



BLACKWELLS CAPITAL

A FURTHER CALL TO ACTION

MAXIMIZING VALUE FOR PELOTON SHAREHOLDERS

PRESENTED BY BLACKWELLS CAPITAL

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Two months since Peloton hired one of the highest paid CEOs in all of corporate America, nothing has fundamentally changed.

Peloton's powerful brand, proprietary technology, engaging instructors, and fiercely loyal subscriber base can be shaped into a much more attractive business. But this cannot happen effectively in the public markets, especially with the current leadership in place.

PELOTON INTERACTIVE, INC.

Executive Summary

BW

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EXECUTIVE SUMMARY

Blackwells will hold the Board accountable to maximize value for all shareholders

New management team failed to make meaningful changes

Under Executive Chair John Foley and a new CEO, **there have been no meaningful changes at Peloton.** Issues related to cost structure, capital allocation, inventory management and quality control continue to plague the Company. **Shareholders have lost nearly \$2 billion of value since Mr. McCarthy became CEO**

Poor governance structure limits accountability

Peloton's poor governance structure limits accountability to shareholders. Furthermore, its Board, which is comprised of **interconnected, underqualified legacy directors, fails to provide adequate oversight**

Peloton is a strategically valuable asset

Peloton is a strategically valuable asset that is attractive to many potential acquirers. **An insightful and capable operator would be willing to pay a premium** beyond conventional cost and revenue synergies for the opportunity to **“Reimagine Peloton”** as a dramatically different business than it is today

Selling Peloton today is worth substantially more to investors

Given the complexity, time, and risk associated with a turnaround in the public markets, Blackwells believes **selling Peloton today is worth substantially more to investors than the standalone company could be worth years from now**

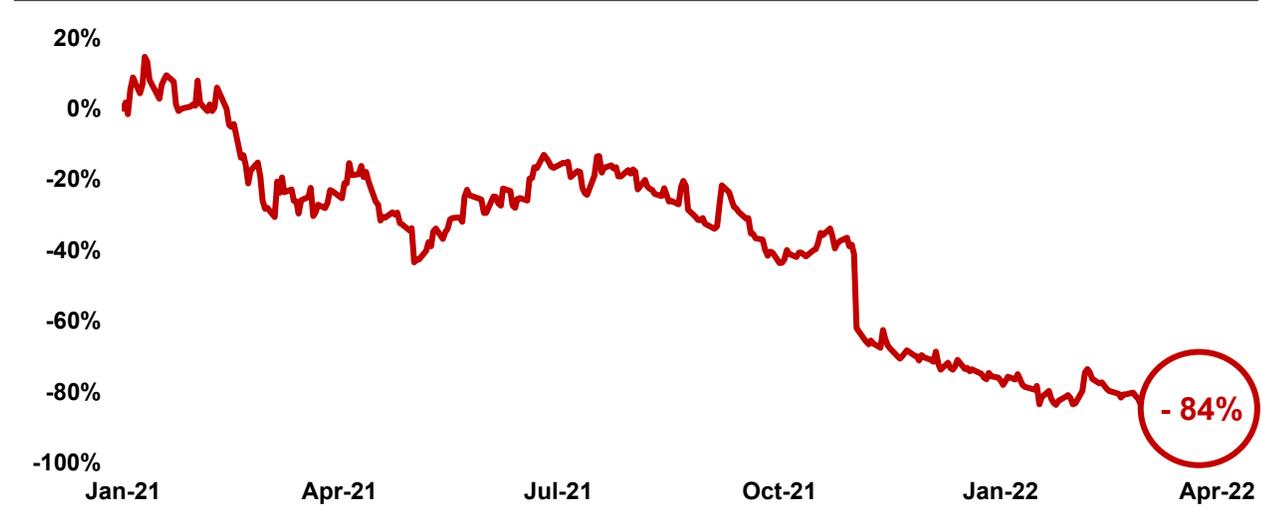
EXECUTIVE SUMMARY

OVERVIEW OF PELOTON

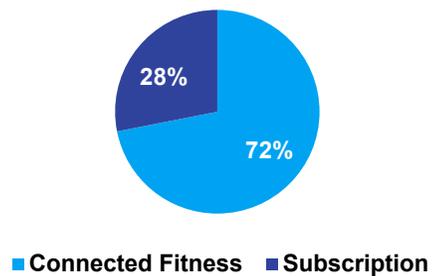


- Peloton is an interactive fitness platform with millions of members, offering connected, technology-enabled fitness classes that utilize its proprietary hardware
- The Company's Connected Fitness products include the Peloton Bike, Bike+, Tread, Tread+ and Guide
- Peloton generates strong recurring revenue from its Members, who pay subscription fees to access Peloton's app or Connected Fitness products
- The Company has been challenged by a series of execution errors and strategic missteps; as a result, Peloton's share price has declined 84% since the beginning of 2021

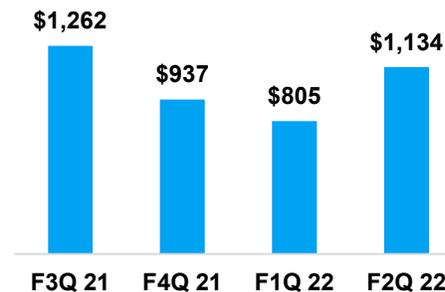
Peloton Total Shareholder Returns Since the Beginning of 2021



LTM Revenue by Source



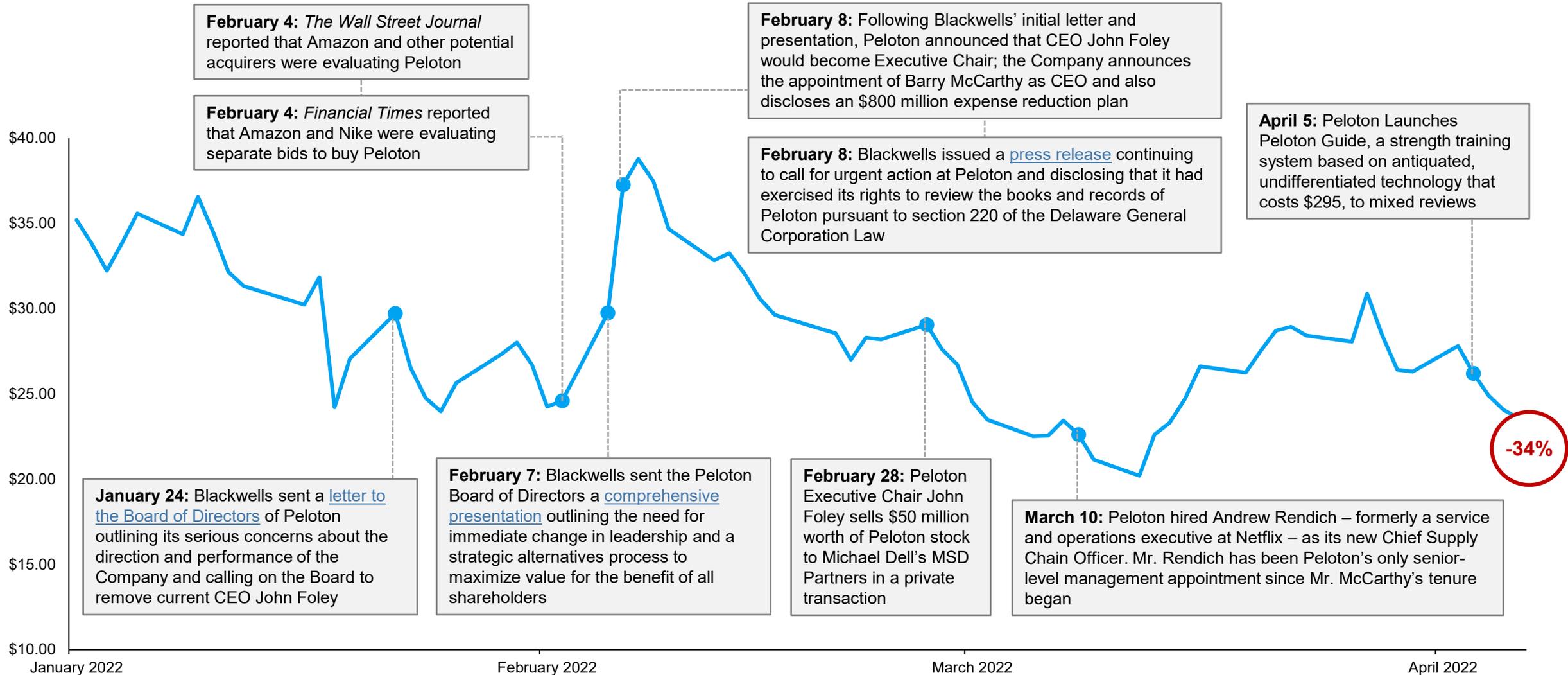
Total Revenue (\$M)



Enterprise Value (\$M)	\$7,877
Market Cap (\$M)	\$7,139
LTM Revenue (\$M)	\$4,138
LTM Adj. EBITDA (\$M)	(\$482)
EV/LTM Revenue	1.9x
Employees (as of June 30, 2021) ¹	8,976
LTM Revenue/Employee	\$461,052

EXECUTIVE SUMMARY

PELOTON STOCK PRICE YEAR TO DATE



PELOTON'S CURRENT PLAN IS INADEQUATE

1

Insiders Remain in Control Despite Value Destruction

Despite having destroyed more than \$40 billion in shareholder value while having only a modest economic interest in the Company, a close-knit group of insiders including John Foley and Director Jay Hoag effectively control Peloton

