

## Peloton

FY26 Adj. EBITDA & FCF Guidance Upside, But Growth Initiatives Still Early & FY26 Revenue Outlook Maintained; Remain Neutral w/\$9 PT

**PTON delivered solid 3Q results & raised FY26 Adj. EBITDA and FCF guidance, driven by ongoing cost rationalization.** PTON increased its FY26 Adj. EBITDA outlook ~6% at the midpoint to \$425M-\$475M despite taking a ~\$13.5M accrual tied to the Bike+ seat post recall, with the company on track to realize \$100M+ annualized savings by the end of FY26. **PTON raised its FY26 FCF outlook ~\$50M+ to \$250M+, which includes ~\$45M tariff impact (~\$20M lower vs. prior guide) driven by more favorable reciprocal tariff rates & timing dynamics.** CEO Peter Stern is focused on driving profitable growth & will invest to drive greater awareness of Peloton Cross Training Series & Peloton IQ. PTON maintained the FY26 Revenue guidance of \$2.4B-\$2.5B (-4% Y/Y to flat Y/Y), which we believe factored in upside from All-Access & other price increases, & we project return to growth in 2HFY26. CEO Peter Stern is broadening PTON's focus beyond fitness to also include wellness & continues to execute across its strategic priorities to improve member outcomes, expand reach, & create members for life. We are encouraged by PTON's progress across improving profit, ramping FCF, & deleveraging while investing toward growth. However, it remains to be seen whether product & marketing initiatives are significant enough to drive return to durable revenue growth. We raise our FY26/FY27 estimates ~1-2% across Adj. EBITDA & ~10-11% across Free Cash Flow. **We maintain our Neutral rating and our December 2026 PT of \$9 is based on ~7x CY27E Adj. EBITDA of \$573M, which equates to ~12x CY27E FCF of \$334M.**

## KEY THOUGHTS AFTER CALLS WITH MANAGEMENT

- **Cost Discipline, Gross Margin Expansion, & Less Tariff Headwinds Support FY26 Adj. EBITDA & FCF Upside.** 1QFY26 Adj. EBITDA of \$118M (21.5% margin, +170bps Y/Y) exceeded the high end of mgmt's \$90M-\$100M guide, & PTON raised the FY26 Adj. EBITDA outlook ~6% at the midpoint to \$425M-\$475M. PTON remains on track to realize \$100M+ annualized savings by the end of FY26, with increasing speed of execution as PTON drives efficiencies through headcount reductions, lower indirect spend, & work relocation. Adjusting for ~\$13.5M accrual for Bike+ seat post recall inventory costs, 1QFY26 CF Gross Margins of 15.8% increased +660bps Y/Y, with Peloton benefitting from favorable product mix shift, lower warranty costs, decreased inventory reserves, & reduced warehousing/distribution costs. **PTON remains focused on achieving CF GMs in the ~20%'s over time, and we project improving CF GMs through FY26.** We project FY26 Gross Margins of 52.3% (+140bps Y/Y, 52% guide), including CF GMs of 16.0% (+420bps Y/Y), & Subscription GMs of 69.4% (+130bps Y/Y). Within opex, PTON will ramp brand marketing spend in 2QFY26 to drive greater

## Neutral

PTON, PTON US  
Price (06 Nov 25):\$6.71  
Price Target (Dec-26):\$9.00

## Internet - Large Cap / Mid &amp; Small Cap

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## Key Changes (FYE Jun)

	Prev	Cur
Adj. EPS - 26E (\$)	0.56	0.59

## Quarterly Forecasts (FYE Jun)

Adj. EPS (\$)	2025A	2026E	2027E
Q1	0.20	0.17A	
Q2	(0.03)	0.03	
Q3	0.13	0.17	
Q4	0.22	0.22	
FY	0.59	0.59	0.71

## Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	94	98	100	99	93
Growth	32	37	48	94	19
Momentum	2	16	8	52	1
Quality	76	73	91	98	63
Low Vol	92	94	93	99	66
ESGQ	87	94	71	-	-

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

## See page 15 for analyst certification and important disclosures.

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## Price Performance



## Company Data

Shares O/S (mn)	415
52-week range (\$)	10.90-4.63
Market cap (\$ mn)	2,783.37
Exchange rate	1.00
Free float (%)	98.9%
3M ADV (mn)	12.94
3M ADV (\$ mn)	102.0
Volatility (90 Day)	66
Index	S&P 500
BBG ANR (Buy   Hold   Sell)	10 9 1

## Key Metrics (FYE Jun)

\$ in millions	FY25A	FY26E	FY27E
<b>Financial Estimates</b>			
Revenue	2,491	2,523	2,644
Adj. EBIT	314	387	435
Adj. EBITDA	403	469	546
Adj. net income	231	259	314
Adj. EPS	0.59	0.59	0.71
BBG EPS	(0.42)	0.12	0.16
Cashflow from operations	333	293	335
FCFF	324	278	316
<b>Margins and Growth</b>			
Revenue Growth Y/Y (%)	(7.8%)	1.3%	4.8%
EBIT margin	12.6%	15.3%	16.5%
EBIT Growth Y/Y (%)	(397.7%)	23.3%	12.6%
EBITDA margin	16.2%	18.6%	20.7%
EBITDA Growth Y/Y (%)	11764.7%	16.2%	16.6%
Net margin	9.3%	10.3%	11.9%
Adj. EPS growth	(268.8%)	(0.2%)	20.1%
<b>Ratios</b>			
Adj. tax rate	1.4%	3.0%	0.0%
Interest cover	-	-	-
Net debt/Equity	NM	NM	NM
Net debt/EBITDA	1.0	0.3	NM
ROE	(49.5%)	(84.0%)	6976.0%
<b>Valuation</b>			
FCFF yield	12.4%	9.5%	10.7%
Dividend yield	-	-	-
EV/Revenue	1.3	1.2	1.1
EV/EBITDA	7.9	6.6	5.3
Adj. P/E	11.3	11.4	9.5

## Summary Investment Thesis and Valuation

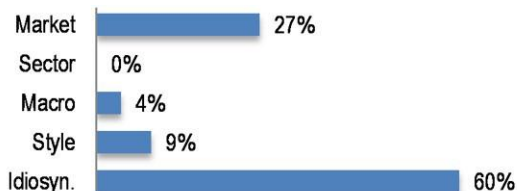
## Investment Thesis

Peloton is the largest interactive fitness platform in the world, with 6M+ members globally. We believe Peloton is well positioned to disrupt the fitness industry through its at-home connected fitness subscription platform, with runway for growth, as PTON Members represent only ~4% of global gym memberships. Peloton retains control over the entire member journey through its vertically integrated model, which allows PTON to deliver on its members-first mission and drives a passionate and highly engaged member base. We are encouraged by PTON's recent debt re-financing & ongoing cost rationalization, and we believe the company maintains a solid brand with a valuable subscriber base (<2% monthly churn). However, return to growth in CF Subs & Revenue remains challenging, & visibility is limited given secular & macro pressures.

## Valuation

Our December 2026 PT of \$9 (unchanged) is based on ~7x CY27E Adj. EBITDA of \$573M, which equates to ~12x CY27E FCF of \$334M. This represents a discount to Consumer Subscription peers trading at ~38x, on average, given PTON's lower growth & profit profile.

## Performance Drivers



Factors	6M Corr	1Y Corr
<b>Market:</b> MSCI US	0.57	0.51
<b>Sect:</b> Cons Discretionary	0.03	0.03
<b>Ind:</b> Cons Dur & Apparel	-0.08	-0.20
<b>Macro:</b>		
Crude Oil	-0.34	-0.17
US Dollar	-0.39	-0.15
Economic Surprise	0.29	0.12
<b>Quant Styles:</b>		
DivYld	-0.23	-0.32
Momentum	0.35	0.32
Size	0.43	0.31

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

awareness, especially across PTON's new Cross Training Series & Peloton IQ. **PTON raised its FY26 FCF outlook ~\$50M+ to \$250M+, which includes ~\$45M tariff impact (~\$20M lower vs. prior guide) driven by more favorable reciprocal tariff rates & timing dynamics.** We project FY26 Adj. EBITDA of \$469M (18.6% margin, +240bps Y/Y) & FCF of \$278M (-14% Y/Y).

