

## Peloton

**Strategic Focus on Wellness & Return to Revenue Growth While Cost Discipline Supports Profit Ramp; Remain Neutral & \$8 PT**

**PTON continues to optimize its cost structure & generate meaningful FCF while investing toward growth initiatives.** PTON's FY26 Adj. EBITDA guide of \$400M-\$450M exceeded expectations w/PTON announcing a new restructuring plan that will drive \$100M+ annualized savings by the end of FY26. PTON's FY26 Revenue guide implies -4% Y/Y to ~flat Y/Y trends, including full-year decreases across hardware sales & CF Subscribers, partly offset by sales growth in Precor products. However, we believe this could prove conservative given product innovation & likely pricing adjustments, and the FY26 Revenue guide suggests inflection to Y/Y growth during the fiscal year. PTON plans to rationalize promos & adjust pricing to reflect its operational costs (incl. shipping/delivery, returns, tariffs, & other fees) & increase the value of its offering, & PTON will introduce an optional expert assembly fee while extending free self-install to Tread & Row. We believe PTON could increase subscription pricing, which is likely not fully embedded in the FY26 Revenue guide. CEO Peter Stern is broadening PTON's focus beyond fitness to also include wellness, & Peloton will scale offerings across Strength and newer categories including Meditation, Sleep, Recovery, Nutrition, & Hydration while enhancing its core fitness offerings. We are encouraged by PTON's progress across improving profit, ramping FCF, & deleveraging of the BS while investing toward growth. However, we project -29% Y/Y FCF declines and do not project a return to revenue growth until 2HFY26. Our FY26/FY27 estimates decrease ~2-4% across Revenue but increase ~15-20% across Adj. EBITDA. **We maintain our Neutral rating and are establishing a December 2026 PT of \$8 based on ~8x CY27E Adj. EBITDA of \$526M, which equates to ~16x CY27E FCF of \$271M.**

### KEY THOUGHTS AFTER CALLS WITH MANAGEMENT

- FY26 Adj. EBITDA Margin Expansion & FCF Generation Supported by Cost Discipline & \$100M+ Restructuring Savings.** PTON exceeded its targeted \$200M+ annualized run-rate cost savings by the end of FY25 & announced a new restructuring plan to realize \$100M+ annualized savings by the end of FY26 through headcount reductions, lower indirect spend, & work relocation. PTON has already actioned ~50% of the run rate cost savings through workforce reductions & expects to realize the remainder through FY26. G&A will represent the largest area of savings, w/optimizations also across R&D and S&M, and PTON expects ~15% of total savings to come from lower SBC. 4QFY CF gross margins sustained DD% for the third consecutive quarter in 4QFY (17.3%), of 17.3% were ~680bps above our 10.5% estimate, sustaining DD% for the third consecutive quarter but will step down sequentially in 1QFY driven by fixed cost deleveraging against lower hardware sales, & PTON expects 1QFY Subscription Gross Margins of 68%-

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

### See page 11 for analyst certification and important disclosures.

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### Neutral

**PTON, PTON US**  
Price (07 Aug 25):\$7.11

▲ Price Target (Dec-26):\$8.00  
Prior (Dec-25):\$7.00

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

**Doug Anmuth** <sup>AC</sup>

### Bryan M. Smilek

J.P. Morgan Securities LLC

### Key Changes (FYE Jun)

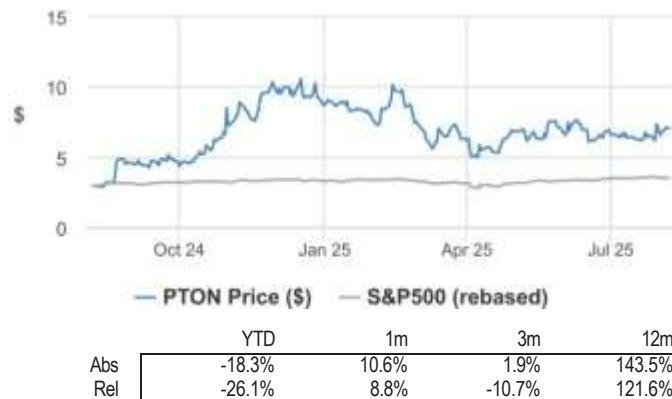
	Prev	Cur
Adj. EPS - 26E (\$)	0.38	0.51

### Quarterly Forecasts (FYE Jun)

Adj. EPS (\$)	2025A	2026E	2027E
Q1	0.20	0.08	
Q2	(0.03)	0.11	
Q3	0.13	0.12	
Q4	0.22	0.13	
FY	0.59	0.51	0.63

### Style Exposure

Quant Factors	%Rank	Hist %Rank (1=Top)				
		Current	6M	1Y	3Y	5Y
Value	97	98	100	94	95	
Growth	31	42	84	97	26	
Momentum	31	2	78	98	5	
Quality	78	79	94	99	69	
Low Vol	92	94	93	97	70	
ESGQ	93	72	14	100	-	

