

**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 September 30, 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 October 29, 2024, the number of shares of the registrant's Class A common stock outstanding was 363,317,581, and the number of shares of the registrant's Class B common stock outstanding was 18,141,608.

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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 future profitability;
- 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, or 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 information technology systems or websites
- 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, including the acquisition of Precor, and our ability to integrate any such acquired companies into our operations and control environment;
- 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;
- 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)**

	September 30, 2024 (unaudited)	June 30, 2024
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 722.3	\$ 697.6
Accounts receivable, net	101.8	103.6
Inventories, net	333.3	329.7
Prepaid expenses and other current assets	127.6	135.1
Total current assets	1,285.1	1,266.0
Property and equipment, net	330.5	353.7
Intangible assets, net	12.4	15.0
Goodwill	41.2	41.2
Restricted cash	49.7	53.2
Operating lease right-of-use assets, net	416.9	435.0
Other assets	21.3	21.0
Total assets	\$ 2,157.1	\$ 2,185.2
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 399.8	\$ 432.3
Deferred revenue and customer deposits	154.5	163.7
Current portion of long-term debt	10.0	10.0
Operating lease liabilities, current	73.0	75.3
Other current liabilities	2.9	3.9
Total current liabilities	640.2	685.2
Convertible senior notes, net	540.5	540.0
Term loan, net	949.1	950.1
Operating lease liabilities, non-current	482.0	503.3
Other non-current liabilities	25.6	25.7
Total liabilities	2,637.4	2,704.3
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, 363,136,266 and 358,120,105 shares of Class A common stock issued and outstanding as of September 30, 2024 and June 30, 2024, respectively; 2,500,000,000 and 2,500,000,000 shares of Class B common stock authorized, 18,141,608 and 18,141,608 shares of Class B common stock issued and outstanding as of September 30, 2024 and June 30, 2024, respectively.		
Additional paid-in capital	4,998.2	4,948.6
Accumulated other comprehensive income	6.0	15.9
Accumulated deficit	(5,484.6)	(5,483.7)
Total stockholders' deficit	(480.3)	(519.1)
Total liabilities and stockholders' deficit	\$ 2,157.1	\$ 2,185.2

*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)

	<b>Three Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
Revenue:		
Connected Fitness Products	\$ 159.6	\$ 180.6
Subscription	426.3	415.0
Total revenue	<u>586.0</u>	<u>595.5</u>
Cost of revenue:		
Connected Fitness Products	145.0	174.9
Subscription	137.2	135.2
Total cost of revenue	<u>282.2</u>	<u>310.1</u>
Gross profit	303.8	285.4
Operating expenses:		
Sales and marketing	81.9	146.0
General and administrative	119.5	151.1
Research and development	58.5	78.7
Impairment expense	4.9	24.0
Restructuring expense	2.9	17.8
Supplier settlements	23.5	—
Total operating expenses	<u>291.2</u>	<u>417.6</u>
Income (loss) from operations	12.5	(132.3)
Other expense, net:		
Interest expense	(35.4)	(27.2)
Interest income	8.1	8.4
Foreign exchange gain (loss)	14.8	(7.8)
Other (expense) income, net	(0.1)	0.3
Total other expense, net	<u>(12.6)</u>	<u>(26.2)</u>
Loss before provision for income taxes	—	(158.5)
Income tax expense	0.8	0.8
Net loss	<u>\$ (0.9)</u>	<u>\$ (159.3)</u>
Net loss attributable to Class A and Class B common stockholders	<u>\$ (0.9)</u>	<u>\$ (159.3)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ —</u>	<u>\$ (0.44)</u>
Weighted-average of shares of Class A and Class B common stock outstanding, basic and diluted	<u>378,776,423</u>	<u>358,547,563</u>
Other comprehensive (loss) income:		
Change in foreign currency translation adjustment	(9.9)	1.9
Total other comprehensive (loss) income	<u>(9.9)</u>	<u>1.9</u>
Comprehensive loss	<u>\$ (10.8)</u>	<u>\$ (157.4)</u>

*See accompanying notes to these unaudited condensed consolidated financial statements.*

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

	<b>Three Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (0.9)	\$ (159.3)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	24.8	30.8
Stock-based compensation expense	47.2	74.2
Non-cash operating lease expense	14.7	16.8
Amortization of debt discount and issuance costs	2.1	3.5
Impairment expense	4.9	24.0
Foreign exchange (gain) loss	(14.8)	7.8
Changes in operating assets and liabilities:		
Accounts receivable	2.0	(3.0)
Inventories	0.7	(1.4)
Prepaid expenses and other current assets	12.1	(31.7)
Other assets	—	(2.0)
Accounts payable and accrued expenses	(48.7)	0.7
Deferred revenue and customer deposits	(9.4)	(13.4)
Operating lease liabilities, net	(21.9)	(23.9)
Other liabilities	(0.3)	(2.3)
Net cash provided by (used in) operating activities	<u>12.5</u>	<u>(79.2)</u>
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures	(1.8)	(4.1)
Proceeds from sale of Peloton Output Park	4.2	—
Net cash provided by (used in) investing activities	<u>2.4</u>	<u>(4.1)</u>
<b>Cash Flows from Financing Activities:</b>		
Principal repayment of Term Loan	(2.5)	(1.9)
Proceeds, net from employee stock purchase plan withholdings	0.7	(0.2)
Proceeds from employee stock plans	6.5	10.7
Principal repayments of finance leases	—	(0.4)
Net cash provided by financing activities	<u>4.8</u>	<u>8.2</u>
Effect of exchange rate changes	1.5	(0.5)
Net change in cash, cash equivalents, and restricted cash	21.2	(75.5)
Cash, cash equivalents, and restricted cash — Beginning of period	750.9	885.5
Cash, cash equivalents, and restricted cash — End of period	<u>\$ 772.1</u>	<u>\$ 809.9</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ 38.7</u>	<u>\$ 23.5</u>
Cash paid for income taxes	<u>\$ 1.1</u>	<u>\$ 1.2</u>
<b>Supplemental Disclosures of Non-Cash Investing and Financing Information:</b>		
Accrued and unpaid capital expenditures, including software	<u>\$ 0.2</u>	<u>\$ 1.1</u>