- **Product Initiatives, Strategic Priorities, & Pricing Support Return to Revenue Growth During FY26.** 1QFY26 Revenue of \$551M (-6% Y/Y) exceeded the high end of mgmt's \$525M-\$545M guide. **PTON maintained the FY26 Revenue guidance of \$2.4B-\$2.5B (-4% Y/Y to flat Y/Y), which we believe factored in upside from All-Access & other price increases.** While churn has been in-line with expectations after recent price raises, PTON expects 2QFY churn to increase Y/Y & sequentially due to subscription pauses & cancellations, though FY26 churn will be flat Y/Y — implying improved 2HFY26 churn dynamics. More broadly, PTON cited US CF industry trends declining ~LSD%, improvement from recent levels, though lower Y/Y CF hardware sales are factored into PTON's FY26 Revenue guide. Following the launch of Peloton Cross Training Series & Peloton IQ, PTON will invest to drive greater awareness, & mgmt continues to execute across its strategic priorities to become a broader wellness platform through improving member outcomes, expanding reach, & creating members for life. We project FY26 CF Net Losses of ~209k & Revenue of \$2.5B (+1% Y/Y), including return to Y/Y Revenue growth in 2HFY26.
- **Other Notable Points:** 1) PTON voluntarily recalled seat posts across ~833k Bike+ units in the US & another ~44.8k in Canada, while also offering a self-installed seat post. PTON accrued \$13.5M related to the recall in 1QFY, in addition to \$3M accruals during 4QFY25; 2) PTON's net leverage rate of ~1.1x in 1QFY26 was well below ~7.5x in 1QFY25. PTON believes it has sufficient liquidity and will optimize its capital structure over time, w/upcoming maturities of \$200M 0% Convertible Notes due in February 2026. PTON's \$1B term loan has a 1% call premium through May 2026, which PTON could refinance at lower cost of capital; & 3) Precor launched its new commercial tread, Breakaway, which is a slat-belt tread offering a sled-style push mode, Cadence Coach, & new console design.

## Summary of the Quarter

Figure 1: Peloton 1QFY26 Results vs J.P. Morgan Estimates

\$ in millions, except Subs, Churn, & EPS

Peloton	1QFY26			
	JPM	Actual	Diff (%)	Guidance
<b>PTON Revenue</b>	<b>\$542.7</b>	<b>\$550.8</b>	<b>1.5%</b>	<b>\$525M - \$545M</b>
Subscription Revenue	\$401.3	\$398.4	(0.7%)	
CF Products Revenue	\$141.5	\$152.4	7.7%	
<b>KPIs</b>				
CF Subscribers	2,725,000	2,732,000	0.3%	2.72M - 2.73M
<b>CF Sub Net Adds</b>	<b>(75,000)</b>	<b>(68,000)</b>	<b>(9.3%)</b>	
CF Churn (Avg Net Monthly)	1.89%	1.60%	(29 bps)	
Digital Subscribers	523,923	542,000	3.5%	
<b>Gross Profit</b>	<b>\$285.4</b>	<b>\$283.7</b>	<b>(0.6%)</b>	
% Margin	52.6%	51.5%	(107 bps)	52.0%
Subscription Contribution Profit	\$289.1	\$289.1	(0.0%)	
% Margin	72.1%	72.6%	51 bps	
CF Products Gross Profit	\$11.3	\$10.5	(7.2%)	
% Margin	8.0%	6.9%	(111 bps)	
<b>Adj. EBITDA</b>	<b>\$93.1</b>	<b>\$118.3</b>	<b>27.0%</b>	<b>\$90M - \$100M</b>
% Margin	17.2%	21.5%	432 bps	
<b>GAAP Diluted EPS</b>	<b>(\$0.04)</b>	<b>\$0.03</b>	<b>NM</b>	
<b>Y/Y Growth</b>				
PTON Revenue	(7%)	(6%)		
Subscription Revenue	(6%)	(7%)		
CF Products Revenue	(11%)	(5%)		
CF Subscribers	(6%)	(6%)		

Source: Company reports and J.P. Morgan estimates.

## Peloton Estimate Changes

Figure 2: Adjusting J.P. Morgan Estimates, 2QFY26E-FY27E

\$ in millions, except Subs & Churn

PTON (\$ in Millions)	2QFY26		3QFY26		4QFY26		FY26		FY27	
	Old	New	Old	New	Old	New	Old	New	Old	New
<b>Revenue</b>	663.3	665.3	661.9	644.8	667.2	662.4	2,535.2	2,523.3	2,653.7	2,644.0
Y/Y Growth	(2%)	(1%)	6%	3%	10%	9%	2%	1%	5%	5%
% change		0.3%		(2.6%)		(0.7%)		(0.5%)		(0.4%)
<b>Subscription Revenue</b>	419.2	414.9	444.2	439.7	462.3	464.5	1,727.0	1,717.4	1,719.9	1,674.1
Y/Y Growth	(0%)	(1%)	6%	5%	13%	14%	3%	3%	(0%)	(3%)
% change		(1.0%)		(1.0%)		0.5%		(0.6%)		(2.7%)
<b>Connected Fitness Subscribers</b>	2,735,000	2,651,000	2,750,000	2,656,000	2,685,000	2,591,000	2,685,000	2,591,000	2,735,000	2,631,000
Y/Y Growth	(5%)	(8%)	(5%)	(8%)	(4%)	(7%)	(4%)	(7%)	2%	2%
<b>Net Adds</b>	10,000	(81,000)	15,000	5,000	(65,000)	(65,000)	(115,000)	(209,000)	50,000	40,000
Y/Y Growth	NM	NM	200%	0%	NM	NM	NM	NM	NM	NM
<b>Avg Net Monthly CF Churn</b>	1.33%	1.99%	1.20%	1.17%	1.52%	1.62%	1.51%	1.65%	1.57%	1.70%
Y/Y Change (bps)	(7 bps)	59 bps	(0 bps)	(3 bps)	(28 bps)	(18 bps)	(11 bps)	3 bps	5 bps	4 bps
<b>Digital Subscribers</b>	532,350	549,900	521,430	544,350	524,400	535,440	524,400	535,440	566,352	578,275
Y/Y Growth	(9%)	(6%)	(9%)	(5%)	(5%)	(3%)	(5%)	(3%)	8%	8%
% change		3.3%		4.4%		2.1%		2.1%		2.1%
<b>Connected Fitness Products Revenue</b>	244.1	250.4	217.7	205.1	205.0	197.9	808.3	805.8	933.8	969.9
Y/Y Growth	(4%)	(1%)	6%	(0%)	3%	(0%)	(1%)	(1%)	16%	20%
% change		2.6%		(5.8%)		(3.4%)		(0.3%)		3.9%

Source: J.P. Morgan estimates.

Figure 3: Adjusting J.P. Morgan Estimates, 2QFY26E-FY27E (Cont'd)

\$ in millions, except Subs &amp; Chum

PTON (\$ in Millions)	2QFY26		3QFY26		4QFY26		FY26		FY27	
	Old	New	Old	New	Old	New	Old	New	Old	New
<b>Gross Profit</b>	322.6	330.1	342.3	343.4	356.4	362.8	1,306.6	1,319.9	1,331.0	1,334.4
Y/Y Growth	1%	4%	8%	8%	9%	11%	3%	4%	2%	1%
% Margin	48.6%	49.6%	51.7%	53.3%	53.4%	54.8%	51.5%	52.3%	50.2%	50.5%
% change		2.3%		0.3%		1.8%		1.0%		0.3%
<b>Subscription Contribution Profit</b>	305.3	302.8	327.0	324.1	342.6	343.2	1,263.9	1,259.2	1,255.8	1,226.4
Y/Y Growth	1%	1%	7%	6%	11%	11%	3%	3%	-1%	-3%
% Margin	72.8%	73.0%	73.6%	73.7%	74.1%	73.9%	73.2%	73.3%	73.0%	73.3%
% change		(0.8%)		(0.9%)		0.2%		(0.4%)		(2.3%)
<b>Connected Fitness Products Gross Profit</b>	34.2	43.8	32.7	36.9	32.8	37.6	110.9	128.8	149.4	184.3
Y/Y Growth	4%	47%	11%	26%	-5%	9%	0%	34%	35%	43%
% Margin	14.0%	17.5%	15.0%	18.0%	16.0%	19.0%	13.7%	16.0%	16.0%	19.0%
% change		28.2%		13.0%		14.7%		16.1%		23.3%
<b>Adjusted EBITDA</b>	106.7	66.3	127.1	128.7	132.9	155.4	459.8	468.7	542.8	546.5
Y/Y Growth	83%	14%	42%	44%	-5%	11%	14%	16%	18%	17%
% Margin	16.1%	10.0%	19.2%	20.0%	19.9%	23.5%	18.1%	18.6%	20.5%	20.7%
% change		(37.9%)		1.2%		17.0%		1.9%		0.7%
<b>GAAP Net Income</b>	(9.3)	(39.2)	9.0	13.3	7.0	27.9	(7.9)	16.0	(6.6)	(3.7)
Y/Y Growth	NM	NM	NM	NM	(0.7)	29%	NM	NM	NM	NM
% Margin	(1.4%)	(5.9%)	1.4%	2.1%	1.0%	4.2%	(0.3%)	0.6%	(0.3%)	(0.1%)
% change		NM		48.7%		300.4%		NM		NM
<b>Free Cash Flow</b>	95.4	28.1	64.2	68.7	105.6	114.2	250.6	278.4	287.2	316.0
Y/Y Growth	-10%	-73%	-32%	-27%	-6%	2%	-23%	-14%	15%	14%
% change		(70.5%)		6.9%		8.1%		11.1%		10.0%

Source: J.P. Morgan estimates.