**Price Performance****Company Data**

Shares O/S (mn)	501
52-week range (\$)	10.90-2.83
Market cap (\$ mn)	3,561.10
Exchange rate	1.00
Free float (%)	99.1%
3M ADV (mn)	14.19
3M ADV (\$ mn)	96.2
Volatility (90 Day)	83
Index	S&P 500
BBG ANR (Buy   Hold   Sell)	9 10 1

**Key Metrics (FYE Jun)**

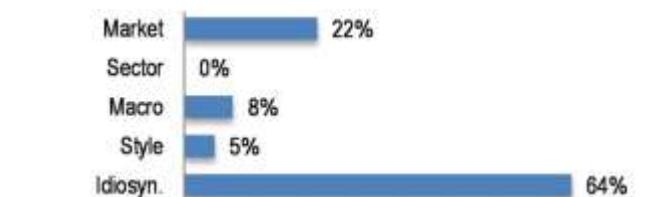
	FY25A	FY26E	FY27E
<b>Financial Estimates</b>			
Revenue	2,491	2,470	2,545
Adj. EBIT	314	336	394
Adj. EBITDA	403	436	501
Adj. net income	231	211	274
Adj. EPS	0.59	0.51	0.63
BBG EPS	(0.42)	(0.14)	0.01
Cashflow from operations	333	242	274
FCFF	324	229	256
<b>Margins and Growth</b>			
Revenue Growth Y/Y (%)	(7.8%)	(0.9%)	3.1%
EBIT margin	12.6%	13.6%	15.5%
EBIT Growth Y/Y (%)	(397.7%)	7.0%	17.2%
EBITDA margin	16.2%	17.6%	19.7%
EBITDA Growth Y/Y (%)	11764.7%	8.0%	14.9%
Net margin	9.3%	8.6%	10.8%
Adj. EPS growth	(268.8%)	(14.0%)	23.4%
<b>Ratios</b>			
Adj. tax rate	1.4%	0.5%	0.0%
Interest cover	-	-	-
Net debt/Equity	NM	NM	NM
Net debt/EBITDA	1.0	0.4	NM
ROE	(49.5%)	(63.5%)	(237.8%)
<b>Valuation</b>			
FCFF yield	11.7%	7.8%	8.3%
Dividend yield	-	-	-
EV/Revenue	1.4	1.6	1.5
EV/EBITDA	8.3	8.9	7.6
Adj. P/E	12.0	14.0	11.3

**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**

We are establishing a December 2026 PT of \$8 based on ~8x CY27E Adj. EBITDA of \$526M, which equates to ~16x CY27E FCF of \$271M. This represents a discount to Consumer Subscription peers trading at ~32x, on average, given PTON's lower growth & profit profile.

**Performance Drivers**

Factors	6M Corr	1Y Corr
<b>Market:</b> MSCI US	0.52	0.47
<b>Sect:</b> Cons Discretionary	-0.13	0.05
<b>Ind:</b> Cons Dur & Apparel	-0.43	-0.04
<b>Macro:</b>		
Non-Energy Commodity	0.27	0.22
US Dollar	-0.39	-0.21
Crude Oil	-0.19	-0.16
<b>Quant Styles:</b>		
Momentum	0.43	0.26
DivYld	-0.43	-0.23
Size	0.57	0.19

Source: J.P. Morgan Quantitative and Derivatives 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.

69%. We expect PTON to continue benefitting from lower service & repair costs, lower warranty costs, & benefits from FY26 cost savings, while Subscription GMs should improve driven by content production & music royalty expense optimizations. PTON expects FY26 Total GMs of 51.0% w/cost optimizations partially offset by ~70bps headwind from executive & corporate overhead costs. We project FY26 Gross Margins of 51.1% (+20bps Y/Y), including CF GMs of 13.7% (+10bps Y/Y), & Subscription GMs of 69.2% (+10bps Y/Y), which could prove conservative. PTON remains committed to meaningful FCF generation & expects to deliver FCF of \$200M+ in FY26, which includes ~\$65M impact from tariff exposure, net working capital headwinds, & 1x cash restructuring costs. We project FY26 Adj. EBITDA of \$436M (\$400M-\$450M guide, 17.6% margin) & FCF of \$229M (-29% Y/Y).

