)	(9.5)	(57.8)	(35.7)
Loss before provision for income taxes	(91.2)	(196.6)	(91.3)	(355.1)
Income tax expense (benefit)	0.7	(1.7)	1.6	(1.0)
Net loss	\$ (92.0)	\$ (194.9)	\$ (92.8)	\$ (354.1)

(1) Includes stock-based compensation expense as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
(in millions)				
Cost of revenue				
Connected Fitness Products	\$ 2.5	\$ 2.6	\$ 4.7	\$ 4.9
Subscription	10.3	10.0	19.0	19.7
Total cost of revenue	12.8	12.6	23.8	24.6
Sales and marketing	4.8	6.0	8.5	10.7
General and administrative	31.3	32.2	52.4	67.6
Research and development	12.6	15.8	24.0	30.7
Restructuring expense	—	—	—	7.2
Total stock-based compensation expense	\$ 61.5	\$ 66.6	\$ 108.7	\$ 140.8

(2) Includes depreciation and amortization expense as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
(in millions)				
Cost of revenue				
Connected Fitness Products	\$ 3.8	\$ 1.5	\$ 8.2	\$ 7.6
Subscription	7.5	8.7	15.4	17.9
Total cost of revenue	11.3	10.1	23.6	25.5
Sales and marketing	4.5	6.1	9.4	12.4
General and administrative	4.6	6.1	9.6	12.4
Research and development	2.4	2.8	5.1	5.6
Total depreciation and amortization expense	\$ 22.8	\$ 25.1	\$ 47.6	\$ 55.9

Comparison of the Three and Six Months Ended December 31, 2024 and 2023

Revenue

	Three Months Ended December 31,			Six Months Ended December 31,		
	2024	2023	% Change	2024	2023	% Change
(dollars in millions)						
Revenue:						
Connected Fitness Products	\$ 253.4	\$ 319.1	(20.6)%	\$ 413.0	\$ 499.7	(17.3)%
Subscription	420.6	424.5	(0.9)	846.9	839.5	0.9
Total revenue	\$ 673.9	\$ 743.6	(9.4)%	\$ 1,259.9	\$ 1,339.2	(5.9)%
Percentage of revenue						
Connected Fitness Products	37.6 %	42.9 %		32.8 %	37.3 %	
Subscription	62.4	57.1		67.2	62.7	
Total	100.0 %	100.0 %		100.0 %	100.0 %	

Three and Six Months Ended December 31, 2024 and 2023

Connected Fitness Products Revenue decreased \$65.8 million and \$86.7 million for the three and six months ended December 31, 2024, respectively, compared to the three and six months ended December 31, 2023. This decrease was primarily attributable to fewer deliveries driven

by lower demand across all Connected Fitness product categories, except Tread+, which resumed sales during the third quarter of fiscal 2024. The decrease was also partially offset by growth in Precor revenue.

Subscription Revenue decreased \$4.0 million for the three months ended December 31, 2024 compared to the three months ended December 31, 2023, primarily due to decreases in Paid Connected Fitness and App Subscriptions, partially offset by improvements in content licensing revenue and Used Equipment Activation Fee revenue, which was introduced during the first quarter of fiscal 2025.

Subscription Revenue increased \$7.4 million for the six months ended December 31, 2024 compared to the six months ended December 31, 2023, primarily due to incremental content licensing revenue and lower churn during the period. This increase was partially offset by a decrease in Paid Connected Fitness and App Subscriptions.

Cost of Revenue, Gross Profit, and Gross Margin

	Three Months Ended December 31,			Six Months Ended December 31,		
	2024	2023	% Change	2024	2023	% Change
(dollars in millions)						
Cost of revenue:						
Connected Fitness Products	\$ 220.6	\$ 305.3	(27.7)%	\$ 365.5	\$ 480.2	(23.9)%
Subscription	135.0	139.0	(2.9)	272.2	274.2	(0.7)
Total cost of revenue	\$ 355.6	\$ 444.2	(20.0)%	\$ 637.8	\$ 754.4	(15.5)%
Gross Profit:						
Connected Fitness Products	\$ 32.8	\$ 13.8	136.8%	\$ 47.4	\$ 19.5	143.3%
Subscription	285.6	285.6	—	574.7	565.3	1.7
Total Gross profit	\$ 318.4	\$ 299.4	6.3%	\$ 622.1	\$ 584.8	6.4%
Gross Margin:						
Connected Fitness Products	12.9 %	4.3 %		11.5 %	3.9 %	
Subscription	67.9 %	67.3 %		67.9 %	67.3 %	

Three Months Ended December 31, 2024 and 2023

Connected Fitness Products Cost of revenue for the three months ended December 31, 2024 decreased \$84.7 million, or 27.7%, compared to the three months ended December 31, 2023. This decrease was primarily driven by fewer deliveries across Bike, Tread, Bike+, and Row, resulting from lower demand during the three months ended December 31, 2024 compared to the three months ended December 31, 2023. The decrease was partially offset by Tread+ deliveries during the three months ended December 31, 2024, as deliveries resumed during the third quarter of fiscal 2024, as well as higher Precor cost of revenue in line with the increased volume of Precor sales.

Our Connected Fitness Products Gross Margin increased to 12.9% for the three months ended December 31, 2024 compared to 4.3% for the three months ended December 31, 2023. This increase was primarily driven by a mix-shift towards higher margin products, lower warehousing and transportation costs, a reduction in inventory reserves including the sale of certain fully reserved units, and lower payroll and rent expense in connection with restructuring efforts.

Subscription Cost of revenue and Gross Margin remained mostly consistent for the three months ended December 31, 2024 compared to the three months ended December 31, 2023.

Six Months Ended December 31, 2024 and 2023

Connected Fitness Products Cost of revenue for the six months ended December 31, 2024 decreased \$114.6 million, or 23.9%, compared to the six months ended December 31, 2023. This decrease was primarily driven by fewer deliveries across Bike, Tread, and Bike+ resulting from lower demand during the six months ended December 31, 2024 compared to the six months ended December 31, 2023. This decrease was partially offset by Tread+ deliveries during the six months ended December 31, 2024 as deliveries resumed during the third quarter of fiscal 2024, and higher Precor cost of revenue in line with the increased volume of Precor sales.

Our Connected Fitness Products Gross Margin increased to 11.5% for the six months ended December 31, 2024 compared to 3.9% for the six months ended December 31, 2023. This increase was primarily driven by product mix-shifts towards higher margin products, lower warehousing and delivery costs, and a reduction in inventory reserves.

Subscription Cost of revenue and Gross Margin remained mostly consistent for the six months ended December 31, 2024 compared to the six months ended December 31, 2023.