## Model Pages

Figure 4: Peloton Income Statement

\$ in millions, except EPS

Fiscal period end	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	1Q25A	2Q25A	3Q25A	4Q25A	FY2025A	1Q26A	2Q26E	3Q26E	4Q26E	FY2026E	FY2027E
Calendar period end	06/30/19	06/30/20	06/30/21	06/30/22	06/30/23	06/30/24	09/30/24	12/31/24	03/31/25	06/30/25	06/30/25	09/30/25	12/31/25	03/31/26	06/30/26	06/30/26	06/30/27
<b>Revenue</b>	<b>915.0</b>	<b>1,825.9</b>	<b>4,021.8</b>	<b>3,582.1</b>	<b>2,800.2</b>	<b>2,700.5</b>	<b>586.0</b>	<b>673.9</b>	<b>624.0</b>	<b>606.9</b>	<b>2,490.8</b>	<b>550.8</b>	<b>665.3</b>	<b>644.8</b>	<b>662.4</b>	<b>2,523.3</b>	<b>2,644.0</b>
Subscription Revenue	181.1	363.7	872.2	1,394.7	1,670.1	1,708.7	426.3	420.6	418.5	408.3	1,673.7	398.4	414.9	439.7	464.5	1,717.4	1,674.1
Connected Fitness Products Revenue	733.8	1,462.2	3,149.7	2,187.5	1,130.2	991.7	159.6	253.4	205.5	198.6	817.1	152.4	250.4	205.1	197.9	805.8	969.9
<b>Cost of Revenue</b>	<b>531.4</b>	<b>989.1</b>	<b>2,569.8</b>	<b>2,883.8</b>	<b>1,876.7</b>	<b>1,494.0</b>	<b>282.2</b>	<b>355.6</b>	<b>306.0</b>	<b>278.8</b>	<b>1,222.6</b>	<b>267.1</b>	<b>335.2</b>	<b>301.4</b>	<b>299.7</b>	<b>1,203.4</b>	<b>1,309.6</b>
<b>Gross Profit</b>	<b>383.6</b>	<b>836.7</b>	<b>1,452.0</b>	<b>698.4</b>	<b>923.6</b>	<b>1,206.5</b>	<b>303.8</b>	<b>318.4</b>	<b>318.1</b>	<b>328.1</b>	<b>1,268.4</b>	<b>283.7</b>	<b>330.1</b>	<b>343.4</b>	<b>362.8</b>	<b>1,319.9</b>	<b>1,334.4</b>
<b>Operating Expenses:</b>																	
Sales & Marketing	324.0	477.0	729.7	1,018.9	648.2	658.9	81.9	152.7	106.5	80.6	421.7	66.8	149.0	105.7	92.7	414.3	446.8
General & Administrative	207.0	351.6	622.4	963.4	798.1	651.1	119.5	131.3	151.4	125.1	527.3	100.8	113.1	122.5	135.8	472.2	489.1
Research & Development	54.8	89.0	247.8	359.5	318.4	304.8	58.5	60.3	59.6	55.8	234.2	62.1	69.9	69.0	70.9	271.8	280.3
Goodwill Impairment				181.9	0.0	0.0	4.9	0.0	0.0	0.0	4.9	0.0				0.0	
Impairment expense				390.5	144.5	57.2	2.9	16.7	30.7	11.8	62.1	8.3				8.3	
Restructuring Expense				518.3	211.4	63.3	23.5	3.3	2.4	25.2	54.4	4.4	5.0			9.4	
Total GAAP Operating Expenses	585.8	917.6	1,639.8	3,432.4	2,120.6	1,735.5	291.2	364.3	350.6	298.5	1,304.6	242.4	337.0	297.2	299.4	1,176.0	1,216.2
<b>Operating Income</b>	<b>(202.3)</b>	<b>(80.8)</b>	<b>(187.8)</b>	<b>(2,734.0)</b>	<b>(1,197.1)</b>	<b>(529.0)</b>	<b>12.5</b>	<b>(45.9)</b>	<b>(32.5)</b>	<b>29.6</b>	<b>(36.3)</b>	<b>41.3</b>	<b>(6.9)</b>	<b>46.1</b>	<b>63.3</b>	<b>143.9</b>	<b>118.1</b>
<b>Non-GAAP Operating Income</b>	<b>(112.8)</b>	<b>8.0</b>	<b>6.3</b>	<b>(2,462.1)</b>	<b>(877.1)</b>	<b>(223.8)</b>	<b>59.7</b>	<b>15.6</b>	<b>35.1</b>	<b>82.1</b>	<b>192.5</b>	<b>88.8</b>	<b>46.3</b>	<b>107.4</b>	<b>131.6</b>	<b>374.1</b>	<b>435.4</b>
Other Income (Expense), Net	6.7	12.4	(10.4)	(74.0)	(60.9)	(23.1)	(12.6)	(45.3)	(14.5)	(7.0)	(79.4)	(26.7)	(32.3)	(30.5)	(30.5)	(119.9)	(121.9)
Pre-Tax Income	(195.6)	(68.4)	(198.2)	(2,808.1)	(1,258.0)	(552.1)	(0.1)	(91.2)	(47.1)	22.6	(115.8)	14.6	(39.2)	15.7	32.9	23.9	(3.7)
Tax Rate	NM	NM	NM	NM	NM	NM	NM	NM	NM	4%	NM	5%	0.0%	15.0%	15.0%	33%	0.0%
Income Tax Benefit (Expense)	(0.1)	(3.4)	9.2	(19.6)	(3.7)	0.2	(0.8)	(0.7)	(0.8)	(1.0)	(3.3)	(0.7)	0.0	(2.3)	(4.9)	(8.0)	0.0
<b>GAAP Net Income</b>	<b>(195.6)</b>	<b>(71.6)</b>	<b>(189.0)</b>	<b>(2,827.7)</b>	<b>(1,261.7)</b>	<b>(551.9)</b>	<b>(0.9)</b>	<b>(92.0)</b>	<b>(47.7)</b>	<b>21.6</b>	<b>(118.9)</b>	<b>13.9</b>	<b>(39.2)</b>	<b>13.3</b>	<b>27.9</b>	<b>16.0</b>	<b>(3.7)</b>
<b>GAAP Basic EPS</b>	<b>(\$8.54)</b>	<b>(\$0.32)</b>	<b>(\$0.64)</b>	<b>(\$8.77)</b>	<b>(\$3.64)</b>	<b>(\$1.51)</b>	<b>(\$0.00)</b>	<b>(\$0.24)</b>	<b>(\$0.12)</b>	<b>\$0.05</b>	<b>(\$0.30)</b>	<b>\$0.03</b>	<b>(\$0.09)</b>	<b>\$0.03</b>	<b>\$0.07</b>	<b>\$0.04</b>	<b>(\$0.01)</b>
<b>GAAP Diluted EPS</b>	<b>(\$8.54)</b>	<b>(\$0.32)</b>	<b>(\$0.64)</b>	<b>(\$8.77)</b>	<b>(\$3.64)</b>	<b>(\$1.51)</b>	<b>(\$0.00)</b>	<b>(\$0.24)</b>	<b>(\$0.12)</b>	<b>\$0.05</b>	<b>(\$0.30)</b>	<b>\$0.03</b>	<b>(\$0.09)</b>	<b>\$0.03</b>	<b>\$0.06</b>	<b>\$0.04</b>	<b>(\$0.01)</b>
Basic Shares Outstanding	23	221	294	322	347	366	379	386	394	402	390	413	418	424	429	421	442
Diluted Shares Outstanding	23	221	294	322	347	366	379	386	394	501	415	430	435	441	446	438	460
<b>Adjusted EBITDA Calculation:</b>																	
Operating Income	(202.3)	(80.8)	(187.8)	(2,734.0)	(1,197.1)	(529.0)	12.5	(45.9)	(32.5)	29.6	(36.3)	41.3	(6.9)	46.1	63.3	143.9	118.1
Stock-Based Compensation	89.5	88.8	194.0	271.8	319.9	305.1	47.2	61.5	67.6	52.5	228.8	47.5	53.2	61.3	68.2	230.2	317.3
Depreciation & Amortization	21.7	40.2	63.8	142.8	123.3	108.8	24.8	22.8	21.2	20.8	89.6	16.8	20.0	21.3	23.8	81.9	111.0
Content costs for past use	16.4	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transaction costs	0.4	0.1	25.5	5.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Litigation and settlement expenses	12.1	60.1	35.8	146.2	102.8	10.5	23.5	0.0	0.0	0.0	23.5	0.0	0.0	0.0	0.0	0.0	0.0
Other adjustment items	7.2	9.4	122.2	12.9	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1x expenses	0.0	0.0	0.0	1,172.1	437.3	108.0	7.8	20.0	33.1	37.0	97.9	12.7				12.7	
<b>Adjusted EBITDA</b>	<b>(71.3)</b>	<b>117.7</b>	<b>253.7</b>	<b>(982.7)</b>	<b>(208.5)</b>	<b>3.5</b>	<b>115.8</b>	<b>58.4</b>	<b>89.4</b>	<b>140.0</b>	<b>403.6</b>	<b>118.3</b>	<b>66.3</b>	<b>128.7</b>	<b>155.4</b>	<b>468.7</b>	<b>546.5</b>

Source: Company reports and J.P. Morgan estimates.