- **FY26 Revenue Guide Implies Return to Quarterly Topline Growth.** PTON's FY26 Revenue guide implies -4% Y/Y to ~flat Y/Y trends, including full-year decreases across hardware sales & CF Subscribers, partly offset by sales growth in Precor products. However, we believe this could prove conservative against product innovation & pricing adjustments, and the FY26 Revenue guide implies inflection toward Y/Y growth during the year. PTON plans to rationalize promos & adjust pricing to reflect its operational costs (incl. shipping/delivery, returns, tariffs, & other fees) & increase the value of its offering, & PTON will introduce an optional expert assembly fee while extending free self-install to Tread & Row. **We believe PTON could increase subscription pricing, & both hardware & software price increases are likely not fully embedded in the FY26 Revenue guide.** While PTON expects Y/Y CF Net Losses in FY26, it is focused on executing across its strategic objectives to drive return to growth including **1) improving member outcomes** through expansion into wellness categories, enhancements to core fitness offerings (incl. cardio & strength), & deeper personalization through AI & data integrations; **2) Expanding reach** through microstores, creating a unified commercial business unit, & int'l expansion; & **3) Creating members for life** through improved onboarding, loyalty programs, & social features that strengthen community & deepen engagement. We project FY26 CF Net Losses of ~115k & Revenue of \$2.47B (-1% Y/Y), including return to Y/Y Revenue growth in 2HFY26.
- **Other Notable Points.** **1)** 4Q Engagement levels were healthy w/avg monthly workout time per Paid CF Sub +4% Y/Y, and 2M members engaged in Strength, 1.2M in Sleep & Recovery, & 400k in Mental Wellbeing; **2)** PTON expects to continue reducing net debt & deleveraging in FY26 while prioritizing growth investments; **3)** PTON integrated Precor w/Peloton for Business under a new commercial business unit & plans to expand on success w/hotel partnerships; **4)** Peloton & Precor-branded equipment are currently subject to a 50% tariff on aluminum content & PTON anticipates additional reciprocal tariffs on imported tablets from Thailand; **5)** PTON is focused on growing its physical & online presence, including expanding from 1 to 10 microstores & scaling Peloton Repowered in FY26. PTON will increase the presence of Instructors at in-person events ~3x in FY26 and ~10x by FY27, with a proportional increase in its online presence.

## Summary of the Quarter

**Figure 1: Peloton 4QFY25 Results vs J.P. Morgan Estimates**

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

Peloton	4QFY25			
	JPM <sup>e</sup>	Actual	Diff (%)	Guidance
<b>PTON Revenue</b>	<b>\$580.2</b>	<b>\$606.9</b>	<b>4.6%</b>	\$571M - \$586M
Subscription Revenue	\$431.4	\$408.3	(5.3%)	
CF Products Revenue	\$148.8	\$198.6	33.5%	
<b>KPIs</b>				
CF Subscribers	2,775,000	2,800,000	0.9%	2.77M - 2.79M
<b>CF Sub Net Adds</b>	<b>(105,000)</b>	<b>(80,000)</b>	<b>(23.8%)</b>	
CF Churn (Avg Net Monthly)	1.87%	1.80%	(7 bps)	
Digital Subscribers	541,399	552,000	2.0%	540k - 550k
<b>Gross Profit</b>	<b>\$309.8</b>	<b>\$328.1</b>	<b>5.9%</b>	
% Margin	53.4%	54.1%	66 bps	
Subscription Contribution Profit	\$310.9	\$308.0	(0.9%)	
% Margin	72.1%	75.4%	336 bps	
CF Products Gross Profit	\$15.6	\$34.4	120.1%	
% Margin	10.5%	17.3%	682 bps	
<b>Adj. EBITDA</b>	<b>\$85.3</b>	<b>\$140.0</b>	<b>64.1%</b>	\$66M - \$86M
% Margin	14.7%	23.1%	837 bps	
<b>GAAP Diluted EPS</b>	<b>(\$0.13)</b>	<b>\$0.05</b>	<b>NM</b>	
<b>Y/Y Growth</b>				
PTON Revenue	(10%)	(6%)		
Subscription Revenue	(0%)	(5%)		
CF Products Revenue	(30%)	(6%)		
CF Subscribers	(7%)	(6%)		