Operating Expenses

Sales and Marketing

	Three Months Ended December 31,				Six Months Ended December 31,					
	2024	2023	% Change		2024	2023	% Change			
	(dollars in millions)									
Sales and marketing	\$	152.7	\$	230.3	(33.7)%	\$	234.6	\$	376.4	(37.7)%
As a percentage of total revenue		22.7 %		31.0 %			18.6 %		28.1 %	

Three and Six Months Ended December 31, 2024 and 2023

Sales and marketing expense decreased \$77.6 million and \$141.8 million for the three and six months ended December 31, 2024, respectively, compared to the three and six months ended December 31, 2023, primarily driven by a decrease of \$64.4 million and \$116.1 million in acquisition, brand, and creative marketing spend for the three and six months ended December 31, 2024, respectively, and a decrease of \$4.8 million and \$10.3 million in personnel-related expenses, inclusive of stock-based compensation expense, primarily due to decreased average headcount, for the three and six months ended December 31, 2024, respectively.

General and Administrative

	Three Months Ended December 31,				Six Months Ended December 31,					
	2024	2023	% Change		2024	2023	% Change			
	(dollars in millions)									
General and administrative	\$	131.3	\$	160.8	(18.3)%	\$	250.8	\$	311.8	(19.6)%
As a percentage of total revenue		19.5 %		21.6 %			19.9 %		23.3 %	

Three and Six Months Ended December 31, 2024 and 2023

General and administrative expense decreased \$29.5 million and \$61.0 million for the three and six months ended December 31, 2024, respectively, compared to the three and six months ended December 31, 2023, primarily driven by a decrease of \$20.5 million and \$27.9 million in settlement costs and professional services fees (comprised of legal, accounting, and consulting fees), for the three and six months ended December 31, 2024, respectively, and a \$5.7 million and \$23.7 million decrease in personnel-related expenses, inclusive of stock-based compensation expense, primarily due to decreased average headcount, for the three and six months ended December 31, 2024, respectively.

Research and Development

	Three Months Ended December 31,				Six Months Ended December 31,					
	2024	2023	% Change		2024	2023	% Change			
	(dollars in millions)									
Research and development	\$	60.3	\$	79.9	(24.6)%	\$	118.8	\$	158.6	(25.1)%
As a percentage of total revenue		8.9 %		10.7 %			9.4 %		11.8 %	

Three and Six Months Ended December 31, 2024 and 2023

Research and development expense decreased \$19.6 million and \$39.8 million for the three and six months ended December 31, 2024 respectively, compared to the three and six months ended December 31, 2023, primarily driven by \$12.3 million and \$28.0 million decreases in personnel-related expenses, inclusive of stock-based compensation expense, primarily due to decreased average headcount, for the three and six months ended December 31, 2024, respectively, and \$4.7 million and \$8.7 million decreases in product development costs, primarily due to a reduction in contractor spend for the three and six months ended December 31, 2024, respectively.

Impairment expense

	Three Months Ended December 31,			Six Months Ended December 31,		
	2024	2023	% Change	2024	2023	% Change
	(dollars in millions)					
Impairment expense	\$ 16.7	\$ 3.6	359.7%	\$ 21.6	\$ 27.7	(22.0)%

Three and Six Months Ended December 31, 2024 and 2023

Impairment expense increased \$13.1 million for the three months ended December 31, 2024 compared to the three months ended December 31, 2023, primarily due to incremental asset write-downs and write-offs in the quarter related to restructuring initiatives, including asset impairments related to the exit of retail showroom locations. Impairment expense decreased \$6.1 million for the six months ended December 31, 2024 compared to the six months ended December 31, 2023, primarily driven by decreases in asset write-downs and write-offs related to restructuring

initiatives, including impairments related to Peloton Output Park during the six months ended December 31, 2023, which was partially offset by increases in asset impairments related to the exit of retail showroom locations during the six months ended December 31, 2024.

Restructuring expense

	Three Months Ended December 31,			Six Months Ended December 31,		
	2024	2023	% Change	2024	2023	% Change
	(dollars in millions)					
Restructuring expense	\$ 3.3	\$ 13.4	(75.3)%	\$ 6.2	\$ 31.2	(80.0)%

Three and Six Months Ended December 31, 2024 and 2023

Restructuring expense decreased \$10.1 million and \$25.0 million for the three and six months ended December 31, 2024 compared to the three and six months ended December 31, 2023, primarily due to a \$13.5 million decrease in personnel-related expenses, inclusive of stock-based compensation expense during the six months ended December 31, 2024, decreases in exit and disposal costs and professional fees of \$6.6 million and \$7.7 million for the three and six months ended December 31, 2024, respectively, and decreases in non-cash charges of \$3.8 million during both the three and six months ended December 31, 2024 relating to the loss on sale of a manufacturing subsidiary in Taiwan during the three and six months ended December 31, 2023.

Supplier Settlements

	Three Months Ended December 31,			Six Months Ended December 31,		
	2024	2023	% Change	2024	2023	% Change
	(dollars in millions)					
Supplier Settlements	\$ —	\$ (1.5)	*NM	\$ 23.5	\$ (1.5)	*NM

*NM - not meaningful

Three and Six Months Ended December 31, 2024 and 2023

Supplier settlements were flat for the three months ended December 31, 2024 compared to the three months ended December 31, 2023, and increased \$25.0 million for the six months ended December 31, 2024 compared to the six months ended December 31, 2023 due to settlement of disputes with a third-party supplier about certain alleged past and future commitments.

Total Other Expense, Net and Income Tax Expense

	Three Months Ended December 31,			Six Months Ended December 31,		
	2024	2023	% Change	2024	2023	% Change
	(dollars in millions)					
Interest expense	\$ (34.6)	\$ (27.7)	24.9%	\$ (70.0)	\$ (54.9)	27.5%
Interest income	7.7	8.4	(9.2)%	15.8	16.9	(6.5)%
Foreign exchange (loss) gain	(18.5)	9.6	*NM	(3.7)	1.9	*NM
Other income, net	0.2	0.1	9.6%	0.1	0.4	(78.9)%
Income tax expense (benefit)	0.7	(1.7)	*NM	1.6	(1.0)	*NM

*NM - not meaningful

Total other expense, net, was composed of the following for the three and six months ended December 31, 2024:

- Interest expense primarily related to term loan, convertible notes, and deferred financing costs of \$34.6 million and \$70.0 million, respectively;
- Interest income from cash, cash equivalents, and short-term investments of \$7.7 million and \$15.8 million, respectively;
- Foreign exchange losses of \$18.5 million and \$3.7 million, respectively, primarily driven by the remeasurement of certain intercompany balances; and
- Other expense, net of \$0.2 million and \$0.1 million, respectively.

Total other expense, net, was composed of the following for the three and six months ended December 31, 2023:

- Interest expense primarily related to term loan, convertible notes, and deferred financing costs of \$27.7 million and \$54.9 million, respectively;
- Interest income from cash, cash equivalents, and short-term investments of \$8.4 million and \$16.9 million, respectively;
- Foreign exchange gains of \$9.6 million and \$1.9 million, respectively; and

- Other income, net of \$0.1 million and \$0.4 million, respectively.