Figure 5: Peloton Income Statement (Cont'd)

Y/Y Growth	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	1Q25A	2Q25A	3Q25A	4Q25A	FY2025A	1Q26A	2Q26E	3Q26E	4Q26E	FY2026E	FY2027E
<b>Revenue</b>	110%	100%	120%	(11%)	(22%)	(4%)	(2%)	(9%)	(13%)	(6%)	(8%)	(6%)	(1%)	3%	9%	1%	5%
Subscription Revenue	126%	101%	140%	60%	20%	2%	3%	(1%)	(4%)	(5%)	(2%)	(7%)	(1%)	5%	14%	3%	(3%)
Connected Fitness Products Revenue	111%	99%	115%	(31%)	(48%)	(12%)	(12%)	(21%)	(27%)	(6%)	(18%)	(5%)	(1%)	(0%)	(0%)	(1%)	20%
Other Revenue	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
<b>Cost of Revenue</b>	117%	86%	160%	12%	(35%)	(20%)	(9%)	(20%)	(25%)	(16%)	(18%)	(5%)	(6%)	(2%)	7%	(2%)	9%
<b>Gross Profit</b>	102%	118%	74%	(52%)	32%	31%	6%	6%	3%	5%	5%	(7%)	4%	8%	11%	4%	1%
Sales & Marketing	114%	47%	53%	40%	(36%)	2%	(44%)	(34%)	(37%)	(28%)	(36%)	(18%)	(2%)	(1%)	15%	(2%)	8%
General & Administrative	232%	70%	88%	45%	(17%)	(18%)	(21%)	(18%)	(1%)	(33%)	(19%)	(16%)	(14%)	(19%)	9%	(10%)	4%
Research & Development	135%	62%	178%	45%	(11%)	(4%)	(26%)	(25%)	(22%)	(20%)	(23%)	6%	16%	16%	27%	16%	3%
Stock-Based Compensation	951%	(1%)	118%	40%	18%	(5%)	(30%)	(8%)	2%	(50%)	(25%)	1%	(13%)	(9%)	30%	1%	38%
Depreciation & Amortization	228%	85%	59%	124%	(14%)	(12%)	(19%)	(9%)	(22%)	(19%)	(18%)	(32%)	(12%)	0%	15%	(9%)	36%
<b>Total GAAP Operating Expenses</b>	147%	57%	79%	109%	(38%)	(18%)	(30%)	(25%)	(23%)	(20%)	(25%)	(17%)	(8%)	(15%)	0%	(10%)	3%
<b>% of Revenue</b>																	
<b>Cost of Revenue</b>	58.1%	54.2%	63.9%	80.5%	67.0%	55.3%	48.2%	52.8%	49.0%	45.9%	49.1%	48.5%	50.4%	46.7%	45.2%	47.7%	49.5%
Sales & Marketing	35.4%	26.1%	18.1%	28.4%	23.1%	24.4%	14.0%	22.7%	17.1%	13.3%	16.9%	12.1%	22.4%	16.4%	14.0%	16.4%	16.9%
General & Administrative	22.6%	19.3%	16.5%	26.9%	28.5%	24.1%	20.4%	19.5%	24.3%	20.6%	21.2%	18.3%	17.0%	19.0%	20.5%	18.7%	18.5%
Research & Development	6.0%	4.9%	6.2%	10.0%	11.4%	11.3%	10.0%	8.9%	9.6%	9.2%	9.4%	11.3%	10.5%	10.7%	10.7%	10.8%	10.6%
Total GAAP Operating Expenses	64.0%	50.3%	40.8%	95.8%	75.7%	64.3%	49.7%	54.1%	56.2%	49.2%	52.4%	44.0%	50.7%	46.1%	45.2%	46.6%	46.0%
Stock-Based Compensation	9.8%	4.9%	4.8%	7.6%	11.4%	11.3%	8.1%	9.1%	10.8%	8.7%	9.2%	8.6%	8.0%	9.5%	10.3%	9.1%	12.0%
Depreciation & Amortization	2.4%	2.2%	1.6%	4.0%	4.4%	4.0%	4.2%	3.4%	3.4%	3.4%	3.6%	3.1%	3.0%	3.3%	3.6%	3.2%	4.2%
<b>Margins</b>																	
<b>Gross margin</b>	41.9%	45.8%	36.1%	19.5%	33.0%	44.7%	51.8%	47.2%	51.0%	54.1%	50.9%	51.5%	49.6%	53.3%	54.8%	52.3%	50.5%
Operating margin	(22.1%)	(4.4%)	(4.7%)	(76.3%)	(42.8%)	(19.6%)	2.1%	(6.8%)	(5.2%)	4.9%	(1.5%)	7.5%	(1.0%)	7.2%	9.6%	5.7%	4.5%
Non-GAAP Operating Income	(12.3%)	0.4%	0.2%	(68.7%)	(31.3%)	(8.3%)	10.2%	2.3%	5.6%	13.5%	7.7%	16.1%	7.0%	16.7%	19.9%	14.8%	16.5%
GAAP Net Income	(21.4%)	(3.9%)	(4.7%)	(78.9%)	(45.1%)	(20.4%)	(0.2%)	(13.7%)	(7.6%)	3.6%	(4.8%)	2.5%	(5.9%)	2.1%	4.2%	0.6%	(0.1%)
<b>Adjusted EBITDA</b>	(7.8%)	6.4%	6.3%	(27.4%)	(7.4%)	0.1%	19.8%	8.7%	14.3%	23.1%	16.2%	21.5%	10.0%	20.0%	23.5%	18.6%	20.7%

Source: Company reports and J.P. Morgan estimates.