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

## Peloton Estimate Changes

**Figure 2: Adjusting J.P. Morgan Estimates, 1QFY26E-FY27E**

\$ in millions, except Subs & Churn

PTON (\$ in Millions)	1QFY26		2QFY26		3QFY26		4QFY26		FY26		FY27	
	Old	New										
<b>Revenue</b>	586.4	542.7	658.8	645.0	669.3	638.7	616.2	643.1	2,530.7	2,469.6	2,653.2	2,545.3
Y/Y Growth	0%	(7%)	(2%)	(4%)	7%	2%	6%	6%	3%	(1%)	5%	3%
% change		(7.5%)		(2.1%)		(4.6%)		4.4%		(2.4%)		(4.1%)
<b>Subscription Revenue</b>	411.5	401.3	402.2	400.9	397.5	421.0	395.9	438.1	1,607.2	1,661.3	1,634.3	1,611.5
Y/Y Growth	(3%)	(6%)	(4%)	(5%)	(5%)	1%	(8%)	7%	(5%)	(1%)	2%	(3%)
% change		(2.5%)		(0.3%)		5.9%		10.7%		3.4%		(1.4%)
<b>Connected Fitness Subscribers</b>	2,725,000	2,725,000	2,750,000	2,735,000	2,800,000	2,750,000	2,815,000	2,685,000	2,815,000	2,685,000	2,865,000	2,735,000
Y/Y Growth	(6%)	(6%)	(4%)	(5%)	(3%)	(5%)	1%	(4%)	1%	(4%)	2%	2%
% change		0.0%		(0.5%)		(1.8%)		(4.6%)		(4.6%)		(4.5%)
<b>Net Adds</b>	(50,000)	(75,000)	25,000	10,000	50,000	15,000	15,000	(65,000)	40,000	(115,000)	50,000	50,000
Y/Y Growth	NM	NM	NM	NM	900%	200%	NM	NM	NM	NM	NM	NM
% change		NM		NM		NM		NM		(387.5%)		0.0%
<b>Avg Net Monthly CF Churn</b>	1.85%	1.89%	1.33%	1.33%	1.16%	1.20%	1.66%	1.52%	1.47%	1.51%	1.57%	1.57%
Y/Y Change (bps)	(5 bps)	(1 bps)	(7 bps)	(7 bps)	(4 bps)	(0 bps)	(21 bps)	(28 bps)	(18 bps)	(11 bps)	10 bps	5 bps
Change (bps)		23 bps		3 bps		35 bps		(87 bps)		28 bps		(0 bps)
<b>Digital Subscribers</b>	518,102	523,923	520,650	532,350	515,700	521,430	514,329	524,400	514,329	524,400	555,475	566,352
Y/Y Growth	(11%)	(10%)	(11%)	(9%)	(10%)	(9%)	(5%)	(5%)	(5%)	(5%)	8%	8%
% change		1.1%		2.2%		1.1%		2.0%		2.0%		2.0%
<b>Connected Fitness Products Revenue</b>	174.9	141.5	256.6	244.1	271.8	217.7	220.3	205.0	923.6	808.3	1,018.9	933.8
Y/Y Growth	10%	(11%)	1%	(4%)	32%	6%	48%	3%	20%	(1%)	10%	16%
% change		(19.1%)		(4.9%)		(19.9%)		(6.9%)		(12.5%)		(8.4%)

Source: J.P. Morgan estimates.

**Figure 3: Adjusting J.P. Morgan Estimates, 1QFY26E-FY27E (Cont'd)**

\$ in millions, except Subs &amp; Chum

PTON (\$ in Millions)	1QFY26		2QFY26		3QFY26		4QFY26		FY26		FY27	
	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
<b>Gross Profit</b>	300.5	285.4	308.2	310.0	315.0	326.1	305.4	339.5	1,229.1	1,261.0	1,296.0	1,256.5
Y/Y Growth	-1%	-6%	-3%	-3%	-1%	3%	-1%	3%	-2%	-1%	5%	0%
% Margin	51.2%	52.6%	46.8%	48.1%	47.1%	51.1%	49.6%	52.8%	48.6%	51.1%	48.8%	49.4%
% change	(5.0%)			0.6%		3.5%		11.2%		2.6%		(3.0%)
<b>Subscription Contribution Profit</b>	293.8	289.1	289.4	292.2	290.4	310.2	288.3	325.0	1,161.8	1,216.5	1,196.2	1,178.3
Y/Y Growth	-4%	-5%	-5%	-4%	-5%	2%	-7%	6%	-5%	0%	3%	-3%
% Margin	71.4%	72.1%	71.9%	72.9%	73.1%	73.7%	72.8%	74.2%	72.3%	73.2%	73.2%	73.1%
% change	(1.6%)			1.0%		6.8%		12.7%		4.7%		(1.5%)
<b>Connected Fitness Products Gross Profit</b>	22.7	11.3	35.9	34.2	40.8	32.7	34.1	32.8	133.6	110.9	173.2	149.4
Y/Y Growth	56%	-22%	10%	4%	39%	11%	119%	-5%	45%	0%	30%	35%
% Margin	13.1%	8.0%	14.0%	14.0%	15.0%	15.0%	15.5%	16.0%	14.5%	13.7%	17.0%	16.0%
% change	(50.2%)			(4.9%)		(19.9%)		(3.9%)		(16.9%)		(13.7%)
<b>Adjusted EBITDA</b>	117.2	93.1	62.5	99.9	100.9	118.5	98.9	124.0	379.5	435.6	417.8	500.6
Y/Y Growth	0%	-20%	0%	71%	0%	33%	0%	-11%	9%	8%	10%	15%
% Margin	20.0%	17.2%	9.5%	15.5%	15.1%	18.6%	16.1%	19.3%	15.0%	17.6%	15.7%	19.7%
% change	(20.6%)			59.8%		17.5%		25.4%		14.8%		19.8%
<b>GAAP Net Income</b>	(6.3)	(14.6)	(62.2)	(13.7)	(25.5)	4.2	(47.5)	2.4	(141.6)	(21.7)	(126.8)	(31.4)
Y/Y Growth	0.0	NM	0.0	NM	0.0	NM	0.0	-89%	NM	NM	NM	NM
% Margin	(1.1%)	(2.7%)	(9.4%)	(2.1%)	(3.8%)	0.7%	(7.7%)	0.4%	(5.6%)	(0.9%)	(4.8%)	(1.2%)
% change	NM		NM		NM		NM		NM		NM	
<b>Free Cash Flow</b>	63.0	(14.6)	69.2	86.9	66.4	59.4	43.5	97.3	242.1	229.0	286.6	256.0
Y/Y Growth	48%	NM	-35%	-18%	-30%	-37%	11%	-13%	-3%	-29%	18%	12%
% change	NM			25.6%		(10.6%)		123.6%		(5.4%)		(10.7%)

Source: J.P. Morgan estimates.