Blackwells believes Peloton's governance limits accountability to shareholders

2

Peloton Continues to Make Only Incremental Changes

In February 2022, Peloton announced a "significant transformation" of its operating model to much fanfare. To date, these changes have consisted of minor changes to the management team, a cost reduction plan that lacks transparency and an underwhelming product launch

In our view, Peloton's changes are not nearly enough to address its challenges

3

Company Remains Independent

Immediately after his appointment as CEO, Barry McCarthy asserted that a sale of Peloton was unlikely in the "foreseeable future," despite the Company's well-documented challenges

Blackwells believes Peloton will continue to face challenges as a standalone company in a niche market, and that a sale is the best outcome for shareholders

Blackwells believes Peloton's claimed transformation is largely illusory and requires work beyond what the current Peloton team is capable of doing

BLACKWELLS' PLAN FOR PELOTON

1

Enhance Governance

Peloton's dual-class share structure, classified Board and plurality voting system ensure that insiders retain control while shareholders have virtually no ability to effect governance changes or hold management and the Board accountable

Blackwells urges the Company to **embrace governance best practices and abolish the dual-class share ownership structure**

2

Optimize the Business Model

Blackwells believes that Peloton can be reimagined to become a high growth, high margin and asset-light fitness and health platform. In our view, a "Reimagined Peloton" would have more and better opportunities for value creation

However, **Blackwells does not believe that the business can be optimized in the public markets**, especially under a Board and management team that have failed shareholders for years

3

Conduct a Sales Process

Peloton has a powerful brand, proprietary technology and an engaged and loyal user base that could be shaped into a more attractive business, and the Company would be a valuable asset for many strategic and financial acquirers

Given the complexity, time and risk associated with turning the business around, **Blackwells believes selling Peloton today is the best path for shareholders**

If Peloton does not commit to taking responsive action, Blackwells will pursue all avenues available — including litigation — to hold the Company and individual Board members accountable on behalf of shareholders

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Corporate Governance & Misalignment of Interests

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CORPORATE GOVERNANCE AND MISALIGNMENT OF INTERESTS

Peloton's Board has created a culture of poor corporate governance that limits accountability to shareholders

A

Insiders continue to retain control through dual-class share structure

- Structure ensures that a small group of insiders continue to maintain voting control
- These insiders have a relatively small economic interest
- Substantial insider selling and pledging exacerbates misalignment with other shareholders

B

Executive Chairman John Foley is a distraction and continues to wield excessive influence

- Mr. Foley appears to have significant personal financial issues that are a distraction (and create misalignment) even as he remains in the Company's highest leadership role and has outsized influence

C

Blackwells believes the Company's CEO search process was flawed, and we question whether Mr. McCarthy is the right leader

- Mr. McCarthy's connection to Peloton directors calls into question his selection for this difficult role
- The timing of his appointment leads us to doubt the Board's claim that it conducted a thorough search
- Mr. McCarthy received a massive sign-on award that was not commensurate with the job or company
- On an ongoing basis, Mr. McCarthy will be one of the highest-paid executives in the country

D

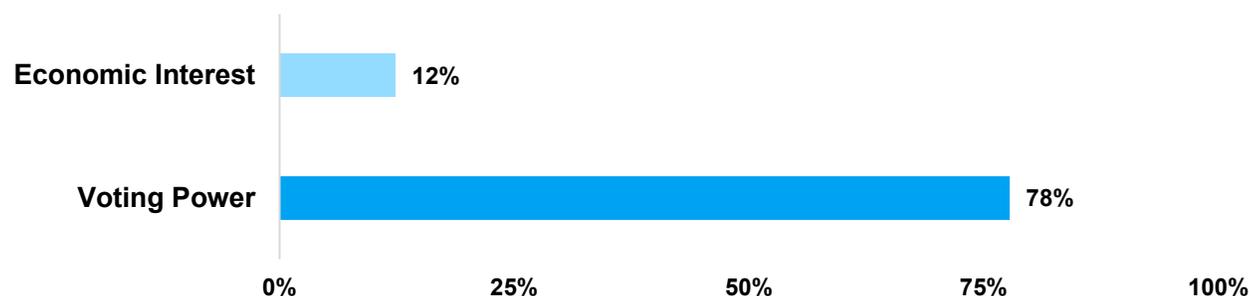
The Board continues to be comprised of interconnected, unqualified legacy directors

- Peloton's Board still has too many interconnected legacy directors
- The Board appears to lack critical skills and attributes

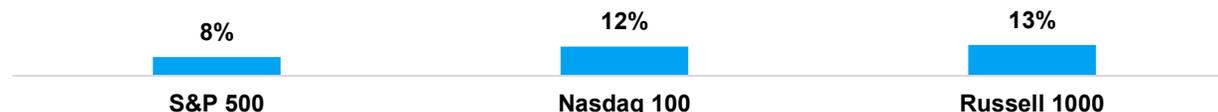
The voting power of Peloton's insiders is vastly disproportionate to their economic interest in the Company

- Peloton maintains a dual-class voting structure, under which Class A shares represent one vote while **Class B shares, which are controlled by insiders, represent twenty votes each**
- As a result, Peloton **insiders control more than 75% of the voting power**, despite only having an **economic interest in Peloton of approximately 12%**
- Only 8% of companies in the S&P 500 have dual-class share structures with unequal voting
- Blackwells believes Mr. Foley's recent stock sales (possibly made under financial duress) may be creating a greater imbalance between insider voting power and economic interest
- This structure will continue to **impair accountability to shareholders as long as it remains in place**

Voting Power of Insiders vs. Economic Interest¹



% of Companies with Dual-Class Shares with Unequal Voting²



FOLEY AND HOAG (TWO INSIDERS) RETAIN EFFECTIVE CONTROL

John Foley and Jay Hoag continue to maintain effective control over the Company, and their close alignment on issues like a sale of the Company raises serious concerns

- As of September 30, 2021, Mr. Foley and Mr. Hoag held shares representing approximately 75% of Peloton's total voting power
- CEO Barry McCarthy also appeared to acknowledge that the decision on whether to sell Peloton effectively rests with John Foley and Jay Hoag²
- Mr. McCarthy suggested that Mr. Foley and Mr. Hoag have their minds made-up about a sale, stating that he is confident that "a large percentage of the votes will be cast in favor of my leadership of the business" as a public company²



"...[E]veryone, hopefully, loves you like I love you... I think, Jay, that you are one of the five great investors of all time."¹

– John Foley, to Jay Hoag

"I congratulate you on your success to date, but I know you're only getting started."¹

– Jay Hoag, to John Foley



“Foley, who stepped down as Peloton CEO in February, is under pressure to put up more collateral for the loans as Peloton's stock price has cratered by more than 80% in the past twelve months...”¹

BUSINESS
INSIDER

- As of September 30, 2021, **John Foley had pledged approximately 65% of his economic interest** in Peloton
- Recent reports suggest that **Mr. Foley may be facing personal liquidity issues due to margin calls** associated with these pledging arrangements
- On February 28, 2022, **John Foley sold approximately \$50 million in Peloton stock (at a 12% discount) to MSD Partners**, an investment firm backed by Michael Dell
- In our view, **this transaction and the Company's lack of transparency is troubling** and raises several important questions:
 - Was Mr. Foley's latest sale the result of a margin call on his pledged shares?
 - **Mr. McCarthy has a previous business relationship with MSD** through his role as a director of MSD's SPAC; what was his role in facilitating this transaction?
 - Why did MSD appear to get preferential treatment (i.e., a discounted price)? Did MSD offer concessions, such as an agreement to vote those shares in accordance with Mr. Foley's recommendations?

Peloton ex-CEO John Foley sells \$50 million in stock to Michael Dell's investment firm

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SHARE f t in e



JENNIFER GOULD GIMME SHELTER

Back peddling Down-on-his-luck Peloton founder lists \$55M Hamptons retreat at a loss

John and Jill Foley's oceanfront estate one of the priciest East End sales of the year — before the brand spun out of control.



WE BELIEVE PELOTON'S SEARCH PROCESS WAS RUSHED AND DRIVEN BY INSIDERS

“McCarthy jumped to the top of the headhunters’ list when he was introduced to the board by TCV, one of the company’s earliest investors.”¹



- Barry McCarthy, Peloton’s new CEO, is a long-time business associate of Peloton director Jay Hoag, having served as an executive at Netflix (where Mr. Hoag has served as a director for more than two decades) and as an advisor to Mr. Hoag’s venture capital firm

- While the Company’s press release announcing Mr. McCarthy’s appointment stated that the Board ran a thorough succession planning process over the last “several months,”¹ media reports indicate that Jay Hoag and TCV effectively hand-picked Mr. McCarthy and promoted his appointment from within the Board³

“Today’s leadership changes are the culmination of a succession planning process that the Board and John have worked on together over the last several months.”²

– Karen Boone, Peloton’s Lead Independent Director
Peloton Press Release, February 8, 2022



How did you get the job [as Peloton’s CEO]?