Income tax expense for the three and six months ended December 31, 2024 of \$0.7 million and \$1.6 million, respectively, was primarily due to state and international taxes. Income tax benefit for the three and six months ended December 31, 2023 of \$1.7 million and \$1.0 million, respectively, was primarily due to state and international taxes.

Non-GAAP Financial Measures

In addition to our results determined in accordance with accounting principles generally accepted in the United States, or GAAP, we believe the following non-GAAP financial measures are useful in evaluating our operating performance.

Adjusted EBITDA

We calculate Adjusted EBITDA as net (loss) income adjusted to exclude: other expense (income), net; income tax expense; depreciation and amortization expense; stock-based compensation expense; impairment expense; product recall related matters; certain litigation and settlement expenses; transaction and integration costs; reorganization, severance, exit, disposal and other costs associated with restructuring plans; supplier settlements; and other adjustment items that arise outside the ordinary course of our business.

We use Adjusted EBITDA as a measure of operating performance and the operating leverage in our business. We believe that this non-GAAP financial measure is useful to investors for period-to-period comparisons of our business and in understanding and evaluating our operating results for the following reasons:

- Adjusted EBITDA is widely used by investors and securities analysts to measure a company's operating performance without regard to items such as stock-based compensation expense, depreciation and amortization expense, other expense (income), net, and provision for income taxes that can vary substantially from company to company depending upon their financing, capital structures, and the method by which assets were acquired;
- Our management uses Adjusted EBITDA in conjunction with financial measures prepared in accordance with GAAP for planning purposes, including the preparation of our annual operating budget, as a measure of our core operating results and the effectiveness of our business strategy, and in evaluating our financial performance; and
- Adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of our core operating results, and may also facilitate comparisons with other peer companies, many of which use a similar non-GAAP financial measure to supplement their GAAP results.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider this measure in isolation or as a substitute for analysis of our financial results as reported under GAAP. Some of these limitations are, or may in the future be, as follows:

- Although depreciation and amortization expense are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA excludes stock-based compensation expense, which has recently been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy;
- Adjusted EBITDA does not reflect: (1) changes in, or cash requirements for, our working capital needs; (2) interest expense, or the cash requirements necessary to service interest or principal payments on our debt, which reduces cash available to us; or (3) tax payments that may represent a reduction in cash available to us;
- Adjusted EBITDA does not reflect gains (losses) associated with refinancing efforts that we have determined are outside of the ordinary course of business and are nonrecurring, infrequent or unusual based on factors such as the nature and strategy of the refinancing, as well as our frequency and past practice of performing refinancing activities.
- Adjusted EBITDA does not reflect certain litigation expenses, consisting of legal settlements and related fees for specific proceedings that we have determined arise outside of the ordinary course of business and are nonrecurring, infrequent or unusual based on the following considerations which we assess regularly: (1) the frequency of similar cases that have been brought to date, or are expected to be brought within two years; (2) the complexity of the case; (3) the nature of the remedy(ies) sought, including the size of any monetary damages sought; (4) offensive versus defensive posture of us; (5) the counterparty involved; and (6) our overall litigation strategy. Following a change in practice beginning during the fiscal year ended June 30, 2022, we no longer adjust Adjusted EBITDA for costs from new patent litigation or consumer arbitration claims, unless we consider the matter to be nonrecurring, infrequent or unusual. We continue to adjust Adjusted EBITDA for historical patent infringement and consumer arbitration claims that were determined, prior to our change in practice, to be nonrecurring, infrequent, or unusual;
- Adjusted EBITDA does not reflect transaction and integration costs related to acquisitions;
- Adjusted EBITDA does not reflect impairment charges for goodwill and fixed assets, and gains (losses) on disposals for fixed assets;
- Adjusted EBITDA does not reflect the impact of purchase accounting adjustments to inventory related to the Precor acquisition;
- Adjusted EBITDA does not reflect costs associated with certain product recall related matters including adjustments to the return reserves, inventory write-downs, logistics costs associated with Member requests, the cost to move the recalled product for those that elect the option, subscription waiver costs of service, and recall-related hardware development and repair costs. We make adjustments for product recall related matters that we have determined arise outside of the ordinary course of business and are nonrecurring, infrequent or unusual based on factors including the nature of the product recall, our experience with similar product recalls at the time of such assessment, the impacts on us of the recall remedy and associated logistics, supply chain, and other externalities, as well as

the expected consumer demand for such a remedy, and operational complexities in the design, regulatory approval and deployment of a remedy;

- Adjusted EBITDA does not reflect reorganization, severance, exit, disposal, and other costs associated with restructuring plans;
- Adjusted EBITDA does not reflect supplier settlements that are outside of the ordinary course of business and are nonrecurring, infrequent or unusual based on factors such as the nature of the settlements, as well as our frequency and past practice of performing refinancing activities; and
- The expenses and other items that we exclude in our calculation of Adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude from Adjusted EBITDA when they report their operating results and we may, in the future, exclude other significant, unusual expenses or other items from this financial measure. Because companies in our industry may calculate this measure differently than we do, its usefulness as a comparative measure can be limited.

Because of these limitations, Adjusted EBITDA should be considered along with other operating and financial performance measures presented in accordance with GAAP.

The following table presents a reconciliation of Adjusted EBITDA to Net loss, the most directly comparable financial measure prepared in accordance with GAAP, for each of the periods indicated:

Adjusted EBITDA

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
	(in millions)			
Net loss	\$ (92.0)	\$ (194.9)	\$ (92.8)	\$ (354.1)
Adjusted to exclude the following:				
Total other expense, net ⁽¹⁾	45.3	9.5	57.8	35.7
Income tax expense (benefit)	0.7	(1.7)	1.6	(1.0)
Depreciation and amortization expense	22.8	25.1	47.6	55.9
Stock-based compensation expense	61.5	66.6	108.7	133.6
Impairment expense	16.7	3.6	21.6	27.7
Restructuring expense ⁽²⁾	3.3	13.9	6.2	32.2
Supplier settlements ⁽³⁾	—	(1.5)	23.5	(1.5)
Product recall related matters ⁽⁴⁾	—	(6.5)	—	(8.2)
Litigation and settlement expenses ⁽⁵⁾	—	4.2	—	7.1
Adjusted EBITDA	<u>\$ 58.4</u>	<u>\$ (81.7)</u>	<u>\$ 174.2</u>	<u>\$ (72.6)</u>

(1) Primarily consists of Interest expense of \$34.6 million and \$70.0 million, foreign exchange losses of \$18.5 million and \$3.7 million, and Interest income of \$(7.7) million and \$(15.8) million, for the three and six months ended December 31, 2024, respectively. Primarily consists of Interest expense of \$27.7 million and \$54.9 million, foreign exchange gains of \$(9.6) million and \$(1.9) million, and Interest income of \$(8.4) million and \$(16.9) million, for the three and six months ended December 31, 2023, respectively.