## Model Pages

**Figure 4: Peloton Income Statement**

\$ in millions, except EPS

Fiscal 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	1Q26E 09/30/25	2Q26E 12/31/25	3Q26E 03/31/26	4Q26E 06/30/26	FY2026E 06/30/26	FY2027E 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>542.7</b>	<b>645.0</b>	<b>638.7</b>	<b>643.1</b>	<b>2,469.6</b>	<b>2,545.3</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	401.3	400.9	421.0	438.1	1,661.3	1,611.5
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	141.5	244.1	217.7	205.0	808.3	933.8
<b>Cost of Revenue</b>	<b>531.4</b>	<b>989.1</b>	<b>2,568.8</b>	<b>2,883.8</b>	<b>1,767.7</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>257.3</b>	<b>335.0</b>	<b>312.6</b>	<b>303.6</b>	<b>1,208.6</b>	<b>1,288.8</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>285.4</b>	<b>310.0</b>	<b>326.1</b>	<b>339.5</b>	<b>1,261.0</b>	<b>1,256.5</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	86.8	116.1	116.3	106.1	425.3	435.2
General & Administrative	207.0	351.6	662.4	963.4	798.1	651.1	119.5	131.3	151.4	125.1	527.3	111.3	106.4	106.7	131.8	456.2	463.2
Research & Development	54.8	89.0	247.8	359.5	318.4	304.8	58.5	60.3	59.6	55.8	234.2	65.1	64.5	68.3	68.8	266.8	269.8
Goodwill Impairment				181.9	0.0	0.0	4.9	0.0	0.0	0.0	4.9					0%	
Impairment expense				390.5	144.5	57.2	2.9	16.7	30.7	11.8	62.1					0.0	
Restructuring Expense				518.3	211.4	63.3	23.5	3.3	24	25.2	54.4	5.0	5.0			10.0	
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	268.2	292.0	291.3	306.8	1,158.3	1,168.3
<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>17.2</b>	<b>18.0</b>	<b>34.8</b>	<b>32.7</b>	<b>102.7</b>	<b>88.2</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>66.0</b>	<b>75.4</b>	<b>95.5</b>	<b>99.0</b>	<b>335.9</b>	<b>393.7</b>
Other Income (Expense), Net	6.7	12.4	(104.7)	(74.0)	(60.9)	(23.1)	(12.6)	(45.3)	(14.5)	(7.0)	(79.4)	(31.7)	(31.7)	(29.9)	(29.9)	(123.2)	(119.6)
Pre-Tax Income	(195.6)	(68.4)	(198.2)	(2,808.1)	(1,256.0)	(552.1)	(0.1)	(91.2)	(47.1)	22.6	(115.8)	(14.6)	(13.7)	4.9	2.8	(20.5)	(31.4)
Tax Rate	NM	NM	NM	NM	NM	NM	NM	NM	NM	4%	NM	0.0%	0.0%	15.0%	15.0%	NM	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)	0.0	0.0	(0.7)	(0.4)	(1.2)	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>(14.6)</b>	<b>(13.7)</b>	<b>4.2</b>	<b>2.4</b>	<b>(21.7)</b>	<b>(31.4)</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>(\$0.04)</b>	<b>(\$0.03)</b>	<b>\$0.01</b>	<b>\$0.01</b>	<b>(\$0.05)</b>	<b>(\$0.07)</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>(\$0.04)</b>	<b>(\$0.03)</b>	<b>\$0.01</b>	<b>\$0.00</b>	<b>(\$0.05)</b>	<b>(\$0.07)</b>
Basic Shares Outstanding	23	221	294	322	347	366	379	386	394	402	390	407	412	418	423	415	436
Diluted Shares Outstanding	23	221	294	322	347	366	379	386	394	501	415	507	513	520	526	517	543
<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)	17.2	18.0	34.8	32.7	102.7	88.2
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	48.8	57.4	60.7	66.2	233.2	305.4
Depreciation & Amortization	21.7	40.2	63.8	142.8	123.3	108.8	24.8	22.8	21.2	20.8	89.6	27.1	24.5	23.0	25.1	99.7	106.9
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					0.0	0.0
<b>Adjusted EBITDA (ex-content costs for past use)</b>	<b>(54.9)</b>	<b>119.3</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>93.1</b>	<b>99.9</b>	<b>118.5</b>	<b>124.0</b>	<b>435.6</b>	<b>500.6</b>
<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>93.1</b>	<b>99.9</b>	<b>118.5</b>	<b>124.0</b>	<b>435.6</b>	<b>500.6</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	1Q26E	2Q26E	3Q26E	4Q26E	FY2026E	FY2027E