*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				
<b>Balance - June 30, 2023</b>	356.8	\$ —	\$ 4,619.8	\$ 16.8	\$ (4,931.8)	\$ (295.1)
Activity related to stock-based compensation	3.3	—	79.5	—	—	79.5
Issuance of common stock under employee stock purchase plan	0.4	—	2.0	—	—	2.0
Other comprehensive income	—	—	—	1.9	—	1.9
Net loss	—	—	—	—	(159.3)	(159.3)
<b>Balance - September 30, 2023</b>	360.4	\$ —	\$ 4,701.4	\$ 18.7	\$ (5,091.0)	\$ (370.9)
<b>Balance - June 30, 2024</b>	376.3	\$ —	\$ 4,948.6	\$ 15.9	\$ (5,483.7)	\$ (519.1)
Activity related to stock-based compensation	4.5	—	48.1	—	—	48.1
Issuance of common stock under employee stock purchase plan	0.4	—	1.5	—	—	1.5
Other comprehensive loss	—	—	—	(9.9)	—	(9.9)
Net loss	—	—	—	—	(0.9)	(0.9)
<b>Balance - September 30, 2024</b>	381.3	\$ —	\$ 4,998.2	\$ 6.0	\$ (5,484.6)	\$ (480.3)

*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, 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. The Company's revenue is generated primarily from recurring Subscription revenue and the sale of its Connected Fitness Products. The Company 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).

***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 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 equity for the interim periods. The results for the three months ended September 30, 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, 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 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 Financial Accounting Standards Board 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.

## 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 and does not disclose information related to remaining performance obligations due to their original expected terms being one year or less.

The Company also applies the practical expedient as per ASC 340-40-25-4 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 \$12.5 million and \$9.1 million for the three months ended September 30, 2024 and 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:

	<b>Three Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
	(in millions)	
Balance at beginning of period	\$ 20.3	\$ 26.4
Provision for warranty accrual	7.1	1.8
Warranty claims	(7.1)	(7.5)
Balance at end of period	<u>\$ 20.3</u>	<u>\$ 20.7</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 \$6.1 million and \$10.1 million, representing 1% and 2% of total revenue for the three months ended September 30, 2024 and 2023, respectively.

#### **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:

	<b>Three Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(in millions)</b>	
North America	\$ 535.9	\$ 548.8
International	50.1	46.7
<b>Total revenue</b>	<b>\$ 586.0</b>	<b>\$ 595.5</b>

During the three months ended September 30, 2024 and 2023, the Company's revenue attributable to the United States, included within North America above, was \$515.4 million and \$528.0 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 September 30, 2024 and June 30, 2024, deferred revenue of \$94.8 million and \$95.9 million, respectively, and customer deposits of \$59.7 million and \$67.7 million, respectively, were included in Deferred revenue and customer deposits on the Company's Condensed Consolidated Balance Sheets.

In the three months ended September 30, 2024 and 2023, the Company recognized revenue of \$80.6 million and \$88.6 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 the significant reduction of 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 are included within Restructuring expense in the Condensed Consolidated Statements of Operations and Comprehensive Loss:

	Three Months Ended September 30,	
	2024	2023
<b>Cash restructuring charges:<sup>(1)</sup></b>	(in millions)	
Severance and other personnel costs	\$ (0.5)	\$ 6.1
Exit and disposal costs and professional fees	3.4	4.5
<b>Total cash restructuring charges</b>	<b>2.9</b>	<b>10.6</b>
<b>Non-cash restructuring charges:<sup>(1)</sup></b>		
Asset write-downs and write-offs	\$ 5.1	\$ 22.8
Stock-based compensation expense	—	7.2
Write-offs of inventory related to restructuring activities <sup>(2)</sup>	—	0.5
<b>Total non-cash restructuring charges</b>	<b>5.1</b>	<b>30.5</b>
<b>Total</b>	<b>\$ 8.1</b>	<b>\$ 41.2</b>

(1) All cash and non-cash restructuring charges for the three months ended September 30, 2024 related to the 2024 Restructuring Plan. All cash and non-cash restructuring charges for the three months ended September 30, 2023 related to the 2022 Restructuring Plan. These amounts are included within Impairment expense in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

(2) Write-offs of inventory are included within Connected Fitness Products Cost of revenue in the Condensed Consolidated Statement 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 months ended September 30, 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 is 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 June 30, 2023	\$ 13.6	\$ 0.3	\$	\$	13.9
Cash restructuring charges <sup>(1)</sup>	6.1	4.5			10.6
Cash payments	(13.8)	(4.2)			(18.0)
Balance as of September 30, 2023	<u>\$ 5.9</u>	<u>\$ 0.6</u>			<u>\$ 6.5</u>
Balance as of June 30, 2024	\$ 12.7	\$ 4.3	\$	\$	17.0
Cash restructuring charges <sup>(1)</sup>	(0.5)	3.4			2.9
Cash payments	(10.4)	(4.7)			(15.1)
Balance as of September 30, 2024	<u>\$ 1.8</u>	<u>\$ 3.1</u>			<u>\$ 4.8</u>

(1) All cash restructuring-related liabilities for the three months ended September 30, 2024 related to the 2024 Restructuring Plan. All cash restructuring-related liabilities for the three months ended September 30, 2023 related to the 2022 Restructuring Plan.

In connection with 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 \$30.0 million, primarily composed of lease termination and other exit costs, the majority of which are expected to be incurred by the end of fiscal year 2025. Additionally, the Company expects to recognize additional non-cash restructuring charges of approximately \$15.0 million, primarily composed of asset impairment charges on retail showrooms in connection with the 2024 Restructuring Plan, the majority of which are expected to be incurred by the end of fiscal year 2025.