(2) Represents charges incurred in connection with the Restructuring Plans, refer to *Note 4 - Restructuring* in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

(3) Represents accrual for the six months ended December 31, 2024 related to settlement of disputes with a third-party supplier about certain alleged past and future commitments, which occurred due to part of an unusual, one-time effort to adjust the Company's forecasted inventory during its fiscal years 2022 and 2023. With this settlement, we have substantially settled our purchase commitments related disputes with our suppliers that were linked to our one-time effort to evaluate and adjust the Company's forecasted inventory needs with its suppliers during fiscal years 2022 and 2023. As such, we currently do not expect to add-back in the future any additional supplier settlements related to that effort.

(4) Represents adjustments and charges primarily associated with our Tread+ and Bike Seat Post product recall related matters, as well as accrual adjustments. These include adjustments to Connected Fitness Products Revenue for actual and estimated future returns of \$(2.3) million and \$(3.9) million, respectively, for the three and six months ended December 31, 2023. These also include recorded benefits in Connected Fitness Products Cost of revenue associated with recall related matters of \$(4.2) million and \$(4.3) million, respectively, for the three and six months ended December 31, 2023.

(5) Includes litigation-related expenses for certain patent infringement litigation, consumer arbitration, and product recalls for the three and six months ended December 31, 2023, that arise outside of the ordinary course of business and are nonrecurring, infrequent, or unusual.

Subscription Contribution and Subscription Contribution Margin

We define "Subscription Contribution" as Subscription Revenue less Subscription Cost of revenue, adjusted to exclude from Subscription Cost of revenue, depreciation and amortization expense, and stock-based compensation expense. Subscription Contribution Margin is calculated by dividing Subscription Contribution by Subscription Revenue.

We use Subscription Contribution and Subscription Contribution Margin to measure our ability to scale and leverage the costs of our Connected Fitness Subscriptions. We believe that these non-GAAP financial measures are useful to investors for period-to-period comparisons of our business and in understanding and evaluating our operating results because our management uses Subscription Contribution and Subscription Contribution Margin in conjunction with financial measures prepared in accordance with GAAP for planning purposes, including the preparation of our annual operating budget, as a measure of our core operating results and the effectiveness of our business strategy, and in evaluating our financial performance.

The use of Subscription Contribution and Subscription Contribution Margin as analytical tools has limitations, and you should not consider these in isolation or as substitutes for analysis of our financial results as reported under GAAP. Some of these limitations are as follows:

- Although depreciation and amortization expense are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Subscription Contribution and Subscription Contribution Margin do not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements; and
- Subscription Contribution and Subscription Contribution Margin exclude stock-based compensation expense, which has recently been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy.

Because of these limitations, Subscription Contribution and Subscription Contribution Margin should be considered along with other operating and financial performance measures presented in accordance with GAAP.

The following table presents a reconciliation of Subscription Contribution and Subscription Contribution Margin to Subscription Gross Profit and Subscription Gross Margin, respectively, which are the most directly comparable financial measures prepared in accordance with GAAP, for each of the periods indicated:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
	(dollars in millions)			
Subscription Revenue	\$ 420.6	\$ 424.5	\$ 846.9	\$ 839.5
Less: Subscription Cost of revenue	135.0	139.0	272.2	274.2
Subscription Gross Profit	<u>\$ 285.6</u>	<u>\$ 285.6</u>	<u>\$ 574.7</u>	<u>\$ 565.3</u>
Subscription Gross Margin	<u>67.9 %</u>	<u>67.3 %</u>	<u>67.9 %</u>	<u>67.3 %</u>
Add back:				
Depreciation and amortization expense	\$ 7.5	\$ 8.7	\$ 15.4	\$ 17.9
Stock-based compensation expense	10.3	10.0	19.0	19.7
Subscription Contribution	<u>\$ 303.4</u>	<u>\$ 304.3</u>	<u>\$ 609.1</u>	<u>\$ 602.9</u>
Subscription Contribution Margin	<u>72.1 %</u>	<u>71.7 %</u>	<u>71.9 %</u>	<u>71.8 %</u>

We believe continued growth of our Connected Fitness Subscription base will allow us to improve our Subscription Contribution Margin. While there are variable costs, including music royalties, associated with our Connected Fitness Subscriptions, a significant portion of our content creation costs are fixed given that we operate with a limited number of production studios and Instructors. We expect the fixed nature of those expenses to scale over time as we grow our Connected Fitness Subscription base.

Free Cash Flow

We define Free Cash Flow as Net cash provided by (used in) operating activities less capital expenditures. Free cash flow reflects an additional way of viewing our liquidity that, we believe, when viewed with our GAAP results, provides management, investors, and other users of our financial information with a more complete understanding of factors and trends affecting our cash flows.

The use of Free Cash Flow as an analytical tool has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures. For example, Free Cash Flow does not incorporate payments made for purchases of marketable securities, business combinations and asset acquisitions. Because of these limitations, Free Cash Flow should be considered along with other operating and financial performance measures presented in accordance with GAAP.

The following table presents a reconciliation of Free Cash Flow to Net cash provided by (used in) operating activities, the most directly comparable financial measure prepared in accordance with GAAP, for each of the periods indicated:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
	(in millions)			
Net cash provided by (used in) operating activities	\$ 106.7	\$ (31.2)	\$ 119.2	\$ (110.4)
Capital expenditures	(0.7)	(6.0)	(2.5)	(10.0)
Free Cash Flow	<u>\$ 106.0</u>	<u>\$ (37.2)</u>	<u>\$ 116.6</u>	<u>\$ (120.4)</u>

Liquidity and Capital Resources

Our operations have been funded primarily through net proceeds from the sales of our equity and convertible debt securities, and our term loan, as well as cash flows from operating activities. As of December 31, 2024, we had Cash and cash equivalents of approximately \$829.0 million.

We anticipate capital expenditures over the next 12 months to include investments in product development, content and our studios, and systems implementation.

We believe our existing cash and cash equivalent balances and cash flow from operations will be sufficient to meet our working capital and capital expenditure needs for the next 12 months and beyond. Our future capital requirements may vary materially from those currently planned and will depend on many factors, including our rate of revenue growth, timing to adjust our supply chain and cost structures in response to material fluctuations in product demand, timing and amount of spending related to acquisitions, the timing and amount of spending on research and development and manufacturing initiatives, the timing and financial impact of product recalls, sales and marketing activities, the timing of new product introductions, market acceptance of our Connected Fitness Products, timing and investments needed for international expansion, and overall economic conditions. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing. The sale of additional equity would result in further dilution to our stockholders. The incurrence of debt financing would result in debt service obligations and the instruments governing such debt could provide for operating and financing covenants that would restrict our operations. There can be no assurances that we will be able to raise additional capital. The inability to raise capital would adversely affect our ability to achieve our business objectives.