<b>Revenue</b>	<b>110%</b>	<b>100%</b>	<b>120%</b>	<b>(11%)</b>	<b>(22%)</b>	<b>(4%)</b>	<b>(2%)</b>	<b>(9%)</b>	<b>(13%)</b>	<b>(6%)</b>	<b>(8%)</b>	<b>(7%)</b>	<b>(4%)</b>	<b>2%</b>	<b>6%</b>	<b>(1%)</b>	<b>3%</b>
Subscription Revenue	125%	101%	140%	60%	20%	2%	3%	(1%)	(4%)	(5%)	(2%)	(6%)	(5%)	1%	7%	(1%)	(3%)
Connected Fitness Products Revenue	111%	99%	115%	(31%)	(48%)	(12%)	(12%)	(21%)	(27%)	(6%)	(18%)	(11%)	(4%)	6%	3%	(1%)	16%
Other Revenue	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
<b>Cost of Revenue</b>	<b>117%</b>	<b>86%</b>	<b>160%</b>	<b>12%</b>	<b>(35%)</b>	<b>(20%)</b>	<b>(9%)</b>	<b>(20%)</b>	<b>(25%)</b>	<b>(16%)</b>	<b>(18%)</b>	<b>(9%)</b>	<b>(6%)</b>	<b>2%</b>	<b>9%</b>	<b>(1%)</b>	<b>7%</b>
<b>Gross Profit</b>	<b>102%</b>	<b>118%</b>	<b>74%</b>	<b>(52%)</b>	<b>32%</b>	<b>31%</b>	<b>6%</b>	<b>6%</b>	<b>3%</b>	<b>5%</b>	<b>5%</b>	<b>(6%)</b>	<b>(3%)</b>	<b>3%</b>	<b>3%</b>	<b>(1%)</b>	<b>(0%)</b>
Sales & Marketing	114%	47%	53%	40%	(36%)	2%	(44%)	(34%)	(37%)	(28%)	(36%)	6%	(24%)	9%	32%	1%	2%
General & Administrative	232%	70%	88%	45%	(17%)	(16%)	(21%)	(18%)	(1%)	(33%)	(19%)	(7%)	(19%)	(30%)	5%	(13%)	2%
Research & Development	135%	62%	178%	45%	(11%)	(4%)	(26%)	(25%)	(22%)	(20%)	(23%)	11%	7%	15%	23%	14%	1%
Stock-Based Compensation	951%	(1%)	118%	40%	18%	(5%)	(30%)	(8%)	2%	(50%)	(25%)	3%	(7%)	(10%)	26%	2%	31%
Depreciation & Amortization	228%	85%	59%	124%	(14%)	(12%)	(19%)	(9%)	(22%)	(19%)	(18%)	9%	7%	8%	21%	11%	7%
<b>Total GAAP Operating Expenses</b>	<b>147%</b>	<b>57%</b>	<b>79%</b>	<b>109%</b>	<b>(38%)</b>	<b>(18%)</b>	<b>(30%)</b>	<b>(25%)</b>	<b>(23%)</b>	<b>(20%)</b>	<b>(25%)</b>	<b>(8%)</b>	<b>(20%)</b>	<b>(17%)</b>	<b>3%</b>	<b>(11%)</b>	<b>1%</b>
<b>% of Revenue</b>																	
<b>Cost of Revenue</b>	<b>58.1%</b>	<b>54.2%</b>	<b>63.9%</b>	<b>80.5%</b>	<b>67.0%</b>	<b>55.3%</b>	<b>48.2%</b>	<b>52.8%</b>	<b>49.0%</b>	<b>45.9%</b>	<b>49.1%</b>	<b>47.4%</b>	<b>51.9%</b>	<b>48.9%</b>	<b>47.2%</b>	<b>48.9%</b>	<b>50.6%</b>
Sales & Marketing	35.4%	26.1%	18.1%	28.4%	23.1%	24.4%	14.0%	22.7%	17.1%	13.3%	16.9%	<b>16.0%</b>	<b>18.0%</b>	<b>18.2%</b>	<b>16.5%</b>	17.2%	<b>17.1%</b>
General & Administrative	22.6%	19.3%	16.5%	26.9%	28.5%	24.1%	20.4%	19.5%	24.3%	20.6%	21.2%	<b>20.5%</b>	<b>16.5%</b>	<b>16.7%</b>	<b>20.5%</b>	18.5%	18.2%
Research & Development	6.0%	4.9%	6.2%	10.0%	11.4%	11.3%	10.0%	8.9%	9.6%	9.2%	9.4%	<b>12.0%</b>	<b>10.0%</b>	<b>10.7%</b>	<b>10.7%</b>	10.8%	<b>10.6%</b>
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%	49.4%	45.3%	45.6%	47.7%	46.9%	45.9%
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%	<b>9.0%</b>	<b>8.9%</b>	<b>9.5%</b>	<b>10.3%</b>	9.4%	<b>12.0%</b>
Depreciation & Amortization	2.4%	2.2%	1.6%	4.0%	4.4%	4.0%	4.2%	3.4%	3.4%	3.4%	3.6%	<b>5.0%</b>	<b>3.8%</b>	<b>3.6%</b>	<b>3.9%</b>	4.0%	<b>4.2%</b>
<b>Margins</b>																	
<b>Gross margin</b>	<b>41.9%</b>	<b>45.8%</b>	<b>36.1%</b>	<b>19.5%</b>	<b>33.0%</b>	<b>44.7%</b>	<b>51.8%</b>	<b>47.2%</b>	<b>51.0%</b>	<b>54.1%</b>	<b>50.9%</b>	<b>52.6%</b>	<b>48.1%</b>	<b>51.1%</b>	<b>52.8%</b>	<b>51.1%</b>	<b>49.4%</b>
Operating margin	(22.1%)	(4.4%)	(4.7%)	(76.3%)	(42.8%)	(19.6%)	2.1%	(6.8%)	(5.2%)	4.9%	(1.5%)	3.2%	2.8%	5.5%	5.1%	4.2%	3.5%
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%	12.2%	11.7%	15.0%	15.4%	13.6%	15.5%
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%)	(2.7%)	(2.1%)	0.7%	0.4%	(0.9%)	(1.2%)
<b>Adjusted EBITDA</b>	<b>(7.8%)</b>	<b>6.4%</b>	<b>6.3%</b>	<b>(27.4%)</b>	<b>(7.4%)</b>	<b>0.1%</b>	<b>19.8%</b>	<b>8.7%</b>	<b>14.3%</b>	<b>23.1%</b>	<b>16.2%</b>	<b>17.2%</b>	<b>15.5%</b>	<b>18.6%</b>	<b>19.3%</b>	<b>17.6%</b>	<b>19.7%</b>