## 5. Fair Value Measurements

### Fair Value Measurements of Other Financial Instruments

The following tables present the estimated fair values of the Company's financial instruments that are not recorded at fair value on the Condensed Consolidated Balance Sheets:

	As of September 30, 2024			
	Level 1	Level 2	Level 3	Total
	(in millions)			
0.00% Convertible Senior Notes due 2026	\$ —	\$ 180.5	\$ —	\$ 180.5
5.50% Convertible Senior Notes due 2029	\$ —	\$ 463.4	\$ —	\$ 463.4

  

	As of June 30, 2024			
	Level 1	Level 2	Level 3	Total
	(in millions)			
0.00% Convertible Senior Notes due 2026	\$ —	\$ 175.0	\$ —	\$ 175.0
5.50% Convertible Senior Notes due 2029	\$ —	\$ 353.0	\$ —	\$ 353.0

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 closing price 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 September 30, 2024 and June 30, 2024, respectively.

## 6. Inventories

Inventories, net were as follows:

	September 30, 2024	June 30, 2024
	(in millions)	
Raw materials	\$ 27.6	\$ 29.8
Finished products <sup>(1)</sup>	484.2	487.6
Total inventories	511.7	517.4
Less: Reserves	(178.4)	(187.7)
Total inventories, net	\$ 333.3	\$ 329.7

(1) Includes \$21.5 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 September 30, 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 September 30, 2024 and June 30, 2024 primarily consisted of \$79.2 million and \$78.3 million, respectively, related to excess accessories and apparel inventory, and \$76.8 million and \$85.2 million, respectively, related to returned Connected Fitness Products.

## 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.

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. Upon conversion, the Company may satisfy its conversion obligation 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.

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 September 30, 2024.

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

	<u>September 30, 2024</u>	<u>June 30, 2024</u>
	(in millions)	
Principal	\$ 350.0	\$ 350.0
Unamortized debt issuance costs	(7.3)	(7.6)
Net carrying amount	<u>\$ 342.7</u>	<u>\$ 342.4</u>

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

	<u>Three Months Ended September 30, 2024</u>
	(in millions)
Amortization of debt issuance costs	\$ 0.3
Total non-cash interest expense related to the 2029 Notes	<u>\$ 0.3</u>

Total interest expense recognized related to the 2029 Notes was \$5.1 million during the three months ended September 30, 2024, of which approximately \$4.8 million was cash interest expense.

#### **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 September 30, 2024.

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

	<b>September 30, 2024</b>	<b>June 30, 2024</b>
	<b>(in millions)</b>	
Principal	\$ 199.0	\$ 199.0
Unamortized debt issuance costs	(1.2)	(1.4)
Net carrying amount	<u>\$ 197.8</u>	<u>\$ 197.6</u>

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

	<b>Three Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(in millions)</b>	
Amortization of debt issuance costs	\$ 0.2	\$ 1.1
Total interest expense related to the 2026 Notes	<u>\$ 0.2</u>	<u>\$ 1.1</u>

### *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 months ended September 30, 2024 and 2023, the Company incurred total commitment fees of \$0.1 million and \$0.3 million, respectively, which are included in Interest expense in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

As of September 30, 2024, the Company had drawn the full amount of the Term Loan and had not drawn on the Revolving Facility, and the Company had \$997.5 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 September 30, 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 September 30, 2024, the Company had outstanding letters of credit totaling \$49.7 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 September 30, 2024 is 11.9%.

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

	September 30, 2024	June 30, 2024
	(in millions)	
Principal	\$ 1,000.0	\$ 1,000.0
Principal payments	(2.5)	—
Unamortized debt discount	(26.3)	(27.4)
Unamortized debt issuance costs	(12.1)	(12.6)
Net carrying amount	<u>\$ 959.1</u>	<u>\$ 960.1</u>

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

	Three Months Ended September 30,	
	2024	2023
	(in millions)	
Amortization of debt discount	\$ 1.1	\$ 1.4
Amortization of debt issuance costs	0.5	0.8
Total non-cash interest expense related to the Term Loan	<u>\$ 1.6</u>	<u>\$ 2.2</u>

Total cash interest expense recognized related to the Term Loan was \$28.9 million and \$23.3 million during the three months ended September 30, 2024 and 2023, respectively. Total interest expense recognized related to the Term Loan was \$30.5 million and \$25.5 million during the three months ended September 30, 2024 and 2023, respectively.

#### ***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 September 30, 2024:

Fiscal Year Ended June 30,	Future Minimum Payments
	(in millions)
2025 (remaining)	\$ 7.5
2026 <sup>(1)</sup>	209.0
2027	10.0
2028	10.0
2029	960.0
Thereafter <sup>(2)</sup>	350.0
Total	<u>\$ 1,546.5</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.

## **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 September 30, 2024:

<b>Fiscal Year Ended June 30,</b>	<b>Future Minimum Payments</b>	
	<b>(in millions)</b>	
2025 (remaining)	\$	41.2
2026		9.8
2027		—
2028		—
2029		—
Thereafter		0.3
<b>Total</b>	<b>\$</b>	<b>51.3</b>

### **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 September 30, 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 \$72.4 million, of which \$64.1 million is expected to be paid over the next twelve months.

### **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+. On September 26, 2024, the SEC notified the Company that it concluded an investigation that had focused on the Company's public disclosures concerning the Tread+ recall, as well as other matters, and that the SEC did not intend to recommend an enforcement action against Peloton in these matters. In 2021, the U.S. Department of Justice (the "DOJ") and the 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 subsequently engaged in a mediation, and on July 29, 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, which is subject to court approval. The court in the EDNY Derivative Action ordered that the motion for preliminary approval of the settlement be filed by November 15, 2024.

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. Briefing on defendants’ motion to dismiss the amended complaint in the SDNY Class Action was completed on August 18, 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.

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.