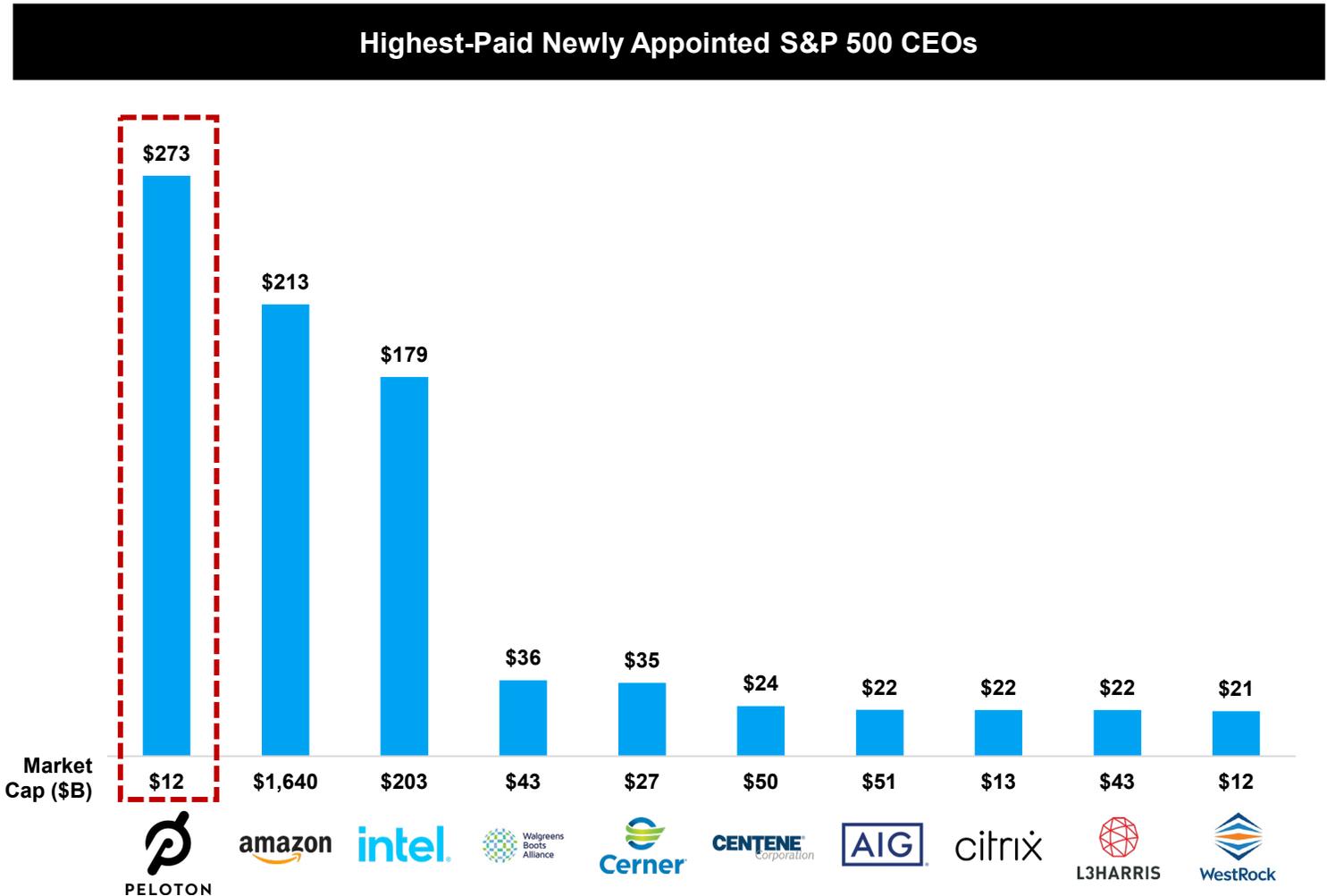
“It was a shotgun marriage. I was retired and just managing private investments and playing a lot of golf... I reached out to TCV and said: ‘Hey, Coach, put me in.’”³

– Barry McCarthy in an interview with Andrew Ross Sorkin



MR. MCCARTHY'S NEW-HIRE COMPENSATION IS TROUBLINGLY EXCESSIVE

- Mr. McCarthy's sign-on award is larger than that of the new CEO of Amazon, a company that is **more than 200x the size of Peloton**
- Mr. McCarthy is a first-time public company CEO, and yet **he is earning approximately 4x as much as his predecessor**
- Blackwells questions the need for such an outsized sign-on award given the fact that:
 - Mr. McCarthy was retired before joining Peloton; and
 - Mr. McCarthy initially reached out to Jay Hoag to inquire about the CEO position – **there was no need to entice Mr. McCarthy** with a generous sign-on package if he was knocking on the door looking for work



(1) Source: Bloomberg and company filings. Notes: Analysis of CEO's appointed Since Jan. 1, 2021 (compensation in \$M), CEO compensation data uses total CEO compensation data refers to the sum of base salary, annual incentive opportunity, long-term incentive opportunity and any cash or equity new-hire or inducement grants for the year in which the new CEO was appointed. Data excludes moving expenses and other perquisites. Data excludes interim CEOs. Market cap data as of February 9, 2022. Peloton compensation calculated using methodology described on page 18.

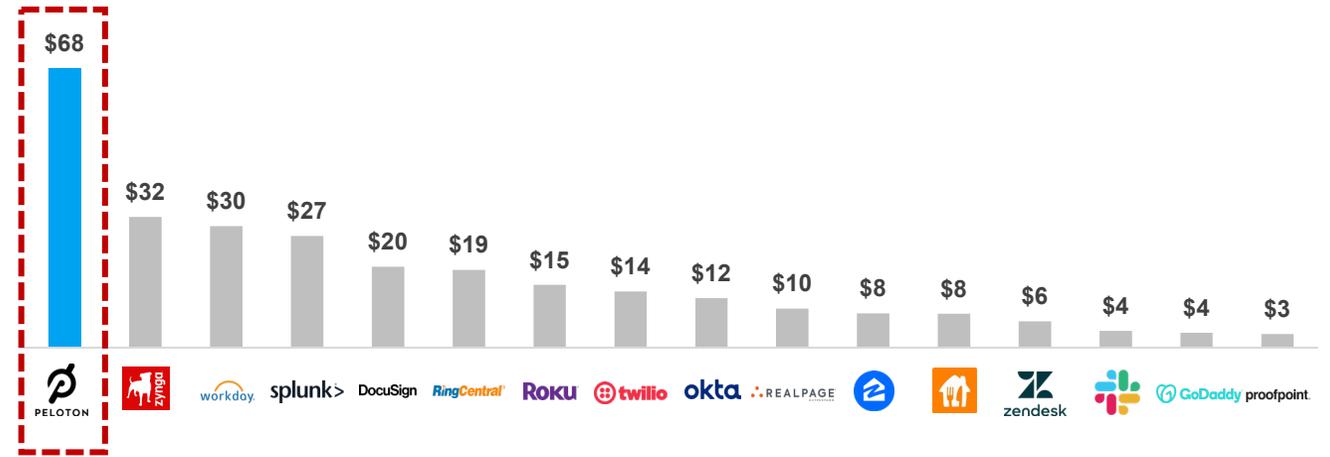


PELTON'S NEW CEO HAS ONE OF THE COUNTRY'S MOST GENEROUS PAY PACKAGES

On the day that Peloton announced that it was terminating approximately 2,800 employees as part of a “comprehensive program to reduce costs,” the Company made Barry McCarthy one of the highest-paid executives in the country

- On an annualized basis, Mr. McCarthy is making nearly 10x more than he did as CFO of Spotify
- Blackwells questions whether Mr. McCarthy's generous compensation package is the result of his longstanding and close relationship with the Chair of Peloton's Compensation Committee, Jay Hoag, who appears to have played a key role in his hiring