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

## Investment Thesis, Valuation and Risks

### Peloton (*Neutral*; Price Target: \$8.00)

#### 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

We are establishing a December 2026 PT of \$8 based on ~8x CY27E Adj. EBITDA of \$526M, which equates to ~16x CY27E FCF of \$271M. This represents a discount to Consumer Subscription peers trading at ~32x, 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

<b>Income Statement - Annual</b>		<b>FY24A</b>	<b>FY25A</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>	<b>Income Statement - Quarterly</b>		<b>1Q26E</b>	<b>2Q26E</b>	<b>3Q26E</b>	<b>4Q26E</b>	
Revenue		2,701	2,491	2,470	2,545		Revenue		543	645	639	643	
COGS		(1,494)	(1,223)	(1,209)	(1,289)		COGS		(257)	(335)	(313)	(304)	
<b>Gross profit</b>		1,207	1,268	1,261	1,257		<b>Gross profit</b>		285	310	326	339	
SG&A		(896)	(631)	(549)	(486)		SG&A		(122)	(141)	(139)	(147)	
Adj. EBITDA		3	403	436	501		Adj. EBITDA		93	100	119	124	
D&A		(109)	(90)	(100)	(107)		D&A		(27)	(25)	(23)	(25)	
Adj. EBIT		(105)	314	336	394		Adj. EBIT		66	75	96	99	
Net Interest		-	-	-	-		Net Interest		-	-	-	-	
Adj. PBT		(129)	234	213	274		Adj. PBT		34	44	66	69	
Tax		0	(3)	(1)	0		Tax		0	0	(1)	(0)	
Minority Interest		-	-	-	-		Minority Interest		-	-	-	-	
Adj. Net Income		(128)	231	211	274		Adj. Net Income		34	44	65	69	
Reported EPS		(1.51)	(0.31)	(0.05)	(0.07)		Reported EPS		(0.04)	(0.03)	0.01	0.00	
Adj. EPS		(0.35)	0.59	0.51	0.63		Adj. EPS		0.08	0.11	0.12	0.13	
DPS		-	-	-	-		DPS		-	-	-	-	
Payout ratio		-	-	-	-		Payout ratio		-	-	-	-	
Shares outstanding		366	390	415	436		Shares outstanding		407	412	520	526	
<b>Balance Sheet &amp; Cash Flow Statement</b>		<b>FY24A</b>	<b>FY25A</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>	<b>Ratio Analysis</b>		<b>FY24A</b>	<b>FY25A</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
Cash and cash equivalents		698	1,040	1,070	1,326		Gross margin		44.7%	50.9%	51.1%	49.4%	
Accounts receivable		104	101	141	195		EBITDA margin		0.1%	16.2%	17.6%	19.7%	
Inventories		330	206	193	132		EBIT margin		(3.9%)	12.6%	13.6%	15.5%	
Other current assets		135	91	39	25		Net profit margin		(4.8%)	9.3%	8.6%	10.8%	
<b>Current assets</b>		<b>1,266</b>	<b>1,438</b>	<b>1,443</b>	<b>1,679</b>		ROE		31.5%	(49.5%)	(63.5%)	(237.8%)	
PP&E		354	239	152	63		ROA		(5.2%)	10.7%	10.1%	12.9%	
LT investments		-	-	-	-		ROCE		(8.9%)	29.9%	31.3%	33.2%	
Other non current assets		565	449	451	457		SG&A/Sales		33.2%	25.3%	22.2%	19.1%	
<b>Total assets</b>		<b>2,185</b>	<b>2,125</b>	<b>2,046</b>	<b>2,200</b>		Net debt/equity		NM	NM	NM	NM	
Short term borrowings		10	209	0	0		P/E (x)		NM	12.0	14.0	11.3	
Payables		432	373	322	229		P/BV (x)		NM	NM	NM	142.5	
Other short term liabilities		243	223	232	204		EV/EBITDA (x)		984.9	8.3	8.9	7.6	
<b>Current liabilities</b>		<b>685</b>	<b>804</b>	<b>553</b>	<b>433</b>		Dividend Yield		-	-	-	-	
Long-term debt		1,490	1,291	1,301	1,301		Sales/Assets (x)		1.1	1.2	1.2	1.2	
Other long term liabilities		529	445	445	445		Interest cover (x)		-	-	-	-	
<b>Total liabilities</b>		<b>2,704</b>	<b>2,539</b>	<b>2,299</b>	<b>2,178</b>		Operating leverage		1919.4%	5121.8%	(825.3%)	561.1%	
Shareholders' equity		(519)	(414)	(252)	22		Revenue y/y Growth		(3.6%)	(7.8%)	(0.9%)	3.1%	
Minority interests		-	-	-	-		EBITDA y/y Growth		(101.6%)	11764.7%	8.0%	14.9%	
<b>Total liabilities &amp; equity</b>		<b>2,185</b>	<b>2,126</b>	<b>2,046</b>	<b>2,200</b>		Tax rate		(0.2%)	1.4%	0.5%	0.0%	
<b>BVPS</b>		<b>(1.42)</b>	<b>(1.06)</b>	<b>(0.61)</b>	<b>0.05</b>		Adj. Net Income y/y Growth		(67.7%)	(280.1%)	(8.5%)	29.6%	
y/y Growth		66.8%	(25.3%)	(42.7%)	(108.2%)		EPS y/y Growth		(69.4%)	(268.8%)	(14.0%)	23.4%	
Net debt/cash		749	413	184	(72)		DPS y/y Growth		-	-	-	-	
<b>Cash flow from operating activities</b>		<b>(66)</b>	<b>333</b>	<b>242</b>	<b>274</b>								
o/w Depreciation & amortization		109	90	100	107								
o/w Changes in working capital		80	98	(22)	(100)								
<b>Cash flow from investing activities</b>		<b>27</b>	<b>(5)</b>	<b>(13)</b>	<b>(18)</b>								
o/w Capital expenditure		(20)	(9)	(13)	(18)								
as % of sales		0.7%	0.4%	0.5%	0.7%								
<b>Cash flow from financing activities</b>		<b>(94)</b>	<b>2</b>	<b>(198)</b>	<b>0</b>								
o/w Dividends paid		-	-	-	-								
o/w Net debt issued/(repaid)		(1,467)	(10)	(198)	0								
<b>Net change in cash</b>		<b>(135)</b>	<b>335</b>	<b>31</b>	<b>256</b>								
<b>Adj. Free cash flow to firm</b>		<b>(86)</b>	<b>324</b>	<b>229</b>	<b>256</b>								
y/y Growth		(81.7%)	(477.0%)	(29.2%)	11.8%								