On August 4, 2022, Mayville Engineering Company, Inc. (“MEC”) filed suit against the Company in the Supreme Court of the State of New York, Index No. 652735/2022, alleging claims for breach of contract, or, in the alternative, breach of the implied duty of good faith and fair dealing. MEC’s complaint alleged that the Company breached a supply agreement under which MEC agreed to supply certain parts for Peloton products and that it is entitled to damages in an amount exceeding \$107.0 million, plus pre-judgment interest, fees, and costs. In September 2023, the Company asserted a counterclaim and affirmative defense against MEC for fraudulent inducement of the supply agreement. MEC and the Company thereafter entered into a settlement agreement, dated as of October 28, 2024, under which the parties agreed to a mutual release of all claims asserted by either party in the litigation, and the Company agreed to pay MEC \$25.5 million. On October 31, 2024, the parties filed a stipulation of discontinuance with the court, discontinuing the litigation with prejudice.

## 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 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.

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 September 30, 2024, 60,724,755 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	(298,996)	\$ 3.00		\$ 0.6
Forfeited or expired	(1,454,932)	\$ 11.95		
Outstanding — September 30, 2024	27,402,706	\$ 20.62	4.8	\$ 6.7
Vested and Exercisable — September 30, 2024	22,226,512	\$ 19.40	4.3	\$ 6.5

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	(1,327,270)	\$ 14.40
Forfeited or expired	(99,946)	\$ 17.21
Unvested — September 30, 2024	5,176,194	\$ 17.26

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 September 30, 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 \$0.6 million and \$5.0 million for the three months ended September 30, 2024 and 2023, respectively.

For the three months ended September 30, 2024, the weighted-average grant date fair value per option was \$2.86, and for the three months ended September 30, 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:

	Three Months Ended September 30, 2024
Weighted average risk-free interest rate <sup>(1)</sup>	3.7 %
Weighted average expected term (in years)	3.3
Weighted average expected volatility <sup>(2)</sup>	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	25,936,757	\$ 4.47
Vested and converted to shares	(4,214,886)	\$ 9.03
Cancelled	(2,885,825)	\$ 6.71
Outstanding — September 30, 2024	<u>74,647,509</u>	<u>\$ 5.87</u>

### 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, 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 will be 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 September 30, 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, provided that the initial offering period commenced on the Effective Date and ended on August 31, 2021, and the initial purchase period ended February 28, 2020. Thereafter, each offering period and each purchase period commences on September 1 and March 1 and ends 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:

	Three Months Ended September 30,	
	2024	2023
Weighted average risk-free interest rate	2.7 %	1.6 %
Weighted average expected term (in years)	1.3	1.3
Weighted average expected volatility	92.4 %	92.4 %
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 months ended September 30, 2024 and 2023, the Company recorded stock-based compensation expense associated with the ESPP of \$1.6 million and \$1.1 million, 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 September 30, 2024, total unrecognized compensation cost related to the ESPP was \$7.0 million, which will be amortized over a weighted-average remaining period of 1.8 years.

### **Stock-Based Compensation Expense**

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

	<b>Three Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(in millions)</b>	
Cost of revenue		
Connected Fitness Products	\$ 2.3	\$ 2.3
Subscription	8.7	9.7
Total cost of revenue	11.0	12.0
Sales and marketing	3.7	4.7
General and administrative	21.1	35.4
Research and development	11.4	14.9
Restructuring expense	—	7.2
Total stock-based compensation expense	<u>\$ 47.2</u>	<u>\$ 74.2</u>

As of September 30, 2024, the Company had \$433.7 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 2.4 years.

In the three months ended September 30, 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 three months ended September 30, 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 \$0.8 million for both the three months ended September 30, 2024 and 2023. Furthermore, the Company's effective tax rates were (2,576.65)% and (0.50)% for the three months ended September 30, 2024 and 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 September 30,	
	2024	2023
	(\$ in millions, except per share amounts)	
Basic and diluted net loss per share:		
Net loss attributable to common stockholders	\$ (0.9)	\$ (159.3)
Shares used in computation:		
Weighted-average common shares outstanding	378,776,423	358,547,563
Basic and diluted net loss per share	\$ —	\$ (0.44)

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 as the effect would have been anti-dilutive:

	Three Months Ended September 30,	
	2024	2023
Employee stock options	5,995,788	8,703,141
Restricted stock units and awards	671,832	993,473
Convertible senior notes	76,452,600	—

### **Impact of the 2026 Notes and the 2029 Notes**

The conversion option will have a dilutive impact on net earnings per share of common stock when the average market price per share of Class A common stock for a given period exceeds the conversion price of the 2026 Notes of \$239.23 per share and the 2029 Notes of \$4.58 per share. During the three months ended September 30, 2024, the weighted average price per share of Class A common stock was below the conversion price of the 2026 Notes and the conversion price of the 2029 Notes.

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 be 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 makers ("CODM"), the Interim Co-Chief Executive Officers, review 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 September 30,	
	2024	2023
	(in millions)	
<b>Connected Fitness Products:</b>		
Revenue	\$ 159.6	\$ 180.6
Cost of revenue	145.0	174.9
Gross profit	\$ 14.6	\$ 5.7
<b>Subscription:</b>		
Revenue	\$ 426.3	\$ 415.0
Cost of revenue	137.2	135.2
Gross profit	\$ 289.1	\$ 279.7
<b>Consolidated:</b>		
Revenue	\$ 586.0	\$ 595.5
Cost of revenue	282.2	310.1
Gross profit	\$ 303.8	\$ 285.4

### **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 September 30,	
	2024	2023
	(in millions)	
Segment Gross Profit	\$ 303.8	\$ 285.4
Sales and marketing	(81.9)	(146.0)
General and administrative	(119.5)	(151.1)
Research and development	(58.5)	(78.7)
Impairment expense	(4.9)	(24.0)
Restructuring expense	(2.9)	(17.8)
Supplier settlements	(23.5)	—
Total other expense, net	(12.6)	(26.2)
Loss before provision for income taxes	\$ —	\$ (158.5)

### **13. Subsequent Events**

#### CEO Transition

On October 31, 2024, the Company announced that Peter Stern has been appointed as the Chief Executive Officer and President of the Company effective January 1, 2025. The Company expects to appoint Mr. Stern to the Board of Directors of the Company. The Company and Mr. Stern have entered into an employment offer letter, dated October 28, 2024, in connection with Mr. Stern's appointment as CEO and President. Effective November 1, 2024, Karen Boone will serve as the sole Interim CEO and Interim President through December 31, 2024. Chris Bruzzo will step down as Interim co-CEO and Interim co-President on November 1, 2024. Both Mr. Bruzzo and Ms. Boone will continue to serve as directors.

