

PELOTON

Peloton Interactive, Inc. Announces Pricing of Upsized Offering of \$875.0 Million of 0% Convertible Senior Notes Due 2026

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NEW YORK, Feb. 8, 2021 /PRNewswire/ -- Peloton Interactive, Inc. ("Peloton") (Nasdaq: PTON) today announced the pricing of \$875.0 million aggregate principal amount of Convertible Senior Notes due 2026 (the "notes") in a private offering (the "offering") to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A promulgated under the Securities Act of 1933, as amended (the "Securities Act"). Peloton also granted the initial purchasers of the notes a 13-day option to purchase up to an additional \$125.0 million aggregate principal amount of the notes. The sale of the notes to the initial purchasers is expected to settle on February 11, 2021, subject to customary closing conditions, and is expected to result in approximately \$854.6 million in net proceeds to Peloton after deducting the initial purchasers' discounts and commissions and estimated offering expenses payable by Peloton (assuming no exercise of the initial purchasers' option to purchase additional notes). The size of the offering was increased from the previously announced \$600.0 million aggregate principal amount of the notes.



The notes will be senior, unsecured obligations of Peloton. The notes will not bear regular interest, and the principal amounts of the notes will not accrete. Interest will be payable semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2021. The notes will mature on February 15, 2026, unless earlier redeemed, repurchased, or converted. Peloton may not redeem the notes prior to February 20, 2024. Peloton may redeem for cash all or any portion of the notes, at its option, on or after February 20, 2024 and on or before the 20th scheduled trading day immediately before the maturity date, if the last reported sale price of Peloton's Class A common stock exceeds 130% of the conversion price then in effect on (1) at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on and including the trading day immediately before the date on which Peloton provides notice of redemption and (2) the trading day immediately before the date Peloton sends such notice, at a redemption price equal to 100% of the principal amount of the 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 notes, which means that Peloton is not required to redeem or retire the notes periodically. Holders of the notes will have the right to require Peloton to repurchase for cash all or a portion of their notes upon the occurrence of a fundamental change (as defined in the indenture governing the notes) at a purchase price of 100% of their principal amount plus any accrued and unpaid special interest, if any.

The notes will be convertible at an initial conversion rate of 4.1800 shares of Peloton's Class A common stock, per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$239.23 per share of Class A common stock, which represents a conversion premium of approximately 65% to the last reported sale price of \$144.99 per share of Peloton's Class A common stock on The Nasdaq Global Select Market on February 8, 2021).

Prior to the close of business on the business day immediately preceding August 15, 2025, the notes will be convertible at the option of the noteholders only upon the satisfaction of specified conditions and during certain periods. On or after August 15, 2025 until the close of business on the second scheduled trading day preceding the maturity date, the notes will be convertible at the option of the noteholders at any time regardless of these conditions. Conversions of the notes will be settled in cash, shares of Peloton's Class A common stock, or a combination thereof, at Peloton's election.

In connection with the pricing of the notes, Peloton entered into privately negotiated capped call transactions with certain of the initial purchasers or their respective affiliates and/or other financial institutions (the "option counterparties"). The capped call transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the notes, the number of shares of Peloton's Class A common stock underlying the notes sold in the offering. The capped call transactions are generally expected to reduce potential dilution to Peloton's Class A common stock upon any conversion of the notes and/or offset any potential cash payments Peloton is required to make in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to a cap. The cap price of the capped call transactions is initially approximately \$362.48 per share, which represents a premium of approximately 150% over the last reported sale price of Peloton's Class A common stock of \$144.99 per share on February 8, 2021, and is subject to certain adjustments under the terms of the capped call transactions.

Peloton has been advised that, in connection with establishing their initial hedges of the capped call transactions, the option counterparties or their respective affiliates expect to purchase shares of Peloton's Class A common stock and/or enter into various derivative transactions with respect to the Class A common stock concurrently with or shortly after the pricing of the notes. This activity could increase (or reduce the size of any decrease in) the market price of Peloton's Class A common stock or the notes at that time. In addition, Peloton expects that the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to the Class A common stock and/or by purchasing or selling shares of the Class A common stock or other securities of Peloton in secondary market transactions following the pricing of the

notes and from time to time prior to the maturity of the notes (and are likely to do so following any conversion of the notes, any repurchase of the notes by Peloton on any fundamental change repurchase date, any redemption date or any other date on which the notes are retired by Peloton, in each case if Peloton exercises its option to terminate the relevant portion of the capped call transactions, where such termination is at its option. This activity could also cause or avoid an increase or a decrease in the market price of the Class A common stock or the notes, which could affect the ability of noteholders to convert the notes and, to the extent the activity occurs following a conversion or during any observation period related to a conversion of the notes, could affect the number of shares of Class A common stock, if any, and value of the consideration that noteholders will receive upon conversion of the notes.

Peloton intends to use approximately \$71.1 million of the net proceeds from the offering of the notes to pay the cost of the capped call transactions. If the initial purchasers exercise their option to purchase additional notes, Peloton expects to use a portion of the net proceeds from the sale of such additional notes to enter into additional capped call transactions with the option counterparties. Peloton intends to use the remainder of the net proceeds from the offering for general corporate purposes, which may include working capital, capital expenditures, including for the construction or expansion of facilities, and investments in and acquisitions of other companies, products or technologies that Peloton may identify in the future.

The notes were only offered and sold to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A promulgated under the Securities Act by means of a private offering memorandum. Neither the notes nor the shares of Peloton's Class A common stock potentially issuable upon conversion of the notes, if any, have been, or will be, registered under the Securities Act or the securities laws of any other jurisdiction, and unless so registered, may not be offered or sold in the United States, except pursuant to an applicable exemption from such registration requirements.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of the notes or any shares of Class A common stock potentially issuable upon conversion of the notes and shall not constitute an offer, solicitation, or sale in any jurisdiction in which such offer, solicitation, or sale is unlawful.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains "forward-looking statements" including, among other things, statements relating to the completion of the proposed offering, the potential effects of entering into capped call transactions, and the expected use of proceeds from the offering. Statements containing words such as "could," "believe," "expect," "intend," "will," or similar expressions constitute forward-looking statements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that could cause actual results to differ materially, including, but not limited to, whether or not Peloton will consummate the offering, prevailing market conditions, the anticipated use of the net proceeds of the offering, which could change as a result of market conditions or for other reasons, the impact of general economic, industry or political conditions in the United States or internationally, including the impacts of the COVID-19 pandemic, and whether the capped call transactions will become effective. The foregoing list of risks and uncertainties is illustrative, but is not exhaustive. For information about other potential factors that could affect Peloton's business and financial results, please review the "Risk Factors" described in Peloton's Annual Report on Form 10-K for the year ended June 30, 2020 and Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2020 filed with the Securities and Exchange Commission (the "SEC") and in Peloton's other filings with the SEC. Except as may be required by law, Peloton undertakes no obligation, and does not intend, to update these forward-looking statements after the date of this release.

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