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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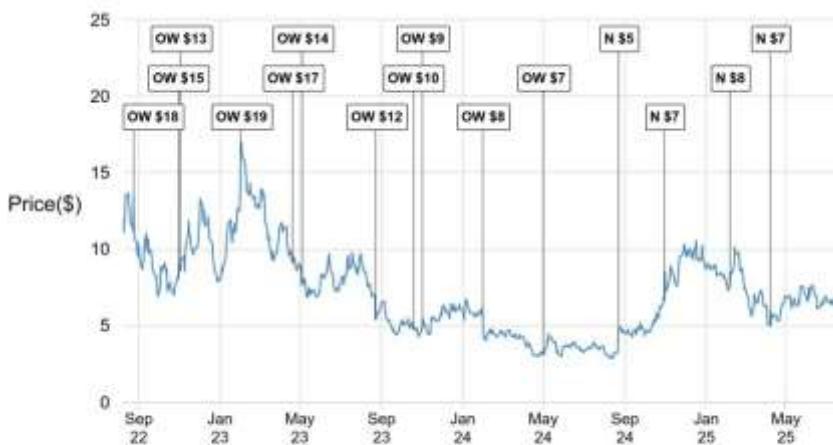
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Peloton (PTON, PTON US) Price Chart



Date	Rating	Price (\$)	Price Target (\$)
25-Aug-22	OW	13.48	18
31-Oct-22	OW	8.01	15
03-Nov-22	OW	8.63	13
02-Feb-23	OW	16.36	19
21-Apr-23	OW	9.08	17
05-May-23	OW	7.64	14
24-Aug-23	OW	5.41	12
19-Oct-23	OW	4.80	10
02-Nov-23	OW	4.81	9
01-Feb-24	OW	5.56	8
02-May-24	OW	3.22	7
23-Aug-24	N	4.55	5
31-Oct-24	N	6.65	7
06-Feb-25	N	7.58	8
08-Apr-25	N	5.15	7

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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