Peloton Estimated Annualized CEO Compensation (\$M) vs. Proxy Peers¹



Percentile Rank of Barry McCarthy's Estimated Annualized Compensation¹

99th
vs. Russell 3000

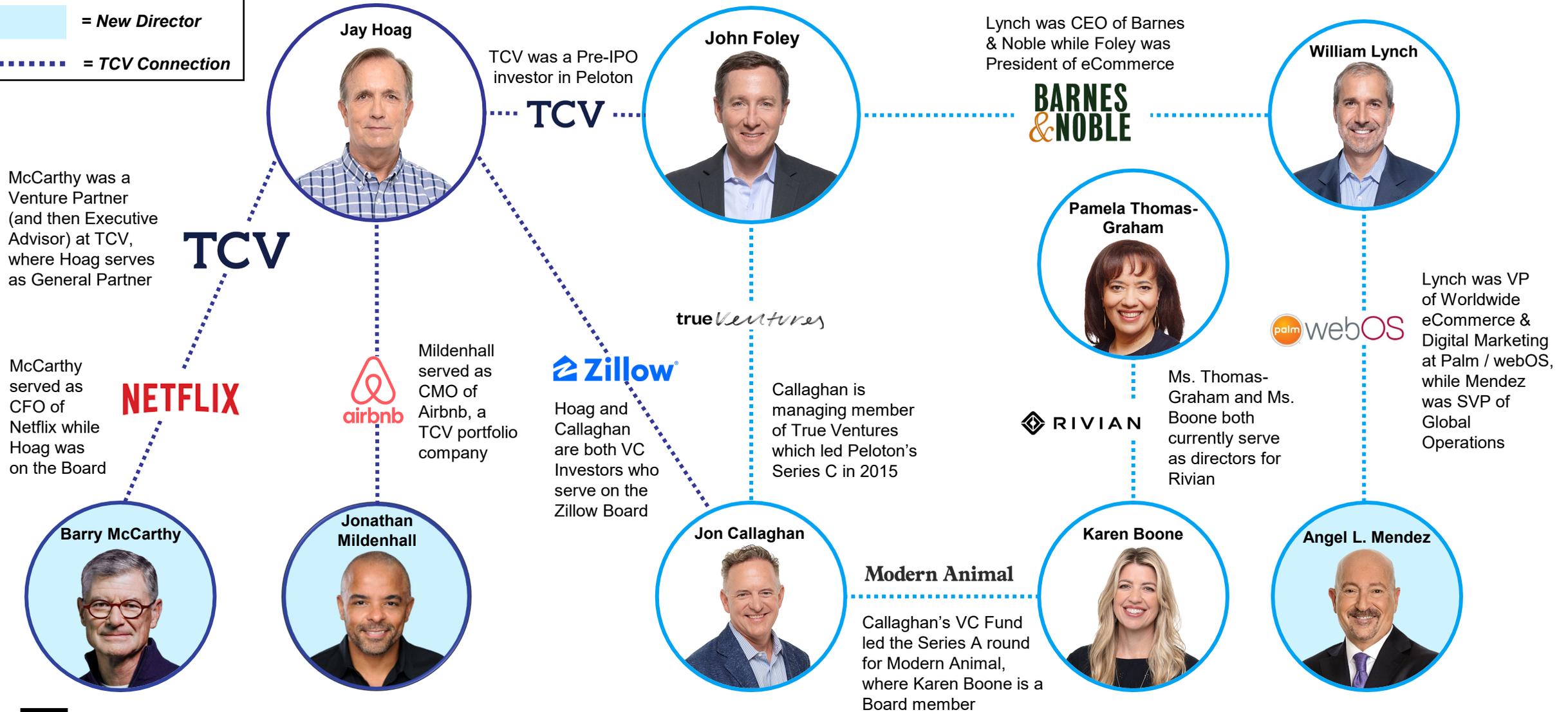
98th
vs. Russell 1000

97th
vs. Russell 1000 Growth

(1) Source: FactSet, Bloomberg and company filings. "Proxy Peers" are disclosed in the Company's proxy statement filed on October 25, 2021. Note: CEO compensation data uses total CEO compensation from most recently reported fiscal year. For companies with co-CEOs or more than one CEO during the fiscal year, compensation included all CEOs. Peloton compensation represents the annualized Black Scholes value of Mr. McCarthy's 8 million options (which vest over 48 months) as of the grant date of February 9, 2022, plus his \$1 million base salary.

HIGHLY INTERCONNECTED BOARD LACKS INDEPENDENCE

 = New Director
 = TCV Connection



PELTON'S BOARD STILL HAS SIGNIFICANT DEFICIENCIES

Peloton's Board members appear to lack key skills sets and attributes that Blackwells believes are essential to overseeing a turnaround of the business

- **More than half of the Board is comprised of current or former insiders and venture capitalists**, several of whom have deep, longstanding relationships with each other
- Despite the fact that approximately 75% of the Company's revenue comes from hardware sales, **there do not appear to be any directors with deep manufacturing expertise** that could help the Company resolve its quality control issues
- Blackwells is disappointed that the Board only **recently appointed its first supply chain professional** after experiencing a litany of well-documented inventory issues that led to the Company halting production on bikes and treadmills
- Additionally, given the nature of Peloton's customer base and male-dominated boardroom, Blackwells believes **the Board would benefit from greater gender diversity**

Board Member		TSR During Tenure ¹	TSR vs. Russell 1000 Growth Index ¹
John Foley		(9%)	(77%)
Barry McCarthy		(39%)	(35%)
Karen Boone		(9%)	(77%)
Jon Callaghan		(9%)	(77%)
Jay Hoag		(9%)	(77%)
William Lynch		(9%)	(77%)
Angel Mendez		(37%)	(34%)
Jonathan Mildenhall		(37%)	(34%)
Pamela Thomas-Graham		(9%)	(77%)

PELTON INTERACTIVE, INC.

Review of McCarthy's First 60 Days at Peloton

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PELOTON HAS NOT ADEQUATELY ADDRESSED ANY OF ITS CHALLENGES

A

The management team is largely the same as it was months ago and appears ill-equipped to resolve the Company's issues

- The “restructuring” that Peloton announced with much fanfare as part of a “leadership transition” in February 2022 has resulted in the hiring of just one new senior executive
- This one new hire – Peloton’s Chief Supply Chain Officer – does not appear to have the right experience needed to resolve Peloton’s extensive inventory and production problems
- The Company’s CFO has made misleading statements to investors and appears unable to issue accurate guidance

B

The Company continues to make strategic missteps around product roll-outs, cost-cutting and product quality

- The recent cost-cutting initiative lacks transparency and does not go far enough
- The launch of Peloton’s underwhelming new product, Guide, was seemingly a flop
- The Company appears to be facing more quality control issues with its bikes

C

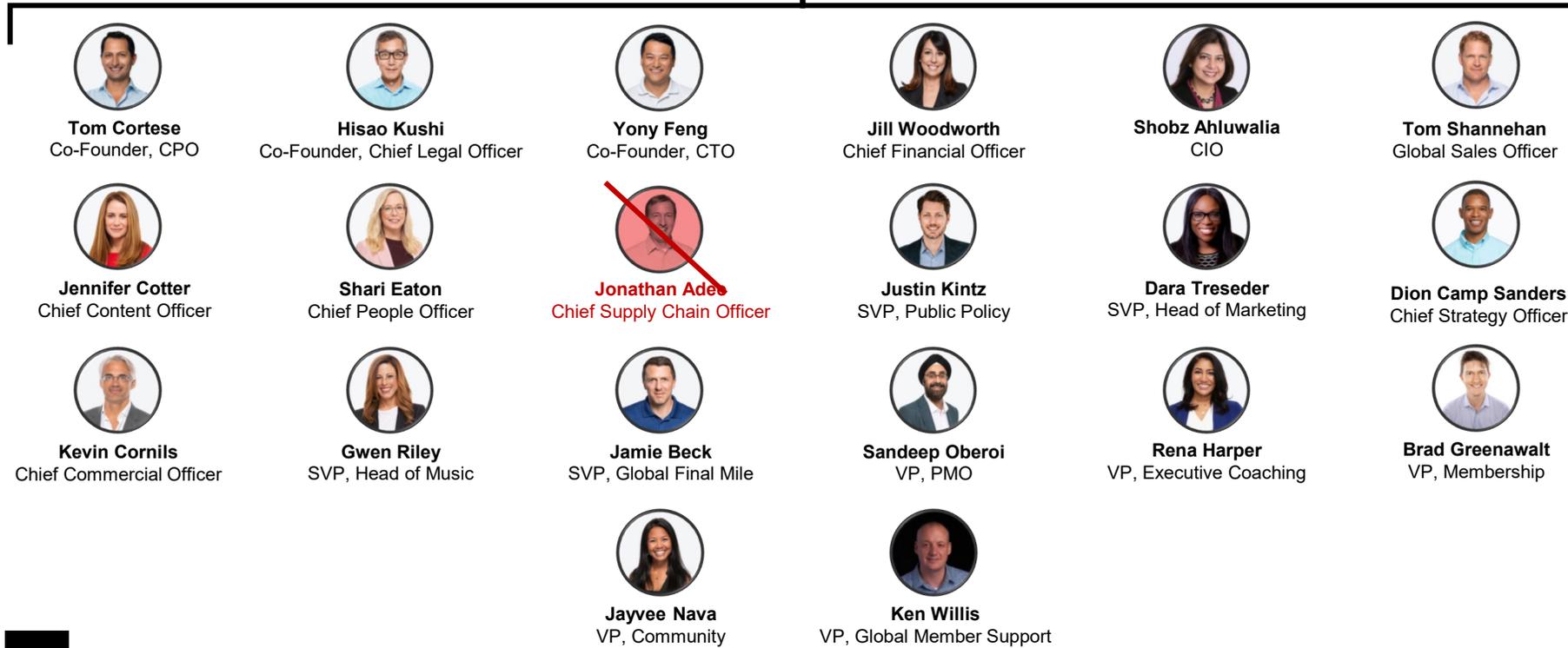
Peloton remains undervalued and lacks credibility with investors

- Since the leadership transition, Peloton’s stock has continued to decline, trailing peers and the relevant indices
- Peloton remains undervalued by the market and the analyst community appears skeptical that the Company’s turnaround efforts will drive value

MANAGEMENT HAS LARGELY REMAINED THE SAME

Although Pelton has touted major changes to management, it largely remains identical to the Foley Era

Organizational **Changes** Since Barry McCarthy Became CEO



New Management Team Member Since McCarthy Became CEO



Blackwells does not believe that Peloton's new Chief Supply Chain Officer has the foundational experience necessary to run a complex manufacturing and distribution operation

The appointment of Peloton's new Chief Supply Chain Officer raises a number of questions:

- Peloton's press release announcing Mr. Rendich's appointment noted that he would remain with Grove Collaborative. ***Is Mr. Rendich's role at Peloton part-time?***
- How will Mr. Rendich balance his responsibilities at Grove with his additional duties as head of Peloton's Distribution, Member Support and Information Technology teams?
- What aspects of Mr. Rendich's experience at Netflix – a company which has virtually no manufacturing complexities – prepared him for this C-suite role at Peloton?