## 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 September 30, 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, and completes one or more workouts in the trailing 12 month period. We define a completed workout as either completing at least 50% of an instructor-led class, scenic ride or run, or ten or more minutes of "Just Ride", "Just Run", or "Just Row" mode.

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. 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. 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.

### First Quarter Fiscal 2025 Update and Recent Developments

#### Connected Fitness Sales Channels

We continue to optimize our sales and distribution channels. During the three months ended September 30, 2024, we continued our retail store closure efforts, and next month we plan to evaluate a more cost-efficient retail model by testing a reimagined smaller store concept. Ahead of the holiday season, we are expanding our third party retail channels as well. The Peloton Bike+ will be available at Costco with special pricing for Costco members across 300 US locations and Costco's website for a limited time. We also shifted our German retail and distribution model to Amazon and FitShop, allowing us to operate in a capital efficient way that we believe may serve as a model for future International expansion.

#### Innovative Content Offerings

In addition to our annual All for One programming event, we recently rolled out a number of new programs to serve our Member base's diverse interests, including Strength for Soccer, and new offerings across Barre, Pilates, Yoga and Meditation. We also expanded our low-impact workout offering with the launch of Walking Bootcamps, the latest in a series of Walking and Hiking content. We also delivered content for the performance athlete segment, releasing more 75, 90 and 120-minute classes in response to Member interest. Lastly, in addition to Lanebreak, we have been conducting a beta test for a new immersive, game-inspired cycling experience designed for competitive and social engagement.

#### New and Expanded Partnerships

We're leaning into existing partnerships and exploring opportunities to partner with other businesses strategically to reach incremental audiences with our world-class Connected Fitness experience.

- We launched a new partnership with TrueMed in October, making it easier for qualified US-based Peloton customers to use pre-tax Health Savings Account (HSA)/Flexible Spending Account (FSA) dollars to purchase applicable Peloton products through a payment integration on our website.
- We expanded our partnership with Hyatt during the three months ended September 30, 2024 by rolling out the Earn More, Move More program for World of Hyatt loyalty members. This first-of-its-kind global program enables Members to earn World of Hyatt loyalty points by completing Peloton workouts at participating Hyatt hotels.
- Our partnership with Google Fitbit launched in September with 100 Peloton classes on the Fitbit Premium Platform and 5 sample classes on the Fitbit Free App. Early customer feedback generally has been positive.
- We continue to be pleased with our content licensing arrangement with lululemon, which delivers a meaningful, consistent revenue stream from their subscriber base.

## 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 above as well as a number of other measures by which we measure the success of our restructuring initiatives and will 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. Upon full implementation, 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.

## 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 September 30,	
	2024	2023
Ending Paid Connected Fitness Subscriptions	2,900,069	2,964,223
Average Net Monthly Paid Connected Fitness Subscription Churn	1.9 %	1.5 %
Ending Paid App Subscriptions	582,137	762,532
Average Monthly Paid App Subscription Churn	7.1 %	6.3 %
Subscription Gross Profit (in millions)	\$ 289.1	\$ 279.7
Subscription Contribution (in millions) <sup>(1)</sup>	\$ 305.7	\$ 298.7
Subscription Gross Margin	67.8 %	67.4 %
Subscription Contribution Margin <sup>(1)</sup>	71.7 %	72.0 %
Net loss (in millions)	\$ (0.9)	\$ (159.3)
Adjusted EBITDA (in millions) <sup>(2)</sup>	\$ 115.8	\$ 9.1
Net cash provided by (used in) operating activities	\$ 12.5	\$ (79.2)
Free Cash Flow (in millions) <sup>(3)</sup>	\$ 10.7	\$ (83.2)

(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 and App+ 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 Connected Fitness Subscription and Peloton App Subscription, which are offered on a month-to-month or prepaid basis.

As of September 30, 2024, 99% and 84% 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 September 30, 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, 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 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 September 30,	
	2024	2023
	(in millions)	
<b>Consolidated Statement of Operations Data:</b>		
<b>Revenue</b>		
Connected Fitness Products	\$ 159.6	\$ 180.6
Subscription	426.3	415.0
Total revenue	586.0	595.5
<b>Cost of revenue<sup>(1)(2)</sup></b>		
Connected Fitness Products	145.0	174.9
Subscription	137.2	135.2
Total cost of revenue	282.2	310.1
Gross profit	303.8	285.4
<b>Operating expenses</b>		
Sales and marketing <sup>(1)(2)</sup>	81.9	146.0
General and administrative <sup>(1)(2)</sup>	119.5	151.1
Research and development <sup>(1)(2)</sup>	58.5	78.7
Impairment expense	4.9	24.0
Restructuring expense <sup>(1)</sup>	2.9	17.8
Supplier settlements	23.5	—
Total operating expenses	291.2	417.6
Income (loss) from operations	12.5	(132.3)
<b>Other expense, net:</b>		
Interest expense	(35.4)	(27.2)
Interest income	8.1	8.4
Foreign exchange gain (loss)	14.8	(7.8)
Other (expense) income, net	(0.1)	0.3
Total other expense, net	(12.6)	(26.2)
Loss before provision for income taxes	—	(158.5)
Income tax expense	0.8	0.8
Net loss	\$ (0.9)	\$ (159.3)