Figure 6: Peloton Subscription Revenue &amp; Contribution Profit Build

\$ in millions, except Subs, Churn, &amp; ARPU

Fiscal period end	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	1Q25A	2Q25A	3Q25A	4Q25A	FY2025A	1Q26A	2Q26E	3Q26E	4Q26E	FY2026E	FY2027E
Calendar period end	06/30/19	06/30/20	06/30/21	06/30/22	06/30/23	06/30/24	09/30/24	12/31/24	03/31/25	06/30/25	06/30/25	09/30/25	12/31/25	03/31/26	06/30/26	06/30/26	06/30/27
<b>Total Beginning Subscribers</b>						2,997,443	2,961,131	2,900,069	2,875,000	2,800,000	2,961,131	2,800,000	2,732,000	2,651,000	2,656,000	2,800,000	2,901,000
Y/Y Growth					NM	NM	(1%)	(2%)	(4%)	(6%)	(1%)	(6%)	(6%)	(8%)	(8%)	(6%)	(7%)
Q/Q Growth							(2%)	(3%)	(1%)	0%		(3%)	(2%)	(3%)	0%		
<b>Gross Subscriber Additions</b>						506,174	86,552	96,207	108,590	73,360	364,710	64,768	79,368	97,785	62,488	304,409	571,155
Y/Y Growth					NM	NM	(14%)	(35%)	(30%)	(28%)	(28%)	(25%)	(18%)	(10%)	(15%)	(17%)	88%
Q/Q Growth							(15%)	11%	13%	(32%)	(12%)	(12%)	23%	23%	(36%)		
Seasonality						100%	24%	28%	30%	22%	100%	21%	26%	32%	21%	100%	
<b>Avg Net Monthly Connected Fitness Churn</b>						1.30%	1.40%	1.50%	1.40%	1.20%	1.80%	1.62%	1.60%	1.99%	1.17%	1.62%	1.70%
Y/Y Change (bps)						10	40	20	0	(10)	22	(30)	59	(3)	(18)	3	4
Q/Q Change (bps)							0	(50)	(20)	60		(20)	39	(82)	45		
<b>Churn Count</b>						522,488	167,614	121,276	103,590	153,360	545,841	132,768	160,368	92,785	127,488	513,409	831,155
Y/Y Growth					NM	NM	29%	13%	(5%)	(17%)	4%	(21%)	32%	(10%)	(17%)	(8%)	3%
Q/Q Growth							(3%)	(77%)	(38%)	26%		(13%)	(71%)	(42%)	37%		
% of Beginning CF Paid Subs						17.4%	5.6%	4.2%	3.6%	5.3%	18.3%	4.7%	5.9%	3.5%	4.8%	18.3%	20.5%
<b>Paid Connected Fitness Subscribers</b>						2,997,443	2,861,131	2,900,069	2,875,000	2,800,000	2,800,000	2,732,000	2,651,000	2,656,000	2,591,000	2,591,000	2,631,000
Y/Y Growth					NM	(1%)	(2%)	(4%)	(6%)	(6%)	(6%)	(6%)	(8%)	(8%)	(7%)	(7%)	2%
Q/Q Growth							(3%)	(1%)	0%	(3%)		(2%)	(3%)	0%	(2%)		
Net Adds Y/Y						(16,312)	(64,154)	(129,413)	(171,000)	(181,131)	(181,131)	(168,069)	(224,000)	(224,000)	(208,000)	(209,000)	40,000
<b>Net Adds Q/Q</b>							(81,062)	(25,069)	5,000	(80,000)		(68,000)	(81,000)	5,000	(68,000)		
Y/Y Growth					NM	NM	NM	NM	(89%)	NM	NM	NM	NM	0%	NM	NM	NM
Q/Q Growth							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Seasonality						100%	45%	14%	-3%	44%	100%	33%	39%	-2%	31%	100%	
<b>Net Adds Build</b>																	
<b>Net Adds by Product</b>																	
Bike						358,974	39,194	(15,500)	(46,000)	(16,000)	(4,000)	(50,000)	(116,000)	(39,000)	(45,000)	1,000	(43,000)
Bike+						195,003	28,000	(20,250)	(39,000)	(15,000)	(2,000)	(35,000)	(91,000)	(34,000)	(40,000)	500	(25,000)
Tread						81,000	15,000	5,000	1,500	2,000	3,000	1,000	7,500	1,500	1,500	1,000	5,000
Tread+								5,500	2,000	3,000	6,000	3,000	14,000	2,000	2,000	2,000	1,500
Rower						4,626	8,938	438	931	2,000	1,000	4,369	1,500	500	500	500	3,000
<b>Net Adds</b>						534,977	86,825	(16,312)	(81,062)	(25,069)	5,000	(80,000)	(181,131)	(68,000)	(81,000)	5,000	(65,000)
<b>% of Net Adds by Product</b>																	
Bike						57%	45%	95%	57%	64%	-80%	63%	64%	57%	58%	20%	60%
Bike+						31%	32%	124%	48%	60%	-40%	44%	50%	50%	49%	10%	38%
Tread						13%	17%	-31%	-2%	-8%	60%	-1%	-4%	-2%	-2%	20%	-2%
Tread+								-34%	-2%	-12%	120%	-4%	-8%	-3%	-2%	40%	-2%
Rower								5%	-55%	-1%	-4%	40%	-1%	-2%	-1%	10%	-1%
Check						0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Total Gross Bike Units Delivered</b>						534,367	292,659	264,519	45,081	45,679	61,308	41,012	103,080	32,179	41,816	66,086	39,845
<b>Total Gross Bike+ Units Delivered</b>						284,313	243,397	212,212	38,220	42,824	30,654	28,708	140,407	28,053	37,170	33,493	23,198
<b>Total Gross Tread Units Delivered</b>						165,686	27,165	9,053	2,727	3,638	5,455	1,818	13,636	2,727	2,727	1,818	1,818
% to New Members						49%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%
<b>Total Gross Tread+ Units Delivered</b>								10,000	3,638	5,455	10,900	5,455	25,455	3,636	3,636	3,636	2,727
% to New Members								55%	55%	55%	55%	55%	55%	55%	55%	55%	55%
<b>Total Rower Units Delivered</b>						10,253	22,345	1,095	2,328	5,000	2,500	10,923	3,750	1,250	1,250	1,250	7,500
% to New Members						45%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
<b>Total Gross Units Delivered</b>						884,366	573,473	518,121	90,760	99,922	113,326	79,494	383,501	70,345	86,600	107,163	68,806
<b>% of Units Delivered by Product</b>																	
Total Gross Bike Units Delivered						54%	51%	51%	50%	48%	54%	52%	50%	48%	48%	62%	58%
Total Gross Bike+ Units Delivered						29%	42%	41%	42%	43%	27%	36%	37%	40%	43%	31%	34%
Total Gross Tread Units Delivered						17%	5%	2%	3%	4%	5%	2%	4%	3%	3%	2%	3%
Total Gross Tread+ Units Delivered								2%	4%	5%	10%	7%	7%	5%	4%	3%	4%
Total Rower Units Delivered						2%	4%		1%	2%	4%	3%	3%	5%	1%	1%	2%
<b>\$ per Average Connected Fitness Subscriber</b>						\$36.43	\$34.94	\$37.66	\$39.62	\$42.53	\$43.87	\$44.25	\$44.47	\$44.09	\$44.24	\$42.88	\$44.42
Y/Y Growth						6%	(4%)	8%	5%	7%	3%	3%	2%	1%	1%	(2%)	0%
Q/Q Growth																	
<b>Connected Fitness Subscriber Revenue</b>						\$165.4	\$335.9	\$771.2	\$1,259.0	\$1,542.0	\$1,573.5	\$390.3	\$385.2	\$385.8	\$376.9	\$1,538.2	\$368.6
Y/Y Growth						128%	103%	130%	63%	22%	2%	1%	(2%)	(4%)	(4%)	(2%)	(6%)
Q/Q Growth																	
Seasonality						100%	100%	100%	100%	100%	100%	25%	25%	25%	25%	100%	23%
% of Subscription Revenue						91%	92%	88%	90%	92%	92%	92%	92%	92%	93%	93%	93%
<b>Digital Subscriber Revenue Build</b>																	
<b>Total Ending Subscribers</b>						102,000	316,800	874,368	979,817	827,821	615,226	582,137	585,000	573,000	552,000	552,000	552,000
Y/Y Growth						125%	210%	176%	12%	(16%)	(26%)	(24%)	(19%)	(15%)	(10%)	(5%)	(7%)
Q/Q Growth																	
% of Total Subscribers																	
Net Adds Y/Y						56,576	214,800	557,568	105,449	(151,996)	(212,599)	(180,365)	(133,348)	(102,000)	(63,226)	(63,226)	(40,137)
<b>Net Adds Q/Q</b>																	
<b>\$ per Average Digital Subscriber</b>						\$14.67	\$19.18	\$14.11	\$12.11	\$11.76	\$15.35	\$19.75	\$19.75	\$18.76	\$18.48	\$19.11	\$18.11
Y/Y Growth						15%	(31%)	38%	(14%)	(3%)	31%	62%	36%	11%	(1%)	24%	(8%)
Q/Q Growth																	
<b>Digital Subscriber Revenue</b>						\$13.0	\$25.6	\$100.8	\$134.7	\$127.5	\$132.9	\$35.5	\$34.6	\$32.6	\$31.2	\$133.8	\$29.7
Y/Y Growth						150%	97%	294%	34%	(5%)	4%	22%	7%	(8%)	(14%)	(7%)	(16%)
Q/Q Growth																	
Seasonality						100%	100%	100%	100%	100%	100%	27%	26%	24%	23%	100%	24%
% of Subscription Revenue						7%	7%	12%	10%	8%	8%	8%	8%	8%	8%	8%	7%

Source: Company reports and J.P. Morgan estimates.