"[Andrew Rendich] previously served as Chief Operating Officer at Grove Collaborative... While at Peloton, Rendich will also stay on at Grove in an advisory capacity..."¹



Andrew Rendich
Chief Supply Chain Officer



CFO JILL WOODWORTH HAS SHOCKINGLY REMAINED IN HER ROLE

Blackwells believes Peloton's CFO, Jill Woodworth, should not be permitted to continue in her role as CFO

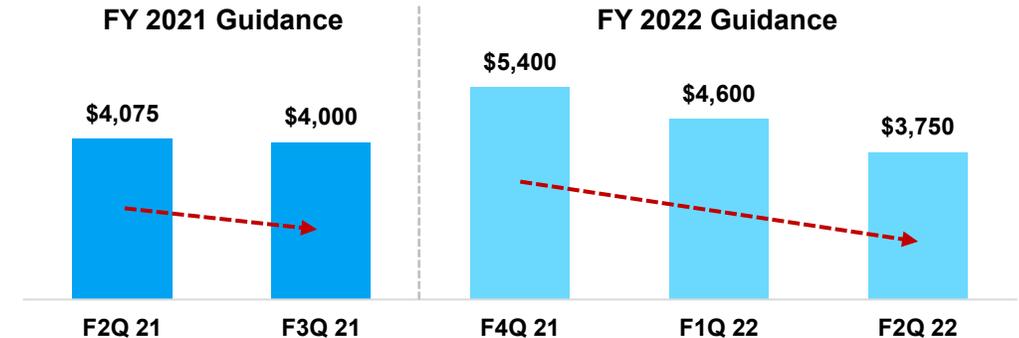
- The Company has revised forward-looking guidance downward in each of the last five quarters
- In November 2021, Peloton announced a \$1 billion stock offering just two weeks after Ms. Woodworth dismissed the possibility of a capital raise on the Company's earnings call
- Blackwells believes that investors have lost confidence in the accuracy of Peloton's projections



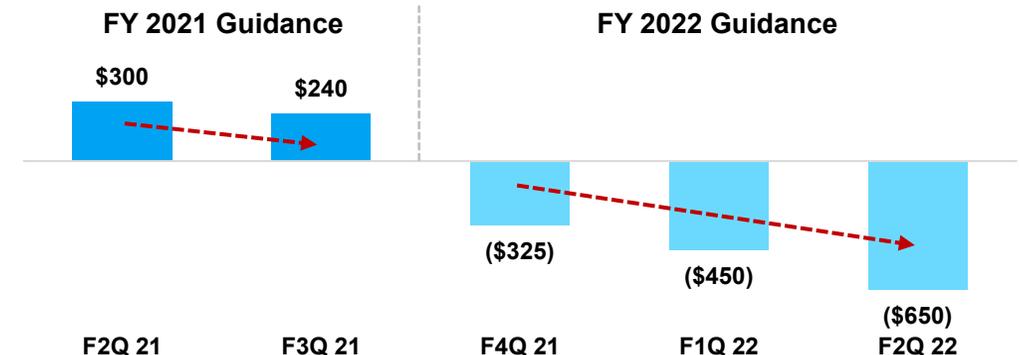
"...[W]e don't see the need for any additional capital raise based on our current outlook."²

– Jill Woodworth, two weeks before Peloton announced a \$1 billion stock offering

Next Fiscal Year Revenue Guidance (\$M)¹



Next Fiscal Year Adjusted EBITDA Guidance (\$M)¹

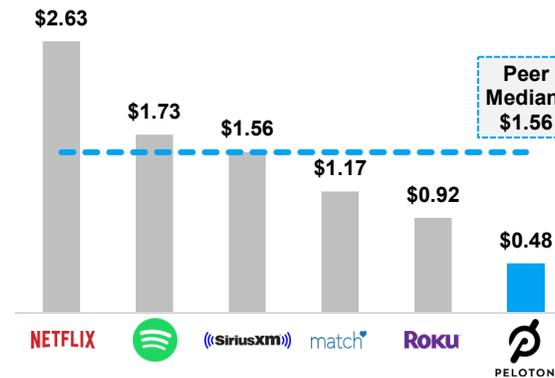


COST-CUTTING PLAN DOES NOT GO FAR ENOUGH

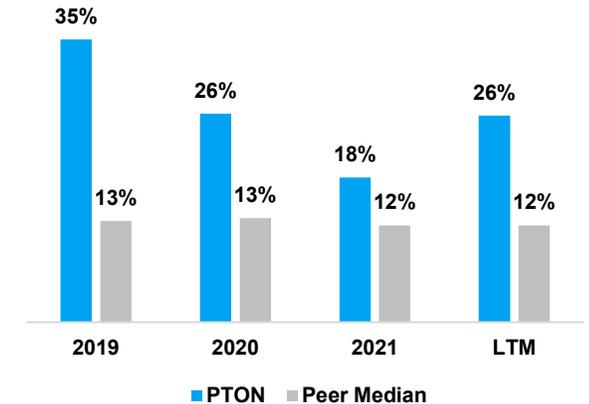
Peloton is saddled with inefficient operations – the result of a misguided attempt at “blitzscaling” during the pandemic

- The Company’s expense growth has outstripped demand to the point where significant restructuring is necessary
- Peloton announced an \$800 million expense reduction plan in February 2022, but it is unclear how “enacting a work force reduction” and “reducing owned and operated warehouses and delivery teams” will generate hundreds of millions in run-rate savings
- The cost-cutting plan also does not seem to go far enough. Even if Peloton’s proposed \$800 million expense reduction is allocated solely and equally to G&A and selling & marketing expenses, the Company’s cost structure would still be lopsided
- Blackwells believes that Peloton has ample room to further rationalize the business without compromising revenue growth

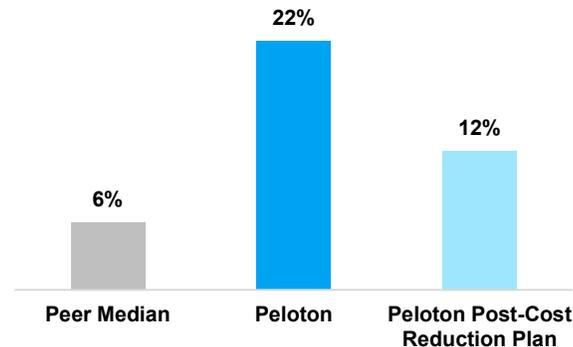
LTM Revenue / Employee (\$M)¹



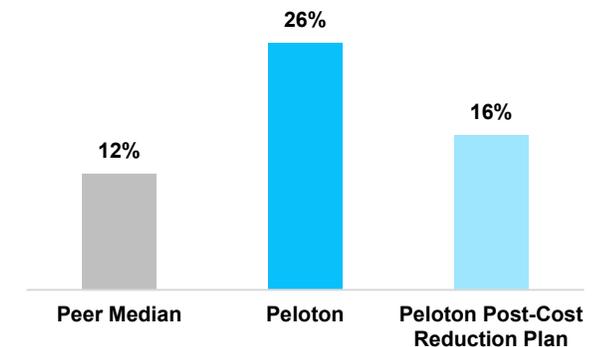
Selling & Marketing / Revenue¹



LTM G&A / Revenue¹



LTM Selling & Marketing / Revenue¹



“It’s a little annoying that the Guide hardware makes working out less convenient than just using the Peloton Digital app.”²

WIRED

The launch of Peloton’s latest product, Guide, has been underwhelming

- Guide has received mixed reviews, with some **users questioning whether the product has any competitive advantages** in a crowded home strength training market
- Peloton’s stock price has **declined approximately -16%** since Guide was launched on April 5
- While Peloton has claimed Guide’s technology is “innovative,” it does not appear to meaningfully improve upon a decade-old offering from Microsoft

Undifferentiated from Competition

THE
WALL STREET
JOURNAL

“While there are benefits to AI keeping an eye on you during workouts, other products on the market work as well or better, so unless you’re a Peloton die-hard, think carefully before buying.”¹

Dated Hardware

WIRED

“The camera is powered by Qualcomm’s QCS605 system-on-a-chip. This SoC was first introduced back in 2018, so it’s ancient by chip standards...”²

Confusing User Interface

techradar.

“...[A]s with every other Peloton product out there, there’s already a lot of data on-screen at any given time... [H]aving all this information at your disposal can be overwhelming.”³

Limited Functionality


THE VERGE

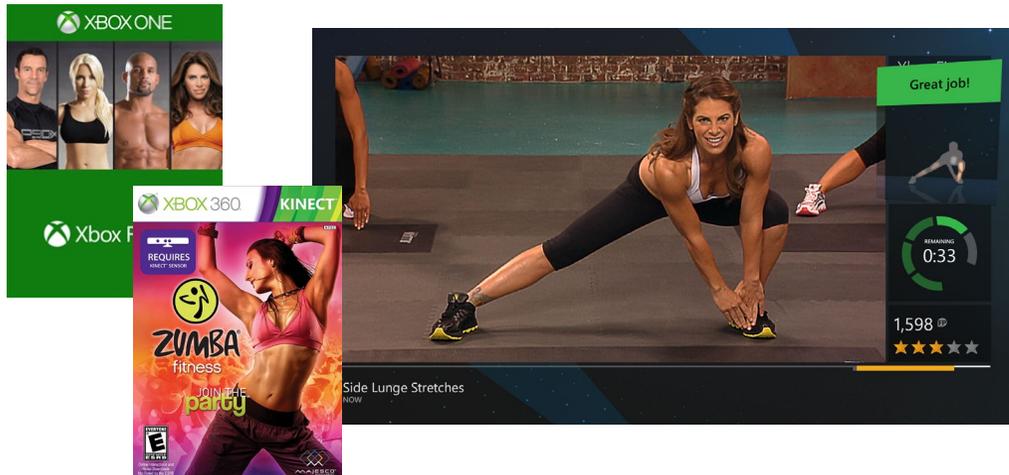
“[Guide’s] movement tracker doesn’t count reps. You don’t get specific form feedback.”⁴

RETREADING OLD IDEAS

Microsoft was providing an almost identical service back in 2010

The Xbox Kinect

- The Kinect camera connects to home TVs through Xbox and tracks body movement and sound using RGB color VGA video camera, a depth sensor, and a multi-array microphone
- It was sold as an accessory for the Xbox 360 (2010) and was included in the launch of the Xbox One (2013)
- Allowed users to exercise with Xbox Fitness, Zumba Fitness and a library of various interactive exercise games and applications