Restructuring

In February 2022, we announced and began implementing the 2022 Restructuring Plan to realign our operational focus to support our multi-year growth, scale the business, and improve costs. In April 2024, our Board of Directors approved a new restructuring plan to expand upon the 2022 Restructuring Plan (as expanded, the “2024 Restructuring Plan”, collectively, the “Restructuring Plans”) in an effort to position us for sustained, positive free cash flow, while enabling us to continue to invest in software, hardware and content innovation, improvements to our Member support experience, and optimizations to marketing efforts to scale the business.

Refer to *Note 4 - Restructuring* in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for discussion around charges incurred to date and future expected charges under the Restructuring Plans. We expect the plan to result in reduced annual run-rate expenses by more than \$200 million by the end of fiscal year 2025.

We do not believe these cost-saving measures will impair our ability to conduct any of our key business functions. However, we may not be able to realize the cost savings and benefits initially anticipated as a result of the Restructuring Plans, and costs may be greater than expected. See *“Risk Factors—Risks Related to Our Business—We may not successfully execute or achieve the expected benefits of our restructuring initiatives and other cost-saving measures we may take in the future, and our efforts may result in further actions and/or additional asset impairment charges and adversely affect our business”* in our Form 10-K.

2029 and 2026 Convertible Notes

In May 2024, we issued \$350.0 million aggregate principal amount of 5.50% Convertible Senior Notes due 2029 (the “2029 Notes”) in a private offering, including the exercise in full of the option granted to the initial purchasers to purchase \$50.0 million of the 2029 Notes. The 2029 Notes were issued pursuant to an Indenture (the “2029 Notes Indenture”) between us and U.S. Bank Trust Company, National Association, as trustee. The 2029 Notes bear interest at a rate of 5.50% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2024. The net proceeds from this offering of 2029 Notes were approximately \$342.3 million, after deducting the initial purchasers' discounts and commissions. The net proceeds of the offering were used, together with proceeds from the Term Loan (as defined below) and cash on hand, to repurchase approximately \$801.0 million aggregate principal amount of our outstanding 0.00% Convertible Senior Notes due 2026 (the “2026 Notes”) described below.

The effective interest rate upon issuance of the 2029 Notes was 5.97%, which is the effective interest rate as of December 31, 2024.

The 2029 Notes will mature on December 1, 2029, unless earlier converted, redeemed, or repurchased. The 2029 Notes will be convertible at the option of the holders at certain times and upon the occurrence of certain events. A holder may convert its 2029 Notes during any calendar quarter (and only during such calendar quarter), if the last reported sale price per share of the Class A common stock exceeds 130% of the conversion price for each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter. The last reported sale price of the Class A common stock exceeded 130% of the conversion price of the 2029 Notes for more than 20 trading days during the 30 consecutive trading days ended December 31, 2024. Accordingly, as of January 1, 2025, the 2029 Notes may be converted at the option of the applicable holder through March 31, 2025.

On or after September 1, 2029, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2029 Notes, in multiples of \$1,000 principal amount, at the option of the holder.

The Company may satisfy any conversion obligation under the 2029 Notes by paying and/or delivering, as the case may be, cash, shares of the Class A common stock or a combination of cash and shares of the Class A common stock, at the Company's election, in the manner and subject to the terms and conditions provided in the 2029 Notes Indenture. If all of the 2029 Notes were to be converted prior to March 31, 2025, the Company's current intention would be to settle such conversion in shares of the Class A common stock.

In February 2021, we issued \$1.0 billion aggregate principal amount of the 2026 Notes in a private offering, including the exercise in full of the option granted to the initial purchasers to purchase \$125.0 million of the 2026 Notes. The 2026 Notes were issued pursuant to an Indenture (the “2026 Notes Indenture”) between us and U.S. Bank National Association, as trustee. The net proceeds from the offering were approximately \$977.2 million, after deducting the initial purchasers’ discounts and commissions and our offering expenses.

The effective interest rate upon issuance of the 2026 Notes was 0.45%, which is the effective interest rate as of December 31, 2024.

Repurchase of a Portion of the 2026 Convertible Notes

In May 2024, we entered into separate, privately negotiated transactions with certain holders of the 2026 Notes to repurchase \$801.0 million of aggregate principal amount of the 2026 Notes for an aggregate of \$724.9 million of cash. We accounted for this repurchase of the 2026 Notes as a debt extinguishment under ASC 470-50, *Debt – Modifications and Extinguishments* (“ASC 470-50”). We recorded a \$69.8 million gain on early extinguishment of debt during the fiscal year ending June 30, 2024, which includes the write-off of previously deferred debt issuance costs of \$6.3 million, which was included within Net gain on debt refinancing on the Consolidated Statements of Operations and Comprehensive Loss within our Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

Termination of Capped Call Transactions

In connection with the offering of the 2026 Notes, we entered into privately negotiated capped call transactions with certain counterparties (the “Capped Call Transactions”). In the last quarter of fiscal year 2024, we terminated the Capped Call Transactions in their entirety pursuant to negotiated termination agreements with each such counterparty.

Third Amended and Restated Credit Agreement

On May 30, 2024, we entered into a Third Amended and Restated Credit Agreement (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Third Amended and Restated Credit Agreement”), with JPMorgan Chase Bank, N.A., as administrative agent, and certain banks and financial institutions party thereto as lenders and issuing banks.

The Third Amended and Restated Credit Agreement provides for a \$1.0 billion term loan facility (the “Term Loan”), which will be due and payable on May 30, 2029. The Term Loan amortizes in quarterly installments of 0.25%, payable at the end of each fiscal quarter and on the maturity date.

The Third Amended and Restated Credit Agreement also provides for a \$100.0 million revolving credit facility (the “Revolving Facility”), which will mature on May 30, 2029. We are only required to meet the total liquidity covenant, set at \$250.0 million for the last business day of any week, and the subscription revenues covenant, set at \$1.2 billion for the four-quarter trailing period, to the extent any revolving loans are borrowed and outstanding.

The Revolving Facility, when drawn, bears interest at a rate equal to, at our option, either the Alternate Base Rate (as defined in the Third Amended and Restated Credit Agreement) plus 4.00% per annum or the Term SOFR Rate (as defined in the Third Amended and Restated Credit Agreement) plus 5.00% per annum. We are required to pay an annual commitment fee of 0.50% per annum on a quarterly basis based on the unused portion of the Revolving Facility, provided that the commitment fee is subject to one 0.125% step-down after the delivery of the financial statements and related compliance certificate for the fiscal quarter ending on or after September 30, 2024 for which the First Lien Net Leverage Ratio (as defined in the Third Amended and Restated Credit Agreement) is less than 5.00 to 1.00.