Figure 7: Peloton Subscription Revenue &amp; Contribution Profit Build (Cont'd)

\$ in millions, except Subs, Churn, &amp; ARPU

Fiscal period end Calendar period end	FY2019A 06/30/19	FY2020A 06/30/20	FY2021A 06/30/21	FY2022A 06/30/22	FY2023A 06/30/23	FY2024A 06/30/24	1Q25A 09/30/24	2Q25A 12/31/24	3Q25A 03/31/25	4Q25A 06/30/25	FY2025A 06/30/25	1Q26A 09/30/25	2Q26E 12/31/25	3Q26E 03/31/26	4Q26E 06/30/26	FY2026E 06/30/26	FY2027E 06/30/27
<b>Studio Revenue</b>	\$2.7	\$2.2	\$0.2	\$0.9	\$0.5	\$2.2	\$0.5	\$0.8	\$0.1	\$0.2	\$1.6	\$0.1	\$0.8	\$0.1	\$0.2	\$1.2	\$1.2
Y/Y Growth	7%	(19%)	(93%)	456%	(49%)	377%	96%	123%	(82%)	(79%)	(26%)	(82%)	1%	1%	1%	(25%)	1%
Q/Q Growth							(39%)	64%	(84%)	29%	(47%)	819%	(84%)	29%			
% of Subscription Revenue	2%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Subscription Revenue</b>	\$181.1	\$363.7	\$872.2	\$1,394.7	\$1,670.1	\$1,708.7	\$426.3	\$420.6	\$418.5	\$408.3	\$1,673.7	\$398.4	\$414.9	\$439.7	\$464.5	\$1,717.4	\$1,674.1
Y/Y Growth	126%	101%	140%	60%	20%	2%	3%	(1%)	(4%)	(5%)	(2%)	(7%)	(1%)	5%	14%	3%	(3%)
Q/Q Growth							(1%)	(1%)	(2%)	(2%)		(2%)	4%	6%	6%		
Seasonality	100%	100%	100%	100%	100%	100%	25%	25%	25%	24%	100%	23%	24%	26%	27%	100%	
% of PTON Revenue	20%	20%	22%	39%	60%	63%	73%	62%	67%	67%	67%	72%	62%	68%	70%	68%	63%
<b>Subscription COGS</b>	\$103.7	\$155.7	\$330.6	\$450.0	\$547.8	\$551.0	\$137.2	\$139.8	\$129.8	\$114.6	\$504.0	\$125.2	\$128.6	\$133.2	\$139.3	\$526.4	\$524.0
Y/Y Growth	128%	50%	112%	36%	22%	1%	1%	1%	(7%)	(16%)	(9%)	(9%)	(8%)	3%	22%	4%	(0%)
Q/Q Growth							0%	2%	(7%)	(12%)		9%	3%	4%	5%		
% of Subscription Revenue	57.3%	42.8%	37.9%	32.3%	32.8%	32.2%	32.2%	33.2%	31.0%	28.1%	30.1%	31.4%	31.0%	30.3%	30.0%	30.6%	31.3%
<b>Subscription Gross Profit</b>	\$77.4	\$208.0	\$541.7	\$944.7	\$1,122.1	\$1,157.7	\$289.1	\$280.8	\$288.7	\$293.7	\$1,169.7	\$273.2	\$286.3	\$306.5	\$325.1	\$1,191.1	\$1,150.1
Y/Y Growth	123%	169%	160%	74%	19%	3%	3%	(2%)	(3%)	(0%)	(2%)	(5%)	2%	6%	11%	5%	(3%)
Q/Q Growth							(2%)	(3%)	3%	2%		(7%)	5%	7%	6%		
<b>Subscription Revenue Gross Margin</b>	42.7%	57.2%	62.1%	67.7%	67.2%	67.8%	67.8%	66.8%	69.0%	71.9%	68.1%	68.6%	69.0%	69.7%	70.0%	69.4%	68.7%
<b>Depreciation &amp; Amortization</b>	11.3	16.6	19.0	26.8	36.9	34.6	7.9	7.5	7.0	6.2	28.6	5.0	5.4	6.0	6.4	22.8	25.5
Y/Y Growth	308%	47%	14%	41%	38%	(6%)	(15%)	(14%)	(18%)	(23%)	(17%)	(37%)	(28%)	(15%)	4%	(20%)	12%
Q/Q Growth							(2%)	(5%)	(7%)	(11%)		(19%)	8%	11%	8%		
% of PTON D&A	52%	41%	30%	19%	30%	32%	32%	33%	33%	30%	32%	30%	27%	26%	27%	28%	23%
<b>Stock-based Compensation</b>	3.2	7.5	25.9	22.7	42.8	39.3	8.7	10.3	9.2	8.1	36.3	10.9	11.2	11.6	11.6	45.3	50.8
Y/Y Growth	468%	136%	245%	(12%)	89%	(6%)	(10%)	3%	(7%)	(16%)	(8%)	25%	9%	27%	43%	23%	12%
Q/Q Growth							(10%)	18%	(11%)	(12%)		35%	3%	4%	(0%)		
% of PTON SBC	4%	8%	13%	8%	13%	13%	18%	17%	14%	15%	16%	23%	21%	19%	17%	20%	16%
<b>Content Costs for Past Use</b>	16.4	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Subscription Contribution Profit (ex-Content Costs for Past Use)</b>	\$108.3	\$233.8	\$586.5	\$994.2	\$1,201.8	\$1,231.6	\$305.7	\$298.6	\$304.9	\$308.1	\$1,217.3	\$289.1	\$302.8	\$324.1	\$343.2	\$1,259.2	\$1,226.4
Y/Y Growth	106%	116%	151%	70%	21%	2%	2%	(2%)	(4%)	(1%)	(1%)	(6%)	1%	6%	11%	3%	(3%)
Q/Q Growth							(2%)	(2%)	2%	1%		(6%)	5%	7%	6%		
<b>% Subscription Contribution Margin</b>	59.8%	64.3%	67.2%	71.3%	72.0%	72.1%	71.7%	71.0%	72.9%	75.5%	72.7%	72.6%	73.0%	73.7%	73.9%	73.3%	73.3%
<b>Subscription Contribution Profit</b>	\$91.9	\$232.1	\$586.6	\$994.2	\$1,201.8	\$1,231.6	\$305.7	\$298.6	\$304.9	\$308.0	\$1,217.2	\$289.1	\$302.8	\$324.1	\$343.2	\$1,259.2	\$1,226.4
Y/Y Growth	141%	152%	153%	69%	21%	2%	2%	(2%)	(4%)	(1%)	(1%)	(6%)	1%	6%	11%	3%	(3%)
Q/Q Growth							(2%)	(2%)	2%	1%		(6%)	5%	7%	6%		
<b>% Subscription Contribution Margin</b>	50.8%	63.8%	67.2%	71.3%	72.0%	72.1%	71.7%	71.0%	72.9%	75.4%	72.7%	72.6%	73.0%	73.7%	73.9%	73.3%	73.3%

Source: Company reports and J.P. Morgan estimates.