Xbox Fitness with Kinect (2010)

- ✓ Precision body movement tracking
- ✓ Instructional workouts from famous trainers
- ✗ Live classes
- ✓ Personalized recommendations and scheduling
- ✓ Goal planning and progress tracking
- ✓ Workout analysis and feedback
- ✓ Estimated calorie burn
- ✓ Heart rate monitoring
- ✓ Track muscle growth and offer classes by muscle group
- ✓ Social element to compete with friends
- ✗ AI integration
- ✗ Weights and mat

Peloton Guide (Launched April 5, 2022)

- ✓ Precision body movement tracking
- ✓ Instructional workouts from famous trainers
- ✓ Live classes
- ✓ Personalized recommendations and scheduling
- ✓ Goal planning and progress tracking
- ✓ Workout analysis and feedback
- ✓ Estimated calorie burn
- ✓ Heart rate monitoring (additional cost)
- ✓ Track muscle growth and offer classes by muscle group
- ✓ Social element to compete with friends
- ✓ AI integration
- ✓ Weights and mat (additional cost)

MANAGEMENT ATTEMPTED TO COVER-UP AND DELIVER DEFECTIVE PRODUCTS

FINANCIAL TIMES

Inside 'Project Tinman': Peloton's plan to conceal rust in its exercise bikes

Company insiders tell the FT that executives hatched a scheme to cover up corrosion and avoid a costly recall



Internal documents seen by the FT show the procedure was for corrosion to be dealt with using a chemical solution that concealed it by reacting 'with the rust to form a black layer' © Adam Glanzman/Bloomberg

February 22, 2022

"[E]xecutives hatched a plan, dubbed internally as "Project Tinman", to **conceal the corrosion and sent the machines to customers who had paid between \$1,495 and \$2,495** to purchase them...

Eight current and former Peloton employees across four US states ... described the plan as a **nationwide effort to avoid yet another costly recall just months after the company's most tragic episode — the death of a child** due to the design of its treadmill...

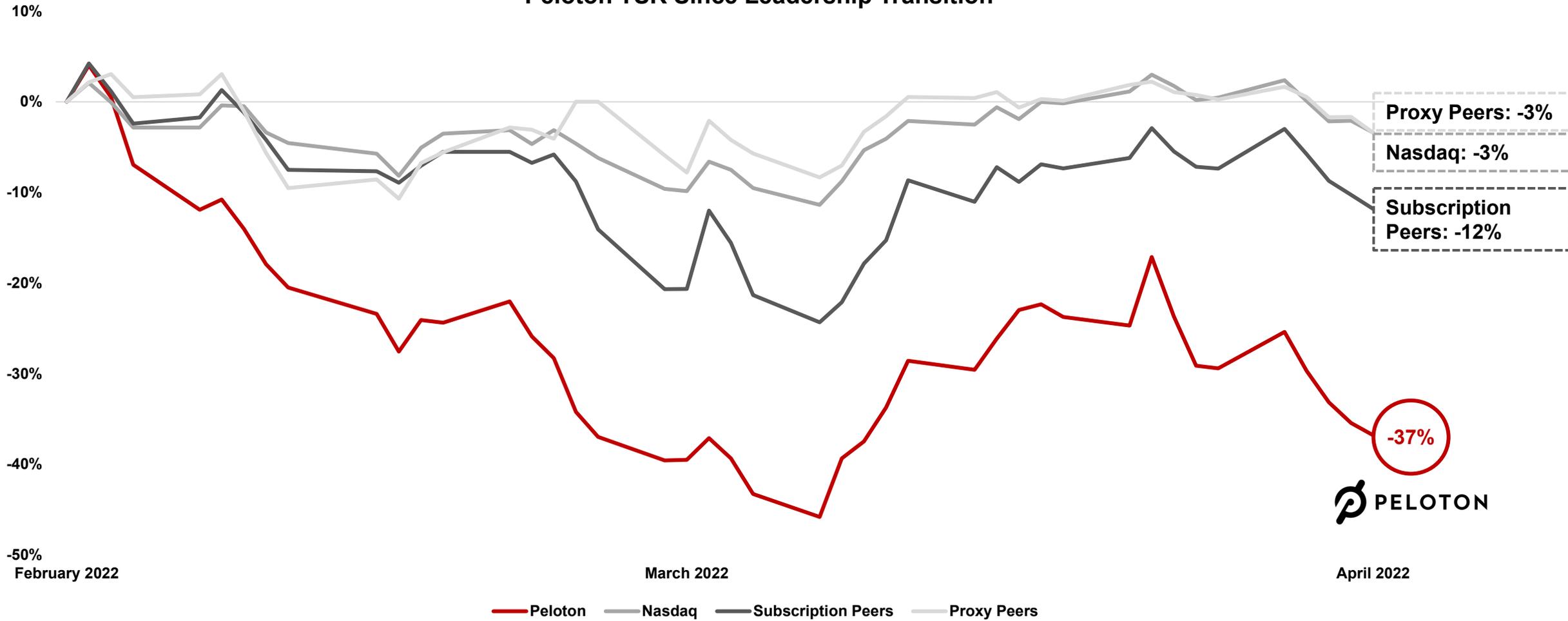
'It was the **single driving factor in my beginning stages of hatred for the company** that I had spent the previous year and a half falling in love with,' said an outbound team lead, who reviews products before they are shipped to customers...

This **directive alarmed some employees** because Peloton had previously disqualified bikes with any rust from becoming a 'refurb' — a discounted bike only available to employees and their friends — let alone sold at full price."



PELOTON HAS CONTINUED TO UNDERPERFORM SINCE CHANGES WERE ANNOUNCED

Peloton TSR Since Leadership Transition¹



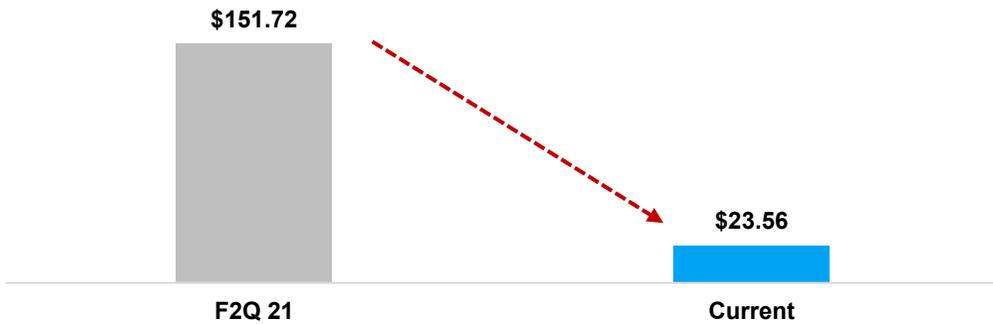
(1) Source: FactSet. Note: Data as of April 8, 2022. "Subscription Peers" include Match Group, Netflix, Roku, Sirius XM and Spotify. "Proxy Peers" include DocuSign, GoDaddy, JustEat, Okta, RingCentral, Roku, Splunk, Twilio, Workday, Zendesk, Zillow and Zynga. "Proxy Peers" are disclosed in the Company's proxy statement filed on October 25, 2021. Peer data refers to medians.



THE MARKET REMAINS SKEPTICAL ABOUT MANAGEMENT'S ABILITY TO EXECUTE

Since the beginning of 2021, analysts and investors have lost optimism around Peloton's prospects for value creation

Peloton Stock Price¹



Analyst Mean Target Price¹



% Analyst Buy / Overweight Ratings¹



Short Interest¹



(1) Source: FactSet. "Current" data as of April 8, 2022. "F2Q 21" data as of December 31, 2020.

ANALYST COMMUNITY RAISES DOUBTS ABOUT MCCARTHY

Barry McCarthy's comments as CEO have created concerns about his ability to effectively turn around Peloton and execute

The market questions McCarthy's role and credibility given:

- Foley, as Executive Chair, continues to wield considerable influence
- Exorbitant remuneration package
- Lacks significant manufacturing or supply chain expertise
- Concerning ties to Peloton Board members
- No plan to turn Peloton around



"You can't possibly know what the TAM [total addressable market] is. You're in the middle of inventing the TAM" ³

– Barry McCarthy



"We don't see new CEO Barry McCarthy (age 69 and member of five other boards) as a day-to-day operator" ¹

"I don't think Barry is looking to work 100-hour weeks at this company. I think this was a way for CEO John Foley to kind of save face" ²

THE MARKET REMAINS SKEPTICAL OF A STANDALONE PELOTON



“Our first take of the call is that, unfortunately, **it didn’t feel like much was different**. John Foley as Executive Chairman appeared to hold as much court on the call as John Foley CEO.... **Chasing the goal of growth while just beginning to restructure appears potentially counter-productive.**”

BMO Equity Research, February 8, 2022



“**If Peloton tries to go alone ahead, not sell, there are cautionary tales** of troubled consumer products in cost cutting mode that have been down this path with Fitbit and GoPro coming to mind in **darker stories.**”

Wedbush Equity Research, February 8, 2022

Morgan Stanley

“**We lack visibility and thus conviction in the medium-term outlook** as we await more detail around new CEO Barry McCarthy's go forward strategy, including equipment pricing changes, subscription pricing, and the evolution of the content platform...”

Morgan Stanley Equity Research, March 14, 2022

COWEN

“**Uncertainty exists** given Peloton’s hardware price increase, reduced marketing budget for FY2H22, and staffing reorganization while we note **consumer demand has yet to stabilize.**”

Cowen Equity Research, February 8, 2022

PELOTON INTERACTIVE, INC.