The Term Loan initially bears interest at a rate equal to, at our option, either the Alternate Base Rate (as defined in the Third Amended and Restated Credit Agreement) plus 5.00% per annum or the Term SOFR Rate (as defined in the Third Amended and Restated Credit Agreement) plus 6.00% per annum. After the delivery of the financial statements and related compliance certificate for the fiscal quarter ending on or after September 30, 2024 for which the First Lien Net Leverage Ratio (as defined in the Third Amended and Restated Credit Agreement) is less than 5.00 to 1.00, the applicable rate for Alternate Base Rate loans or Term SOFR Rate loans will be subject to one 0.50% step-down. Any borrowing at the Alternate Base Rate is subject to a 1.00% floor and the Term SOFR Rate is subject to a 0.00% floor.

The Third Amended and Restated Credit Agreement contains customary affirmative covenants as well as customary negative covenants that restrict our ability to, among other things, incur additional indebtedness, incur liens or grant negative pledges, make loans and investments, conduct certain transactions with affiliates, sell certain assets, enter into certain swap agreements, guarantee obligations of third parties, declare dividends or make certain distributions, and undergo a merger or consolidation or certain other transactions. The Third Amended and Restated Credit Agreement also contains certain customary events of default. Certain baskets and covenant levels have been adjusted and will apply equally to both the Term Loan and Revolving Facility for so long as the Term Loan is outstanding.

The obligations under the Third Amended and Restated Credit Agreement with respect to the Term Loan and the Revolving Facility are secured by substantially all of our assets, with certain exceptions set forth in the Third Amended and Restated Credit Agreement, and are required to be guaranteed by certain material subsidiaries of the Company if, at the end of future financial quarters, certain conditions are not met.

During the three and six months ended December 31, 2024, we incurred total commitment fees of \$0.1 million and \$0.3 million, respectively, and \$0.3 million and \$0.7 million during the three and six months ended December 31, 2023, respectively, which are included in Interest expense in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

As of December 31, 2024, we had drawn the full amount of the Term Loan and had not drawn on the Revolving Facility, and we had \$995.0 million total outstanding borrowings under the Third Amended and Restated Credit Agreement.

In connection with the execution of the Third Amended and Restated Credit Agreement, the Term Loan was accounted for as a modification, extinguishment, or new loan for certain lenders in accordance with ASC 470-50. Accordingly, a discount and debt issuance costs of \$10.0 million

and \$2.3 million, respectively, will be amortized to Interest expense using the effective interest method over the term of the Third Amended and Restated Credit Agreement. Furthermore, we expensed \$8.7 million of debt issuance costs incurred and wrote-off \$7.5 million of previously deferred debt discount and debt issuance costs, which was included within Net gain on debt refinancing on the Consolidated Statements of Operations and Comprehensive Loss within our Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

As of December 31, 2024, we had not drawn any amount under the Revolving Facility and as such did not have to test the financial covenants under the Third Amended and Restated Credit Agreement. We are required to pledge or otherwise restrict a portion of cash and cash equivalents as collateral for standby letters of credit. As of December 31, 2024, the Company had outstanding letters of credit totaling \$47.9 million, which are classified as Restricted cash on the Condensed Consolidated Balance Sheets.

Upon entering into the Term Loan, the effective interest rate was 12.4% and the current effective interest rate as of December 31, 2024 is 11.4%.

Cash Flows

	Six Months Ended December 31,	
	2024	2023
	(in millions)	
Net cash provided by (used in) operating activities	\$ 119.2	\$ (110.4)
Net cash provided by investing activities	1.7	4.6
Net cash provided by financing activities	4.0	16.8

Operating Activities

Net cash provided by operating activities of \$119.2 million for the six months ended December 31, 2024 was primarily related to non-cash adjustments of \$214.6 million, partially offset by a net loss of \$92.8 million and a net increase in operating assets and liabilities of \$2.6 million. Non-cash adjustments primarily consisted of \$108.7 million of stock-based compensation expense, \$47.6 million of depreciation and amortization, \$28.6 million of non-cash operating lease expense, and \$21.6 million of impairment expense. The increase in operating assets and liabilities was primarily due to a \$56.4 million decrease in accounts payable and accrued expenses and a \$42.2 million decrease in net operating lease liabilities due to lease payments and lease terminations as we continue to reduce our real estate footprint through our restructuring efforts, partially offset by a \$78.8 million decrease in inventories.

The increase in cash provided by operating activities during the six months ended December 31, 2024 compared to the six months ended December 31, 2023, was driven by operating expense reductions following the 2024 Restructuring Plan and gross profit improvements.

Investing activities

Net cash provided by investing activities of \$1.7 million for the six months ended December 31, 2024 was primarily related to \$4.2 million in proceeds from the sale of the remaining Peloton Output Park land parcel, partially offset by \$2.5 million used for capital expenditures.

The decrease in cash provided by investing activities during the six months ended December 31, 2024 compared to the six months ended December 31, 2023 is due to less cash proceeds from sale of Peloton Output Park land parcel during the six months ended December 31, 2024 when compared to the proceeds received from sale of a manufacturing subsidiary in Taiwan during the six months ended December 31, 2023, partially offset by less capital expenditures during the six months ended December 31, 2024.

Financing activities

Net cash provided by financing activities of \$4.0 million for the six months ended December 31, 2024 was primarily related to net proceeds from employee stock plans and employee stock purchase plans of \$9.1 million, partially offset by \$5.0 million in principal repayments on the Term Loan. A reduction in employee stock plans proceeds during the six months ended December 31, 2024 contributed to a decrease in net cash provided by financing activities compared to the six months ended December 31, 2023.

Commitments

As of December 31, 2024, our contractual obligations were as follows:

Contractual obligations:	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in millions)				
Lease obligations ⁽¹⁾	\$ 682.9	\$ 96.9	\$ 168.6	\$ 121.7	\$ 295.7
Minimum guarantees ⁽²⁾	105.3	83.3	21.8	—	0.3
Unused credit facility fee payments ⁽³⁾	2.3	0.5	1.0	0.8	—
Other purchase obligations ⁽⁴⁾	81.1	49.3	31.8	—	—
Convertible senior notes ⁽⁵⁾	549.0	—	199.0	350.0	—
Term loan ⁽⁵⁾	995.0	10.0	20.0	965.0	—
Total	\$ 2,415.5	\$ 239.9	\$ 442.2	\$ 1,437.5	\$ 295.9

(1) Lease obligations relate to our office space, warehouses, production studios, retail locations, and equipment. The original lease terms are between one and 21 years, and the majority of the lease agreements are renewable at the end of the lease period. The Company has finance lease obligations of \$0.2 million, also included above.

(2) We are subject to minimum royalty payments associated with our license agreements for the use of licensed content. See *"Risk Factors — Risks Related to Our Business— We depend upon third-party licenses for the use of music in our content. An adverse change to, loss of, or claim that we do not hold necessary licenses may have an adverse effect on our business, operating results, and financial condition"* in our Form 10-K.

(3) Pursuant to the Third Amended and Restated Credit Agreement, we are required to pay a commitment fee of 0.500% on a quarterly basis based on the unused portion of the Revolving Facility.

(4) Other purchase obligations include all other non-cancelable contractual obligations. These contracts are primarily related to cloud computing costs.