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

	Three Months Ended September 30,	
	2024	2023
	(in millions)	
Cost of revenue		
Connected Fitness Products	\$ 2.3	\$ 2.3
Subscription	8.7	9.7
Total cost of revenue	11.0	12.0
Sales and marketing	3.7	4.7
General and administrative	21.1	35.4
Research and development	11.4	14.9
Restructuring expense	—	7.2
Total stock-based compensation expense	<u>\$ 47.2</u>	<u>\$ 74.2</u>

(2) Includes depreciation and amortization expense as follows:

	Three Months Ended September 30,	
	2024	2023
	(in millions)	
Cost of revenue		
Connected Fitness Products	\$ 4.4	\$ 6.1
Subscription	7.9	9.3
Total cost of revenue	12.3	15.4
Sales and marketing	4.9	6.4
General and administrative	5.0	6.2
Research and development	2.6	2.8
Total depreciation and amortization expense	<u>\$ 24.8</u>	<u>\$ 30.8</u>

#### Comparison of the Three Months Ended September 30, 2024 and 2023

#### Revenue

	Three Months Ended September 30,		% Change
	2024	2023	
	(dollars in millions)		
Revenue:			
Connected Fitness Products	\$ 159.6	\$ 180.6	(11.6)%
Subscription	426.3	415.0	2.7
Total revenue	<u>\$ 586.0</u>	<u>\$ 595.5</u>	(1.6)%
Percentage of revenue			
Connected Fitness Products	27.2 %	30.3 %	
Subscription	72.8	69.7	
Total	<u>100.0 %</u>	<u>100.0 %</u>	

#### Three Months Ended September 30, 2024 and 2023

Connected Fitness Products Revenue decreased \$20.9 million for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. This decrease was primarily attributable to fewer direct deliveries driven by lower demand across all Connected

Fitness product categories, except Tread+, which resumed sales during the third quarter of fiscal 2024, partially offset by higher demand from our Bike rental products and improvements in Precor revenue.

Subscription Revenue increased \$11.4 million for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. This increase was primarily attributable to incremental content licensing revenue for the three months ended September 30, 2024, partially offset by decreases in both Paid Connected Fitness Subscriptions and Paid App Subscriptions.

**Cost of Revenue, Gross Profit, and Gross Margin**

	<b>Three Months Ended September 30,</b>		<b>% Change</b>
	<b>2024</b>	<b>2023</b>	
<b>(dollars in millions)</b>			
<b>Cost of revenue:</b>			
Connected Fitness Products	\$ 145.0	\$ 174.9	(17.1)%
Subscription	137.2	135.2	1.5
Total cost of revenue	<u>\$ 282.2</u>	<u>\$ 310.1</u>	(9.0)%
<b>Gross Profit:</b>			
Connected Fitness Products	\$ 14.6	\$ 5.7	159.2%
Subscription	289.1	279.7	3.4
Total Gross profit	<u>\$ 303.8</u>	<u>\$ 285.4</u>	6.4%
<b>Gross Margin:</b>			
Connected Fitness Products	9.2 %	3.1 %	
Subscription	67.8 %	67.4 %	

*Three Months Ended September 30, 2024 and 2023*

Connected Fitness Products Cost of revenue for the three months ended September 30, 2024 decreased \$29.9 million, or 17.1%, compared to the three months ended September 30, 2023. This decrease was primarily driven by fewer deliveries stemming from lower demand during the three months ended September 30, 2024 compared to the three months ended September 30, 2023.

Our Connected Fitness Products Gross Margin increased to 9.2% for the three months ended September 30, 2024 compared to 3.1% for the three months ended September 30, 2023, primarily driven by product mix-shifts towards higher margin Precor and Bike rental products, reduced personnel-related expenses, and lower warehousing costs. These margin improvements were partially offset by higher expenses associated with our standard warranty reserves during the three months ended September 30, 2024 compared to the three months ended September 30, 2023. Our extended warranty business did not have a material impact on our year-over-year change in Connected Fitness Products Gross Margin.

Subscription Cost of revenue and Subscription Gross Margin remained consistent for the three months ended September 30, 2024 compared to the three months ended September 30, 2023.

## Operating Expenses

### Sales and Marketing

	Three Months Ended September 30,		
	2024	2023	% Change
	(dollars in millions)		
Sales and marketing	\$ 81.9	\$ 146.0	(43.9)%
As a percentage of total revenue	14.0 %	24.5 %	

#### Three Months Ended September 30, 2024 and 2023

Sales and marketing expense decreased \$64.2 million for the three months ended September 30, 2024 compared to the three months ended September 30, 2023, primarily driven by a \$51.7 million decrease in advertising and marketing spend and a \$5.5 million decrease in personnel-related expenses, inclusive of stock-based compensation expense, primarily due to decreased average headcount.

### General and Administrative

	Three Months Ended September 30,		
	2024	2023	% Change
	(dollars in millions)		
General and administrative	\$ 119.5	\$ 151.1	(20.9)%
As a percentage of total revenue	20.4 %	25.4 %	

#### Three Months Ended September 30, 2024 and 2023

General and administrative expense decreased \$31.5 million for the three months ended September 30, 2024 compared to the three months ended September 30, 2023, primarily driven by an \$18.0 million decrease in personnel-related expenses, inclusive of stock-based compensation expense, primarily due to decreased average headcount and an \$8.5 million decrease in professional services fees.

### Research and Development

	Three Months Ended September 30,		
	2024	2023	% Change
	(dollars in millions)		
Research and development	\$ 58.5	\$ 78.7	(25.6)%
As a percentage of total revenue	10.0 %	13.2 %	

#### Three Months Ended September 30, 2024 and 2023

Research and development expense decreased \$20.1 million for the three months ended September 30, 2024 compared to the three months ended September 30, 2023, primarily driven by a \$15.7 million decrease in personnel-related expenses, inclusive of stock-based compensation expense, primarily due to decreased average headcount and a \$4.0 million decrease in product development and research costs.