Figure 8: Peloton Connected Fitness Products &amp; Gross Profit Build

\$ in millions, except Subs, Units, &amp; Average \$ Unit Retail

Fiscal period end Calendar period end	FY2019A 06/30/19	FY2020A 06/30/20	FY2021A 06/30/21	FY2022A 06/30/22	FY2023A 06/30/23	FY2024A 06/30/24	1Q25A 09/30/24	2Q25A 12/31/24	3Q25A 03/31/25	4Q25A 06/30/25	FY2025A 06/30/25	1Q26A 09/30/25	2Q26E 12/31/25	3Q26E 03/31/26	4Q26E 06/30/26	FY2026E 06/30/26	FY2027E 06/30/27
<b>Connected Fitness Products Revenue &amp; Contribution Profit Build</b>																	
Connected Fitness Products Revenue Build																	
Gross Connected Fitness Subscriber Additions	294,245	634,996	1,363,202	946,418	557,522	506,174	86,552	96,207	108,590	73,360	364,710	64,768	79,368	97,785	62,488	304,409	571,155
Y/Y Growth	95%	116%	115%	(31%)	(41%)	(9%)	(14%)	(35%)	(30%)	(28%)	(28%)	(25%)	(18%)	(10%)	(15%)	(17%)	88%
Q/Q Growth							(15%)	11%	13%	(32%)		(12%)	23%	23%	(36%)		
Seasonality	100%	100%	100%	100%	100%	100%	24%	26%	168%	20%	238%	21%	26%	32%	21%	100%	
% Overlap / Activation Lag	102.1%	104.3%	105.2%	104.0%	102.9%	102.4%	104.9%	103.9%	104.4%	108.4%	105.2%	108.6%	109.1%	109.6%	110.1%	109.4%	109.4%
Y/Y Change (bps)	185	224	87	(116)	(115)	(50)	300	200	350	250	279	375	525	525	175	422	5
Q/Q Change (bps)							(100)	(100)	50	400		25	50	50	50		
Total # Units Delivered	300,287	662,268	1,433,637	984,366	573,473	518,121	90,760	99,922	113,326	79,494	383,501	70,345	86,600	107,183	68,806	332,934	624,961
Y/Y Growth	98%	121%	116%	(31%)	(42%)	(10%)	(12%)	(34%)	(28%)	(26%)	(26%)	(22%)	(13%)	(5%)	(13%)	(13%)	88%
Q/Q Growth							(16%)	10%	13%	(30%)		(12%)	23%	24%	(36%)		
Seasonality	100%	100%	100%	100%	100%	198%	24%	26%	30%	21%	100%	21%	26%	32%	21%	100%	
Bike Price (USD)													\$1,994	\$1,436	\$2,082		\$1,177
Bike+ Price (USD)													\$3,244	\$2,335	\$3,386		\$1,914
Tread Price (USD)													\$4,196	\$3,021	\$4,380		\$2,476
Tread+ Price (USD)													\$8,393	\$6,043	\$8,762		\$4,952
Rower Price (USD)													\$3,594	\$2,588	\$3,752		\$2,120
Weighted Average \$ Unit Retail	\$2,444	\$2,208	\$2,197	\$2,033	\$1,971	\$1,914	\$1,758	\$2,536	\$1,813	\$2,498	\$2,131	\$2,166	\$2,891	\$1,913	\$2,877	\$2,420	\$1,552
Y/Y Growth	6%	(10%)	(0%)	(7%)	(3%)	(3%)	0%	20%	2%	27%	11%	23%	14%	6%	15%	14%	(36%)
Q/Q Growth							(10%)	44%	(28%)	38%		(13%)	33%	(34%)	50%		
Other Revenue	\$14.7	\$27.8	\$60.0	\$196.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Y/Y Growth	139%	89%		211%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Q/Q Growth							NM	NM	NM	NM	NM	NM	NM	NM	NM		
Connected Fitness Products Revenue	\$733.8	\$1,462.2	\$3,149.7	\$2,187.5	\$1,130.2	\$991.7	\$159.6	\$253.4	\$205.5	\$198.6	\$817.1	\$152.4	\$250.4	\$205.1	\$197.9	\$805.8	\$969.9
Y/Y Growth	111%	99%	115%	(31%)	(48%)	(12%)	(12%)	(21%)	(27%)	(6%)	(18%)	(5%)	(1%)	(0%)	(0%)	(1%)	20%
Q/Q Growth							(25%)	59%	(19%)	(3%)		(23%)	64%	(18%)	(3%)		
Seasonality	100%	100%	100%	100%	100%	100%	20%	31%	25%	24%	100%	19%	31%	25%	25%	100%	
% of PTON Revenue	80%	80%	78%	61%	40%	37%	27%	38%	33%	33%	33%	28%	38%	32%	30%	32%	37%
Connected Fitness Products COGS	\$427.7	\$833.4	\$2,239.3	\$2,433.8	\$1,328.8	\$943.0	\$145.0	\$223.6	\$176.2	\$164.2	\$723.8	\$141.9	\$206.6	\$168.2	\$160.3	\$677.0	\$785.6
Y/Y Growth	119%	95%	169%	9%	(45%)	(29%)	(17%)	(27%)	(34%)	(16%)	(23%)	(2%)	(6%)	(5%)	(2%)	(6%)	16%
Q/Q Growth							(25%)	54%	(21%)	(7%)		(14%)	46%	(19%)	(5%)		
% of Connected Fitness Products Revenue	58.3%	57.0%	71.1%	111.3%	117.6%	95.1%	90.9%	88.2%	85.7%	82.7%	88.6%	93.1%	82.5%	82.0%	81.0%	84.0%	81.0%
Connected Fitness Products Gross Profit	\$306.1	\$628.8	\$910.4	-\$246.3	-\$198.6	\$48.7	\$14.6	\$29.8	\$29.3	\$34.4	\$96.4	\$10.5	\$43.8	\$36.9	\$37.6	\$128.8	\$184.3
Y/Y Growth	99%	105%	45%	NM	NM	NM	156%	116%	153%	95%	98%	(28%)	47%	26%	9%	34%	43%
Q/Q Growth							(17%)	104%	(2%)	17%		(69%)	317%	(16%)	2%		
Connected Fitness Products Gross Margin	41.7%	43.0%	28.9%	(11.3%)	(17.6%)	4.9%	9.2%	11.8%	14.3%	17.3%	11.8%	7.0%	17.5%	18.0%	19.0%	16.0%	19.0%

Source: Company reports and J.P. Morgan estimates.

Figure 9: Peloton Total Revenue &amp; Gross Profit Build

\$ in millions

Fiscal period end Calendar period end	FY2019A 06/30/19	FY2020A 06/30/20	FY2021A 06/30/21	FY2022A 06/30/22	FY2023A 06/30/23	FY2024A 06/30/24	1Q25A 09/30/24	2Q25A 12/31/24	3Q25A 03/31/25	4Q25A 06/30/25	FY2025A 06/30/25	1Q26A 09/30/25	2Q26E 12/31/25	3Q26E 03/31/26	4Q26E 06/30/26	FY2026E 06/30/26	FY2027E 06/30/27
<b>Peloton Total Revenue</b>	<b>\$915.0</b>	<b>\$1,825.9</b>	<b>\$4,021.8</b>	<b>\$3,582.1</b>	<b>\$2,800.2</b>	<b>\$2,700.5</b>	<b>\$586.0</b>	<b>\$673.9</b>	<b>\$624.0</b>	<b>\$606.9</b>	<b>\$2,490.8</b>	<b>\$550.8</b>	<b>\$665.3</b>	<b>\$644.8</b>	<b>\$662.4</b>	<b>\$2,523.3</b>	<b>\$2,644.0</b>
Y/Y Growth	110%	100%	120%	(11%)	(22%)	(4%)	(2%)	(9%)	(13%)	(6%)	(8%)	(6%)	(1%)	3%	9%	1%	5%
Q/Q Growth							(9%)	15%	(7%)	(2%)		(9%)	21%	(3%)	3%		
Seasonality	100%	100%	100%	100%	100%	100%	24%	27%	25%	24%	100%	22%	26%	26%	26%	100%	
<b>Peloton Total COGS</b>	<b>\$531.4</b>	<b>\$1,018.5</b>	<b>\$2,569.8</b>	<b>\$2,883.8</b>	<b>\$1,876.7</b>	<b>\$1,494.0</b>	<b>\$282.2</b>	<b>\$363.4</b>	<b>\$306.0</b>	<b>\$278.8</b>	<b>\$1,254.7</b>	<b>\$267.1</b>	<b>\$335.2</b>	<b>\$301.4</b>	<b>\$299.7</b>	<b>\$1,203.4</b>	<b>\$1,309.6</b>
Y/Y Growth	117%	92%	152%	12%	(35%)	(20%)	(5%)	(18%)	(25%)	(16%)	(16%)	(5%)	(8%)	(2%)	7%	(4%)	9%
Q/Q Growth							(15%)	29%	(16%)	(9%)		(4%)	29%	(10%)	(1%)		
% of PTON Revenue	58%	56%	64%	81%	67%	55%	48%	54%	49%	46%	50%	48%	50%	47%	45%	48%	50%
<b>Peloton Total Gross Profit</b>	<b>\$383.6</b>	<b>\$807.4</b>	<b>\$1,452.0</b>	<b>\$698.4</b>	<b>\$923.5</b>	<b>\$1,206.5</b>	<b>\$303.8</b>	<b>\$310.6</b>	<b>\$318.1</b>	<b>\$328.1</b>	<b>\$1,236.1</b>	<b>\$283.7</b>	<b>\$330.2</b>	<b>\$343.4</b>	<b>\$362.8</b>	<b>\$1,319.9</b>	<b>\$1,334.4</b>
Y/Y Growth	102%	111%	80%	(52%)	32%	31%	6%	4%	3%	5%	2%	(7%)	6%	8%	11%	7%	1%
Q/Q Growth							(3%)	2%	2%	3%		(14%)	16%	4%	6%		
<b>Gross Margin</b>	<b>41.9%</b>	<b>44.2%</b>	<b>36.1%</b>	<b>19.5%</b>	<b>33.0%</b>	<b>44.7%</b>	<b>51.8%</b>	<b>46.1%</b>	<b>51.0%</b>	<b>54.1%</b>	<b>49.6%</b>	<b>51.5%</b>	<b>49.6%</b>	<b>53.3%</b>	<b>54.8%</b>	<b>52.3%</b>	<b>50.5%</b>

Source: Company reports and J.P. Morgan estimates.

## Investment Thesis, Valuation and Risks

### **Peloton** (*Neutral; Price Target: \$9.00*)

#### **Investment Thesis**

Peloton is the largest interactive fitness platform in the world, with 6M+ members globally. We believe Peloton is well positioned to disrupt the fitness industry through its at-home connected fitness subscription platform, with runway for growth, as PTON Members represent only ~4% of global gym memberships. Peloton retains control over the entire member journey through its vertically integrated model, which allows PTON to deliver on its members-first mission and drives a passionate and highly engaged member base. We are encouraged by PTON's recent debt re-financing & ongoing cost rationalization, and we believe the company maintains a solid brand with a valuable subscriber base (<2% monthly churn). However, return to growth in CF Subs & Revenue remains challenging, and visibility is limited given secular & macro pressures.