(5) Refer to *Note 7 - Debt* in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further details regarding our 2026 Notes and 2029 Notes and Term Loan obligations.

The commitment amounts in the table above are associated with contracts that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions, and the approximate timing of the actions under the contracts.

We utilize contract manufacturers to build our products and accessories. These contract manufacturers acquire components and build products based on demand forecast information we supply, which typically covers a rolling 12-month period. Consistent with industry practice, we acquire inventories from such manufacturers through purchase orders against which orders are applied based on projected demand information and availability of goods. Such purchase commitments typically cover our forecasted product and manufacturing requirements for periods that range a number of months. In certain instances, these agreements allow us the option to cancel, reschedule, and/or adjust our requirements based on our business needs for a period of time before the order is due to be fulfilled. While our purchase orders are legally cancellable in many situations, some purchase orders are not cancellable in the event of a demand plan change or other circumstances, such as where the supplier has procured unique, Peloton-specific designs, and/or specific non-cancellable, non-returnable components based on our provided forecasts.

As of December 31, 2024, our commitments to contract with third-party manufacturers for their inventory on-hand and component purchase commitments related to the manufacture of our products were estimated to be approximately \$68.8 million. See *"Risk Factors—Risks Related to Our Business—Our operating results have been, and could in the future be, adversely affected if we are unable to accurately forecast consumer demand for our products and services and adequately manage our inventory"* in our Form 10-K.

Off-Balance Sheet Arrangements

We did not have any undisclosed off-balance sheet arrangements as of December 31, 2024.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with GAAP. In preparing the condensed consolidated financial statements, we make estimates and judgments that affect the reported amounts of assets, liabilities, stockholders' equity, revenue, expenses, and related disclosures. We re-evaluate our estimates on an on-going basis. Our estimates are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Because of the uncertainty inherent in these matters, actual results may differ from these estimates and could differ based upon other assumptions or conditions. The critical accounting policies that reflect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements include those described in *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates"* in Part I, Item 7 of our Form 10-K. There have been no significant changes to these accounting policies and estimates for the three and six months ended December 31, 2024.

Recent Accounting Pronouncements

See *Note 2 - Summary of Significant Accounting Policies* in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q under the section titled “*Recently Issued Accounting Pronouncements*” for a discussion about new accounting pronouncements adopted and not yet adopted as of the date of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We had Cash and cash equivalents of \$829.0 million as of December 31, 2024. The primary objective of our investment activities is the preservation of capital, and we do not enter into investments for trading or speculative purposes. We have not been exposed, nor do we anticipate being exposed, to material risks due to changes in interest rates. A hypothetical 10% increase in interest rates during any of the periods presented in this Quarterly Report on Form 10-Q would not have had a material impact on our condensed consolidated financial statements.

We are primarily exposed to changes in short-term interest rates with respect to our cost of borrowing under our Third Amended and Restated Credit Agreement. We monitor our cost of borrowing under our facilities, taking into account our funding requirements, and our expectations for short-term rates in the future. A hypothetical 10% change in the interest rate on our Third Amended and Restated Credit Agreement for all periods presented would not have a material impact on our condensed consolidated financial statements.

Foreign Currency Risk

Our international sales are primarily denominated in foreign currencies and any unfavorable movement in the exchange rate between U.S. dollars and the currencies in which we conduct sales in foreign countries could have an adverse impact on our revenue. We source and manufacture inventory primarily in U.S. dollars and Taiwanese dollars. A portion of our operating expenses is incurred outside the United States and are denominated in foreign currencies, which are also subject to fluctuations due to changes in foreign currency exchange rates. For example, some of our contract manufacturing takes place in Taiwan and the related agreements are denominated in foreign currencies and not in U.S. dollars. Further, certain of our manufacturing agreements provide for fixed costs of our Connected Fitness Products and hardware in Taiwanese dollars but provide for payment in U.S. dollars based on the then-current Taiwanese dollar to U.S. dollar spot rate. In addition, our suppliers incur many costs, including labor and supply costs, in other currencies. While we are not currently contractually obligated to pay increased costs due to changes in exchange rates, to the extent that exchange rates move unfavorably for our suppliers, they may seek to pass these additional costs on to us, which could have a material impact on our gross margins. Our operating results and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. We have the ability to use derivative instruments, such as foreign currency forwards, and have the ability to use option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. Our exposure to foreign currency exchange rates historically has been partially hedged as our foreign currency denominated inflows create a natural hedge against our foreign currency denominated expenses.

Inflation Risk

As a result of inflationary conditions, there have been and may continue to be additional pressures on the ongoing increases in supply chain and logistics costs, materials costs, and labor costs. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we have recently experienced the effects of inflation on our results of operations and financial condition. Our business may continue to be impacted by inflation in the future which could have an adverse effect on our ability to maintain current levels of gross margin and operating expenses as a percentage of net revenue if we are unable to fully offset such higher costs through price increases. Additionally, because we purchase component parts from our suppliers, we may be adversely impacted by their inability to adequately mitigate inflationary, industry, or economic pressures.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2024.

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. As described below, we have identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis. Solely as a result of these material weaknesses, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2024.

Material Weaknesses and Remediation Plans

Previously Reported Material Weaknesses

As reported in Part II, Item 9A. "Controls and Procedures" of our Annual Reports on Form 10-K for the fiscal years ended June 30, 2024, June 30, 2023, June 30, 2022, and June 30, 2021, we have identified a material weakness in our internal control over financial reporting related to controls around the existence, completeness, and valuation of inventory.

Management has made significant enhancements to the Company's inventory management process related to the existence, completeness, and valuation of inventory. Management has implemented or is in process of implementing new or enhanced internal control procedures intended to both address the identified material weakness and strengthen our overall financial control environment, including:

- Increased frequency of the periodic physical inventory count process at our distribution centers and final mile and locations;
- Increased accuracy of periodic inventory count at all third-party logistics service providers through increased communication, oversight of their inventory management policies and procedures, and higher partner accountability when dealing with errors;
- Designed and implemented management oversight controls specifically related to inventory counts at third party distribution centers and final mile locations;
- Increased operational accuracy of inventory cycle count processes;
- Improved timeliness and accuracy of transactional processing between Peloton and third-party service providers and increased the accuracy of inventory data across Peloton internal systems, Peloton warehouses, and third-party providers;
- Implemented or enhanced controls related to inventory costing and the review of inventory excess and obsolescence reserves;
- Consolidation of our inventory network to reduce exposure to locations with historically high physical count inaccuracy; and
- Enhancements to training of standard operating procedures and internal controls to key stakeholders within the supply chain, logistics, and inventory processes.

These steps are subject to ongoing senior management review, as well as oversight by the audit committee of our Board of Directors.