### Impairment expense

	Three Months Ended September 30,		
	2024	2023	% Change
	(dollars in millions)		
Impairment expense	\$ 4.9	\$ 24.0	(79.8)%

#### Three Months Ended September 30, 2024 and 2023

Impairment expense decreased \$19.2 million for the three months ended September 30, 2024 compared to the three months ended September 30, 2023, primarily driven by decreases in asset write-downs and write-offs related to restructuring initiatives.

### Restructuring expense

	Three Months Ended September 30,		
	2024	2023	% Change
	(dollars in millions)		
Restructuring expense	\$ 2.9	\$ 17.8	(83.5)%

### Three Months Ended September 30, 2024 and 2023

Restructuring expense decreased \$14.9 million for the three months ended September 30, 2024 compared to the three months ended September 30, 2023, primarily due to a \$7.2 million decrease of restructuring related stock-based compensation expense, as there was no incremental stock-based compensation expense for restructuring related terminations that required modification to equity awards during the three months ended September 30, 2024, and a \$6.6 million decrease in cash severance and other personnel costs.

### Supplier Settlements

	Three Months Ended September 30,		
	2024	2023	% Change
	(dollars in millions)		
Supplier Settlements	\$ 23.5	\$ —	*NM

\*NM - not meaningful

### Three Months Ended September 30, 2024 and 2023

Supplier settlements increased \$23.5 million for the three months ended September 30, 2024 compared to the three months ended September 30, 2023, primarily due to accruals for the three months ended September 30, 2024 related 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 September 30,		
	2024	2023	% Change
	(dollars in millions)		
Interest expense	\$ (35.4)	\$ (27.2)	30.2%
Interest income	8.1	8.4	(3.7)%
Foreign exchange gain (loss)	14.8	(7.8)	*NM
Other (expense) income, net	(0.1)	0.3	*NM
Income tax expense	0.8	0.8	7.0%

\*NM - not meaningful

Total other expense, net, was composed of the following for the three months ended September 30, 2024:

- Interest expense primarily related to term loan, convertible notes, and deferred financing costs of \$35.4 million;
- Interest income from cash, cash equivalents, and short-term investments of \$8.1 million;
- Foreign exchange gains of \$14.8 million; and
- Other expense, net of \$0.1 million.

Total other expense, net, was composed of the following for the three months ended September 30, 2023:

- Interest expense primarily related to term loan, convertible notes, and deferred financing costs of \$27.2 million;
- Interest income from cash, cash equivalents, and short-term investments of \$8.4 million;
- Foreign exchange losses of \$7.8 million; and
- Other income, net of \$0.3 million.

Income tax expense for the three months ended September 30, 2024 and 2023 of \$0.8 million and \$0.8 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 nonrecurring 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 September 30,	
	2024	2023
	(in millions)	
Net loss	\$ (0.9)	\$ (159.3)
Adjusted to exclude the following:		
Total other expense, net <sup>(1)</sup>	12.6	26.2
Income tax expense	0.8	0.8
Depreciation and amortization expense	24.8	30.8
Stock-based compensation expense	47.2	67.0
Impairment expense	4.9	24.0
Restructuring expense <sup>(2)</sup>	2.9	18.4
Supplier settlements <sup>(3)</sup>	23.5	—
Product recall related matters <sup>(4)</sup>	—	(1.8)
Litigation and settlement expenses <sup>(5)</sup>	—	2.9
Adjusted EBITDA	\$ 115.8	\$ 9.1

(1) Primarily consists of Interest expense of \$35.4 million and \$27.2 million, foreign exchange (gains) losses of \$(14.8) million and \$7.8 million, and Interest income of \$(8.1) million and \$(8.4) million, for the three months ended September 30, 2024 and 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 three months ended September 30, 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 \$(1.6) million and recorded benefits in Connected Fitness Products Cost of revenue associated with recall related matters of \$(0.1) million for the three months ended September 30, 2023.

(5) Includes litigation-related expenses for certain patent infringement litigation, consumer arbitration, and product recalls for the three months ended September 30, 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:

	<b>Three Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(dollars in millions)</b>	
Subscription Revenue	\$ 426.3	\$ 415.0
Less: Subscription Cost of revenue	137.2	135.2
Subscription Gross Profit	<u>\$ 289.1</u>	<u>\$ 279.7</u>
Subscription Gross Margin	<u>67.8 %</u>	<u>67.4 %</u>
Add back:		
Depreciation and amortization expense	\$ 7.9	\$ 9.3
Stock-based compensation expense	8.7	9.7
Subscription Contribution	<u>\$ 305.7</u>	<u>\$ 298.7</u>
Subscription Contribution Margin	<u>71.7 %</u>	<u>72.0 %</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:

	<b>Three Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(in millions)</b>	
Net cash provided by (used in) operating activities	\$ 12.5	\$ (79.2)
Capital expenditures	(1.8)	(4.1)
Free Cash Flow	<u>\$ 10.7</u>	<u>\$ (83.2)</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 September 30, 2024, we had Cash and cash equivalents of approximately \$722.3 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. Upon full implementation, 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 September 30, 2024.

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 September 30, 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 months ended September 30, 2024 and 2023, we incurred total commitment fees of \$0.1 million and \$0.3 million, respectively, which are included in Interest expense in the Consolidated Statements of Operations and Comprehensive Loss.

As of September 30, 2024, we had drawn the full amount of the Term Loan and had not drawn on the Revolving Facility, and we had \$997.5 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 September 30, 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 September 30, 2024, the Company had outstanding letters of credit totaling \$49.7 million, which are classified as Restricted cash on the Consolidated Balance Sheets.

Upon entering into the Term Loan, the effective interest rate was 12.4% and the current effective interest rate as of September 30, 2024 is 11.9%.