Peloton Reimagined

BW

BLACKWELLS CAPITAL

SIGNIFICANT VALUE CREATION OPPORTUNITIES FOR ACQUIRER

A potential acquirer could realize substantial value beyond conventional revenue and cost synergies by reimagining Peloton as a comprehensive fitness and health platform

Legacy Peloton

Hardware-Focused Revenue Model

Bikes, Treadmills and Strength Equipment

Closed Platform That Requires Peloton Equipment

App Experience is Limited to Content Delivery

"Peloton Reimagined"

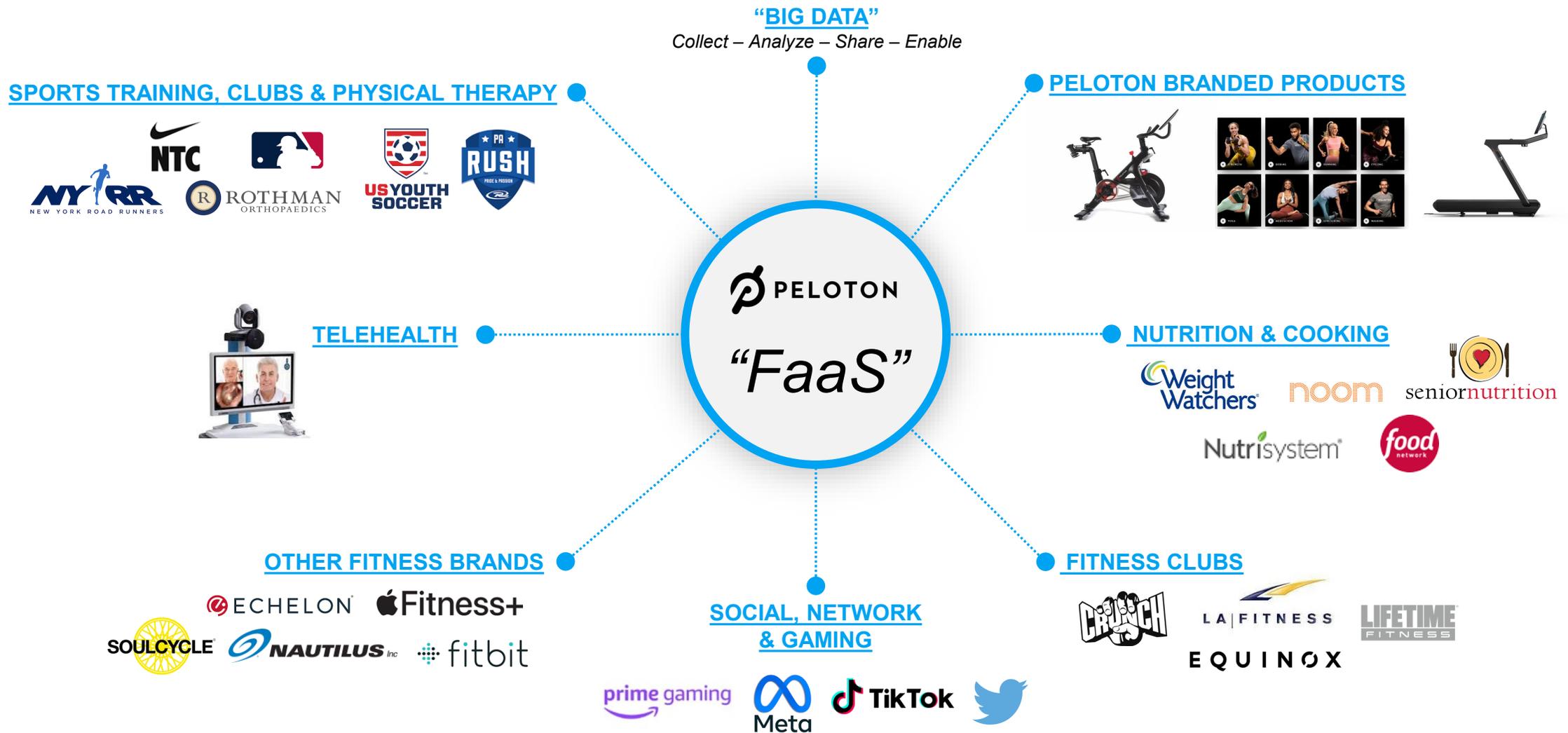
Fitness-as-a-Service ("FaaS") Model

"One-Stop Shop" for a Suite of Fitness and Health Solutions

"Powered By Peloton," Open Platform Approach

Social Network and Immersive Experiences

FITNESS-AS-A-SERVICE PELTON ECOSYSTEM



OPPORTUNITY TO CREATE A CATEGORY WITH A REIMAGINED PELOTON

Beyond home fitness products into a cloud-based Fitness-as-a-Service (“FaaS”) platform



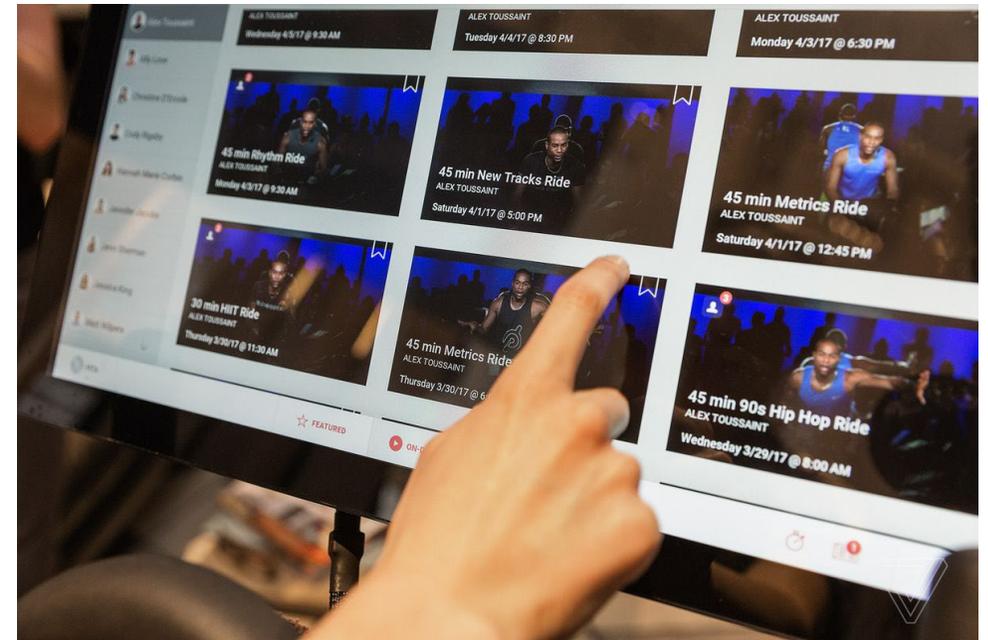
- A** **Asset-Light, Software Focused Business**
Outsource all manufacturing and focus critical resources on developing Peloton into a software-centric organization as the cornerstone to becoming the unequivocal leader in Fitness-as-a-Service (“FaaS”)
- B** **Fully Integrated Fitness Product Portfolio**
Become the central technology platform and one-stop shop for integrating all aspects of physical and mental wellness. Peloton’s subscribers would gain access to Peloton’s expanding fitness products/programs as well as products and services not proprietary to Peloton - such as other fitness equipment, popular nutrition programs, telehealth, sport-specific training programs, pre- and post-natal care, etc.
- C** **Social Health & Wellbeing Leader**
Become the leading fitness-focused social network in the world with services ranging from at-home or on-the-road engaging workouts with highly regarded Peloton instructors to metaverse interconnected fitness programs linking like-minded friends wherever and whenever desired
- D** **“Big Data” Driven**
Leverage valuable data collected from Peloton-proprietary and complementary technologies (such as wearable technologies) to offer an expanding array of personalized health and wellness products and services to consumers. Use proprietary data to accurately determine market-driven and demographic-based pricing models and help determine the optimal portfolio of Peloton product/service offerings

ASSET-LIGHT, SOFTWARE FOCUSED BUSINESS: THE CORNERSTONE OF FITNESS-AS-A-SERVICE

Peloton should outsource all manufacturing and focus critical resources on developing Peloton into a software-centric organization as the cornerstone to becoming the unequivocal leader in Fitness-as-a-Service (“FaaS”)

Blackwells believes the future of Peloton is as an asset-light, software-focused Company

- As Peloton continues to derive more of its revenue and earnings from its subscription and software offering, Blackwells believes the Company should sunset in-house manufacturing over the next few years
- Outsourcing manufacturing and shifting Peloton to an asset-light model increases the Company’s focus and frees up incremental capital for:
 - Developing mission-critical software powering health, wellness and fitness
 - Producing best-in-class content
 - Allocating more towards software-focused initiatives
- Results in a more attractive business model:
 - Highly predictable, subscription-based high margin income statement
 - Much higher ROI business model
 - Asset-light with low maintenance and working capital requirements



ASSET-LIGHT, SOFTWARE FOCUSED BUSINESS: FITNESS HARDWARE “POWERED BY PELOTON”

As a software-focused company, Peloton should work to partner with all fitness equipment manufacturers integrating Peloton’s software with new, and potentially existing, equipment across the world

Shifting to an asset-light model will allow Peloton to focus on creating software that utilizes its superior brand and content offering to create a universal fitness platform “Powered by Peloton”