While significant progress has been made to remediate this material weakness, management does not believe that these corrective measures have been either fully implemented or operating for a sufficient period of time to enable management to conclude that these internal controls over financial reporting are operating effectively and sufficiently to remediate this material weakness. When fully implemented and operational, we believe the measures described above will remediate the material weakness. We are committed to continuing to improve our internal control processes and will continue to diligently and vigorously review our financial reporting controls and procedures.

In addition, during the fiscal year ended June 30, 2024, management identified a material weakness in our internal control over financial reporting related to the business process control environment at Precor. Management assessed the design and operating effectiveness of automated and manual business process controls in Precor's environment, and identified a number of deficiencies related to lack of proper design of controls and lack of sufficient documentation to validate control design effectiveness, in particular management review controls. Management determined that in the aggregate, these control deficiencies constitute a material weakness.

Management has designed and performed additional procedures on a quarterly basis to gain comfort over the completeness and accuracy of the financial information relied upon at Precor and to ensure material errors do not exist within the Precor information consolidated into Peloton's financial statements. We have not identified any material errors or misstatements as a result of these procedures in our interim financial statements for the quarter ended December 31, 2024 or in our annual financial statements for the year ended June 30, 2024 or June 30, 2023.

In order to remediate the material weakness related to Precor's business process controls, management has designed and is actively executing on the following remediation plan, which includes:

- Taking a risk-based approach to remediation, prioritizing business process controls designed to mitigate significant financial statement risk areas, including financial statement close process review controls and management review controls over inventory and revenue judgments and estimates;
- Engaging an accounting advisory firm to assist with the documentation, evaluation, remediation, and testing of our internal control over financial reporting related to Precor's business process control environment based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission;
- Training of relevant personnel on the design and operation of our internal control over financial reporting relating to Precor's business process control environment; and
- Hiring additional qualified accounting and financial reporting personnel with internal control expertise to support the Precor business

These steps are subject to ongoing senior management review, as well as oversight by the audit committee of our Board of Directors.

Management has made progress towards the remediation of the material weakness through the design and implementation of certain business process controls which mitigate areas of significant financial risk, enhancements in the execution of key business processes at Precor, and improvement in the level of detail captured within controls supporting documentation. We will not be able to conclude that we have remediated this material weakness until the applicable remedial measures are fully implemented and operate for a sufficient period of time and management has concluded, through formal design and operating effectiveness testing, that all of the remediated controls are operating effectively. We will continue to monitor the design and effectiveness of these implemented controls and make any further changes management deems appropriate.

We concluded neither of the material weaknesses described above resulted in any material misstatements in our financial statements or disclosures in the current year or in our annual consolidated financial statements in any of the prior fiscal years in which this material weakness existed. Based on additional procedures and post-closing review, management concluded that the consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

Changes in Internal Control over Financial Reporting

Other than the ongoing remediation efforts and the new material weakness described above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

PART II. OTHER INFORMATION**Item 1. Legal Proceedings**

From time to time, we may be involved in claims and proceedings arising in the ordinary course of our business. The outcome of any such claims or proceedings, regardless of the merits, is inherently uncertain.

For a discussion of legal and other proceedings in which we are involved, see *Note 8 - Commitments and Contingencies* in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There have been no material changes to the risks disclosed in the Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information***Rule 10b5-1 Trading Plans***

On November 22, 2024, Andy Rendich, our Chief Supply Chain Officer, entered into a pre-arranged stock trading plan intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Securities Exchange Act of 1934, as amended (a "Rule 10b5-1 Plan"). Mr. Rendich's Rule 10b5-1 Plan provides for the potential aggregate sale of up to (i) 100,000 shares of Class A common stock, (ii) 414,718 shares of Class A common stock upon the vesting of certain restricted stock units ("RSUs"), in each case vesting between February 15, 2025 and February 15, 2026 and (iii) 119,332 shares of Class A common stock upon the vesting of certain performance stock units ("PSUs"), which are expected to vest on September 15, 2025, assuming the satisfaction of certain performance conditions. Each RSU and each PSU represents a contingent right to receive one share of Class A common stock.

On December 5, 2024, Jen Cotter, our Chief Content Officer, entered into a Rule 10b5-1 Plan. Ms. Cotter's Rule 10b5-1 Plan provides for the potential aggregate sale of up to (i) 85,518 shares of Class A common stock, (ii) 336,750 shares of Class A common stock upon the exercise of certain vested stock options, (iii) 1,302,584 shares of Class A common stock upon the vesting of certain RSUs, in each case vesting between February 15, 2025 and February 15, 2026 and (iv) 119,332 shares of Class A common stock upon the vesting of certain PSUs, which are expected to vest on September 15, 2025, assuming the satisfaction of certain performance conditions. Each RSU and each PSU represents a contingent right to receive one share of Class A common stock.

On December 6, 2024, Nick Caldwell, our Chief Product Officer, entered into a Rule 10b5-1 Plan. Mr. Caldwell's Rule 10b5-1 Plan provides for the potential aggregate sale of up to 940,290 shares of Class A common stock upon the vesting of certain RSUs, in each case vesting between March 15, 2025 and February 15, 2026. Each RSU represents a contingent right to receive one share of Class A common stock.

The Rule 10b5-1 Plans described above are in accordance with our Insider Trading Compliance Policy and Procedures. Sales pursuant to the Rule 10b5-1 Plans will be disclosed in filings made with the SEC in accordance with Section 16 of the Exchange Act.

Item 6. Exhibits

Exhibit Number	Exhibit Title	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Restated Certificate of Incorporation.	10-Q	001-39058	3.1	11/06/2019	
3.2	Second Amended and Restated Bylaws.	8-K	001-39058	3.1	04/08/2024	
10.1	Offer Letter, by and between Peter Stern and Peloton Interactive, Inc., dated October 28, 2024.	8-K	001-39058	10.1	10/31/2024	
10.2	Amendment No. 1 to the May 2, 2024 Offer Letter, by and between Karen Boone and Peloton Interactive, Inc., dated October 30, 2024.	8-K	001-39058	10.2	10/31/2024	
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					XX
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					XX
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101).					X

X Filed herewith.

XX Furnished herewith.

The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and are not deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act of the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PELOTON INTERACTIVE, INC.

Date: February 6, 2025

By: /s/ Peter Stern
Peter Stern
Chief Executive Officer
(Principal Executive Officer)

Date: February 6, 2025

By: /s/ Elizabeth F Coddington
Elizabeth F Coddington
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter Stern, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Peloton Interactive, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2025

By: /s/ Peter Stern

Peter Stern
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Elizabeth F Coddington, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Peloton Interactive, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2025

By: /s/ Elizabeth F Coddington

Elizabeth F Coddington
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter Stern, Chief Executive Officer of Peloton Interactive, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended December 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

Date: February 6, 2025

By: /s/ Peter Stern

Peter Stern
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Elizabeth F Coddington, Chief Financial Officer of Peloton Interactive, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended December 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

Date: February 6, 2025

By: /s/ Elizabeth F Coddington

Elizabeth F Coddington
Chief Financial Officer
(Principal Financial Officer)