## Cash Flows

	Three Months Ended September 30,	
	2024	2023
	(in millions)	
Net cash provided by (used in) operating activities	\$ 12.5	\$ (79.2)
Net cash provided by (used in) investing activities	2.4	(4.1)
Net cash provided by financing activities	4.8	8.2

## Operating Activities

Net cash provided by operating activities of \$12.5 million for the three months ended September 30, 2024 was primarily due to non-cash adjustments of \$78.9 million, partially offset by a net increase in operating assets and liabilities of \$65.6 million. Non-cash adjustments primarily

consisted of \$47.2 million of stock-based compensation expense, \$24.8 million of depreciation and amortization, and \$14.7 million of non-cash operating lease expense, partially offset by \$(14.8) million of net foreign currency adjustments. The increase in operating assets and liabilities was primarily due to a \$48.7 million decrease in accounts payable and accrued expenses, a \$21.9 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, and a \$9.4 million decrease in customer deposits and deferred revenue, partially offset by a \$12.1 million decrease in prepaid expenses and other current assets.

The change in cash provided by (used in) operating activities during the three months ended September 30, 2024 compared to the three months ended September 30, 2023, was driven by operating expense reductions following the 2024 Restructuring Plan and gross profit improvements.

#### Investing activities

Net cash provided by investing activities for the three months ended September 30, 2024 of \$2.4 million was primarily due to \$4.2 million in proceeds from the sale of the remaining Peloton Output Park land parcel, partially offset by \$1.8 million used for capital expenditures.

The change in cash provided by (used in) investing activities during the three months ended September 30, 2024 compared to the three months ended September 30, 2023, was driven by the sale of the remaining Peloton Output Park land parcel.

#### Financing activities

Net cash provided by financing activities of \$4.8 million for the three months ended September 30, 2024 was primarily related to proceeds from employee stock plans of \$6.5 million, partially offset by \$2.5 million in principal repayments on the Term Loan.

The change in cash provided by financing activities during the three months ended September 30, 2024 compared to the three months ended September 30, 2023, was driven by a decrease in proceeds from employee stock plans.

#### Commitments

As of September 30, 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 <sup>(1)</sup>	\$ 717.6	\$ 100.5	\$ 177.8	\$ 129.4	\$ 309.9
Minimum guarantees <sup>(2)</sup>	51.3	43.5	7.6	—	0.3
Unused credit facility fee payments <sup>(3)</sup>	2.4	0.5	1.0	0.9	—
Other purchase obligations <sup>(4)</sup>	94.6	53.3	41.3	—	—
Convertible senior notes <sup>(5)</sup>	549.0	—	199.0	—	350.0
Term loan <sup>(5)</sup>	997.5	10.0	20.0	967.5	—
Total	\$ 2,412.4	\$ 207.8	\$ 446.7	\$ 1,097.8	\$ 660.1

(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 \$0.1 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 September 30, 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 \$72.4 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 September 30, 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 months ended September 30, 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 \$722.3 million as of September 30, 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 Co-Chief Executive Officers 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 September 30, 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 Co-Chief Executive Officers 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 Co-Chief Executive Officers and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 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 September 30, 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.

While management has made progress towards the remediation of the material weakness through the design and implementation of certain business process controls which mitigate significant financial risk, 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 testing, that all of the remediated controls are operating effectively. We will continue to monitor the design and effectiveness of these controls and make any further changes management deems appropriate.

We concluded with respect to each of the material weaknesses described above that these material weaknesses did not result 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 September 30, 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 Co-Chief Executive Officers 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 September 5, 2024, Saqib Baig, our Chief Accounting 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. Baig's Rule 10b5-1 Plan provides for the potential aggregate sale of up to (i) 75,000 shares of Class A common stock, and (ii) 33,727 shares of Class A common stock upon the vesting of certain restricted stock units ("RSUs"), in each case between December 6, 2024 and December 6, 2025. Each RSU represents a contingent right to receive one share of Class A common stock.

The Rule 10b5-1 Plan described above is in accordance with our Insider Trading Compliance Policy and Procedures. Sales pursuant to the Rule 10b5-1 Plan 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	<a href="#">Restated Certificate of Incorporation.</a>	10-Q	001-39058	3.1	11/06/2019	
3.2	<a href="#">Second Amended and Restated Bylaws.</a>	8-K	001-39058	3.1	04/08/2024	
31.1	<a href="#">Certification of Co-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.</a>					X
31.2	<a href="#">Certification of Co-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.</a>					X
31.3	<a href="#">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.</a>					X
32.1	<a href="#">Certification of Co-Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					XX
32.2	<a href="#">Certification of Co-Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					XX
32.3	<a href="#">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.</a>					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: October 31, 2024

By: /s/ Karen Boone  
Karen Boone  
Co-Chief Executive Officer  
(Co-Principal Executive Officer)

Date: October 31, 2024

By: /s/ Chris Bruzzo  
Chris Bruzzo  
Co-Chief Executive Officer  
(Co-Principal Executive Officer)

Date: October 31, 2024

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

**CERTIFICATION OF CO-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, Karen Boone, 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: October 31, 2024

By: /s/ Karen Boone

Karen Boone  
Interim Co-President and Co-Chief Executive Officer  
(Co-Principal Executive Officer)

**CERTIFICATION OF CO-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, Chris Bruzzo, 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: October 31, 2024

By: /s/ Chris Bruzzo

Chris Bruzzo  
Interim Co-President and Co-Chief Executive Officer  
(Co-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: October 31, 2024

By: /s/ Elizabeth F Coddington

Elizabeth F Coddington  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION OF CO-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, Karen Boone, Interim Co-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 September 30, 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: October 31, 2024

By: /s/ Karen Boone

Karen Boone  
Interim Co-President and Co-Chief Executive Officer  
(*Co-Principal Executive Officer*)

**CERTIFICATION OF CO-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, Chris Bruzzo, Interim Co-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 September 30, 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: October 31, 2024

By: /s/ Chris Bruzzo

Chris Bruzzo  
Interim Co-President and Co-Chief Executive Officer  
(*Co-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 September 30, 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: October 31, 2024

By: /s/ Elizabeth F Coddington

Elizabeth F Coddington  
Chief Financial Officer  
*(Principal Financial Officer)*