#### **Valuation**

Our December 2026 PT of \$9 (unchanged) is based on ~7x CY27E Adj. EBITDA of \$573M, which equates to ~12x CY27E FCF of \$334M. This represents a discount to Consumer Subscription peers trading at ~38x, on average, given PTON's lower growth & profit profile.

#### **Risks to Rating and Price Target**

Risks to the upside include: **1)** Strong execution drives return to CF subscriber & revenue growth; **2)** Continued cost rationalization efforts drive significant Adj. EBITDA & FCF generation; **3)** Connected Fitness industry returns to growth, supporting improved financial performance; and **4)** New leadership drives improved operational & financial performance.

Risks to the downside include: **1)** Peloton cannot restore strong subscriber growth or revenue growth; **2)** PTON does not return to meaningful Adjusted EBITDA profit & FCF generation; **3)** Heavy competition, including Apple Fitness+, Equinox/SoulCycle, BODY, Tonal, Tempo, etc.; and **4)** Less traditional valuation support vs subscription peers, with no clear comp & limited visibility into near-term demand trends.

## Peloton: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY24A	FY25A	FY26E	FY27E	FY28E		1Q26A	2Q26E	3Q26E	4Q26E	
Revenue	2,701	2,491	2,523	2,644		Revenue	551A	665	645	662	
COGS	(1,494)	(1,223)	(1,203)	(1,310)		COGS	(267)A	(335)	(301)	(300)	
Gross profit	1,207	1,268	1,320	1,334		Gross profit	284A	330	343	363	
SG&A	(896)	(631)	(574)	(508)		SG&A	(103)A	(189)	(146)	(136)	
Adj. EBITDA	3	403	469	546		Adj. EBITDA	118A	66	129	155	
D&A	(109)	(90)	(82)	(111)		D&A	(17)A	(20)	(21)	(24)	
Adj. EBIT	(105)	314	387	435		Adj. EBIT	101A	46	107	132	
Net Interest	-	-	-	-		Net Interest	-	-	-	-	
Adj. PBT	(129)	234	267	314		Adj. PBT	75A	14	77	101	
Tax	0	(3)	(8)	0		Tax	(1)A	0	(2)	(5)	
Minority Interest	-	-	-	-		Minority Interest	-	-	-	-	
Adj. Net Income	(128)	231	259	314		Adj. Net Income	74A	14	75	96	
Reported EPS	(1.51)	(0.31)	0.04	(0.01)		Reported EPS	0.03A	(0.09)	0.03	0.06	
Adj. EPS	(0.35)	0.59	0.59	0.71		Adj. EPS	0.17A	0.03	0.17	0.22	
DPS	-	-	-	-		DPS	-	-	-	-	
Payout ratio	-	-	-	-		Payout ratio	-	-	-	-	
Shares outstanding	366	390	438	442		Shares outstanding	430A	418	441	446	
Balance Sheet & Cash Flow Statement						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	698	1,040	1,116	1,432		Gross margin	44.7%	50.9%	52.3%	50.5%	-
Accounts receivable	104	101	145	203		EBITDA margin	0.1%	16.2%	18.6%	20.7%	-
Inventories	330	206	192	137		EBIT margin	(3.9%)	12.6%	15.3%	16.5%	-
Other current assets	135	91	40	26		Net profit margin	(4.8%)	9.3%	10.3%	11.9%	-
Current assets	1,266	1,438	1,493	1,799		ROE	31.5%	(49.5%)	(84.0%)	6976.0%	-
PP&E	354	239	165	172		ROA	(5.2%)	10.7%	12.3%	13.9%	-
LT investments	-	-	-	-		ROCE	(8.9%)	29.9%	34.4%	33.4%	-
Other non current assets	565	449	442	449		SG&A/Sales	33.2%	25.3%	22.8%	19.2%	-
Total assets	2,185	2,125	2,100	2,419		Net debt/equity	NM	NM	NM	NM	-
Short term borrowings	10	209	0	0		P/E (x)	NM	11.3	11.4	9.5	-
Payables	432	373	331	264		P/BV (x)	NM	NM	NM	14.0	-
Other short term liabilities	243	223	238	212		EV/EBITDA (x)	941.9	7.9	6.6	5.3	-
Current liabilities	685	804	570	476		Dividend Yield	-	-	-	-	-
Long-term debt	1,490	1,291	1,300	1,300		Sales/Assets (x)	1.1	1.2	1.2	1.2	-
Other long term liabilities	529	445	432	432		Interest cover (x)	-	-	-	-	-
Total liabilities	2,704	2,539	2,302	2,208		Operating leverage	1919.4%	5121.8%	1783.6%	263.0%	-
Shareholders' equity	(519)	(414)	(202)	211		Revenue y/y Growth	(3.6%)	(7.8%)	1.3%	4.8%	-
Minority interests	-	-	-	-		EBITDA y/y Growth	(101.6%)	11764.7%	16.2%	16.6%	-
Total liabilities & equity	2,185	2,126	2,099	2,419		Tax rate	(0.2%)	1.4%	3.0%	0.0%	-
BVPS	(1.42)	(1.06)	(0.46)	0.48		Adj. Net Income y/y Growth	(67.7%)	(280.1%)	12.0%	21.1%	-
y/y Growth	66.8%	(25.3%)	(56.4%)	(203.5%)		EPS y/y Growth	(69.4%)	(268.8%)	(0.2%)	20.1%	-
Net debt/(cash)	749	413	138	(178)		DPS y/y Growth	-	-	-	-	-
Cash flow from operating activities	(66)	333	293	335							
o/w Depreciation & amortization	109	90	82	111							
o/w Changes in working capital	80	98	(10)	(83)							
Cash flow from investing activities	27	(5)	(17)	(19)							
o/w Capital expenditure	(20)	(9)	(15)	(19)							
as % of sales	0.7%	0.4%	0.6%	0.7%							
Cash flow from financing activities	(94)	2	(200)	0							
o/w Dividends paid	-	-	-	-							
o/w Net debt issued/(repaid)	(1,467)	(10)	(199)	0							
Net change in cash	(135)	335	76	316							
Adj. Free cash flow to firm	(86)	324	278	316							
y/y Growth	(81.7%)	(477.0%)	(13.9%)	13.5%							

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Jun. o/w - out of which

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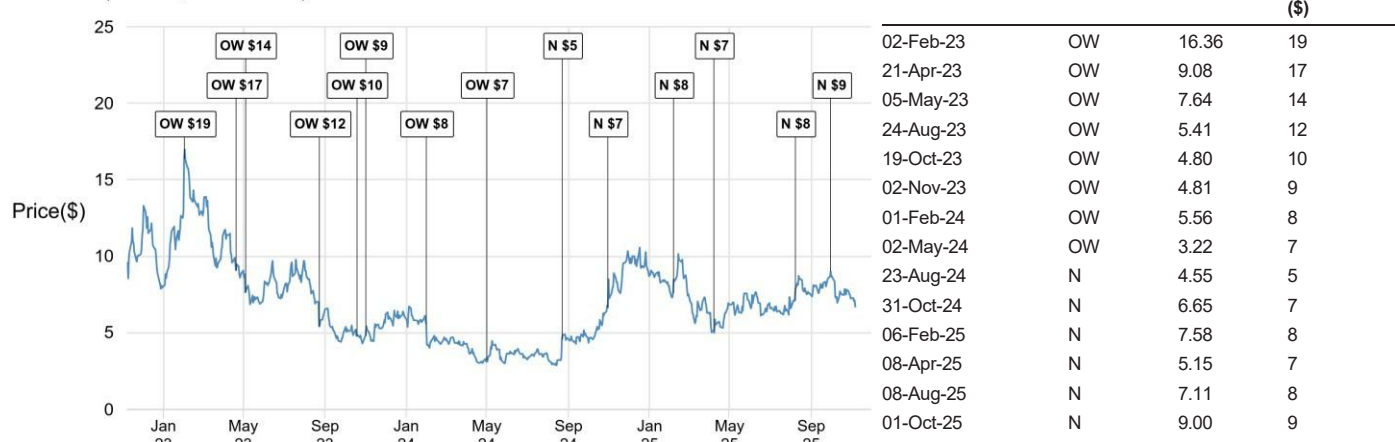
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Peloton (PTON, PTON US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.  
Initiated coverage Oct 21, 2019. All share prices are as of market close on the previous business day.

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