- Integrating Peloton software with any new fitness equipment, regardless of manufacturer, would allow the company to expand to several markets including:
 - Gyms
 - Offices
 - Existing fitness equipment
 - Hotels
 - Schools & Universities
 - Hospitals & medical centers
- A partnership with Peloton would give manufacturers a differentiated selling point while also exposing Peloton to millions of new potential subscribers
- In 2020 the global treadmill market generated over \$3.2 billion and is expected to grow to nearly \$6 billion per year by 2030
- The potential to integrate Peloton into all treadmill manufacturers, let alone all fitness equipment, creates a significantly larger avenue to gain potential subscribers for the Company’s software



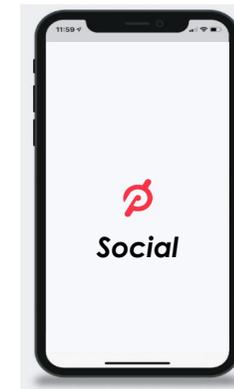
Peloton software on legacy (non-Peloton) equipment and integrated into every aspect of the gym, home, and outdoor fitness experience

FULLY INTEGRATED FITNESS PRODUCT PORTFOLIO: PELTON AS A COMPREHENSIVE FITNESS PLATFORM

Becoming the central technology platform and one-stop shop for integrating all aspects of wellness

Fitness + Health + Nutrition/Wellness + Mindfulness + Community + Experiences

- As a complete health and wellness platform, Peloton and its Fitness-as-a-Service offering will have several opportunities to generate outsized value for shareholders through strategic partnerships, data collection, social media, gaming, and much more
- Partnerships could include gyms powered by Peloton software, telemedicine networks using data collected around individuals' fitness habits, nutritional programs with leading health food grocers and restaurants, video game designers for fitness-themed games or any number of potential wellness- or lifestyle-focused product or service



FULLY INTEGRATED FITNESS PRODUCT PORTFOLIO:
 INTEGRATED WORLDWIDE FITNESS EXPERIENCE

As both a one-stop connected fitness content shop and the software provider powering gyms and equipment, Blackwells envisions a future with Peloton as the first fully integrated fitness experience in the world

The Total Addressable Market for potential Peloton subscribers as the world's go-to fitness solution represents an incredible opportunity for Peloton

- According to the World Health Organization (WHO) in high-income countries globally, 74% of men and 65% of women meet the global recommended levels of physical activity representing a total population of roughly 809 million physically active adults



PELOTON

Connected World Fitness

- If Peloton's Fitness-as-a-Service, comprehensive health and wellness offering can penetrate even 2% of the already physically active adults in high-income countries, the Company could add approximately **16 million additional users, increasing its current subscriber base by nearly 6x**

FULLY INTEGRATED FITNESS PRODUCT PORTFOLIO: CENTR FITNESS CASE STUDY

Providing a comprehensive offering with a one-stop fitness content shop should increase lifetime value of the customer

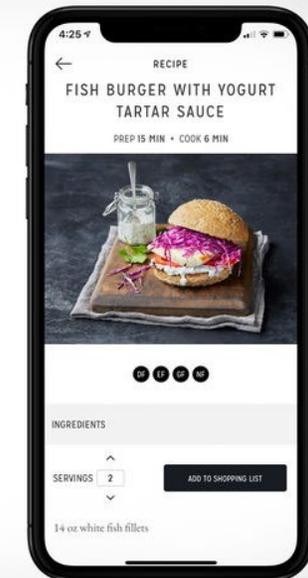
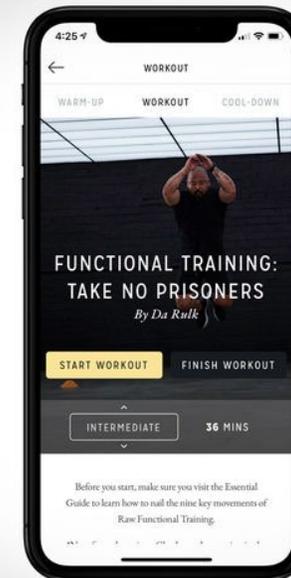
- Recently acquired fitness app Centr was touted as “your physical trainer, dietician, chef, and wellness coach” as the app offered more than just workouts
- Providing not only workout classes but integrating diet, wellness, mindfulness and planning creates significant value for the consumer and increases stickiness
- Centr was acquired in March 2022 by HighPost for over \$200 million or **~\$10,000 per subscriber**
- With over 2.8 million subscribers at Peloton, an acquisition valuing each subscriber at \$10,000 would result in a **takeout price of \$83 per share**

Bloomberg

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Centr Fitness App Bought by Mark Bezos's HighPost

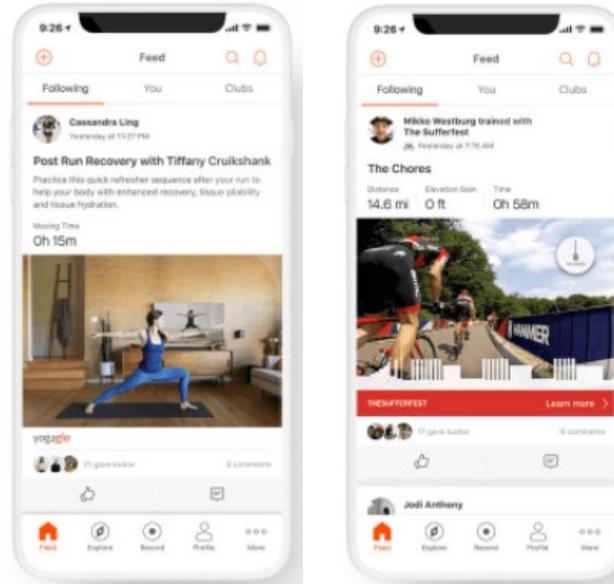
- Digital platform to merge with equipment maker Inspire Fitness
- Combined company valued at over \$200 million including debt



There is a significant untapped opportunity for Peloton to gain users through a fitness-focused social media platform

- Peloton has already built a remarkable social media following with 1.8 million followers on Instagram and 466,000 Peloton users on the Company’s Official Peloton Member Facebook page
- Other fitness-focused social media platforms such as Strava (over 100 million members¹) have amassed incredible followings, demonstrating the desire for avid fitness users to share their workouts and experiences

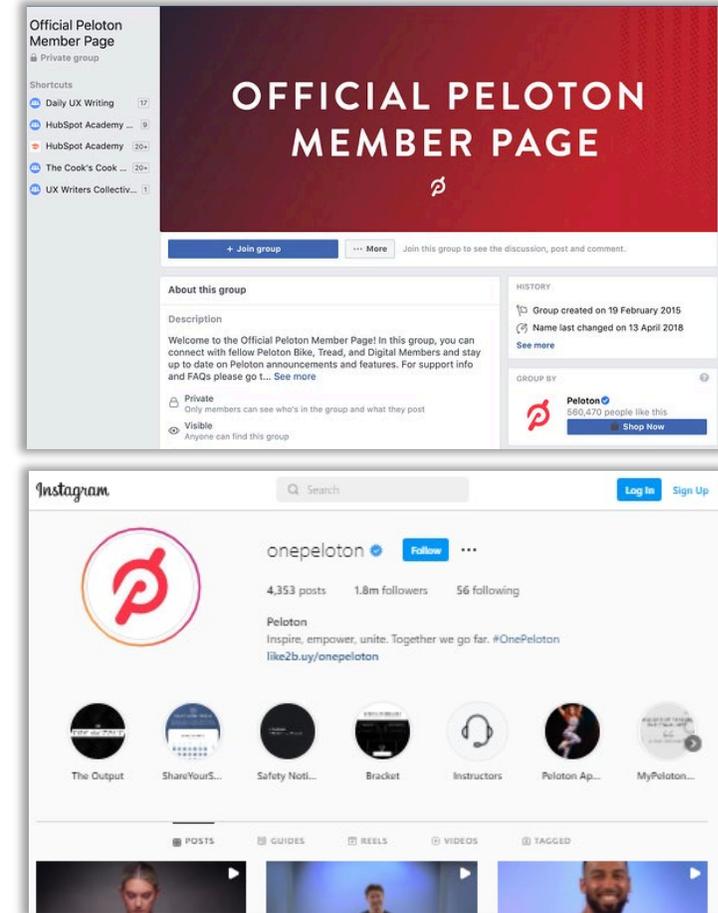
Strava App¹



Strava, one of the most popular fitness apps, allows users to record, analyze, and share workouts on its social media platform

Strava has approximately 100 million users¹

Peloton Social Media²



A Peloton social media platform has the potential to generate hundreds of millions in incremental revenue

- Given the cult-like following that Peloton has amassed, a social media platform for the community of Peloton users should gain significant traction
- If a social media app was able to scale to even 1% of Strava, Peloton would gain approximately 1 million new users
- If each new users subscribed to the Peloton Digital offering the company would generate over **\$155 million in incremental subscription revenue per year¹**
- Peloton could offer services ranging from at-home or on-the-road engaging workouts with award-winning Peloton instructors to metaverse interconnected fitness programs linking like-minded friends wherever and whenever desired



IMPROVING DATA TRACKING & HEALTH OF MEMBERS

As Peloton expands into increasingly more facets of the fitness space, its access to an increased variety and quantity of data will allow the Company to better customize its offering to improve the health of each user

In Blackwells' vision of Peloton as a one-stop shop, fully integrated fitness offering, the Company would be able to leverage valuable data to offer an expanding array of personalized health and wellness products and services including:

- Workouts
- Heart rate
- Tone of voice
- Reps
- Form
- VO2 max
- Glucose levels
- Fertility
- Body sculpting
- Skin temperature
- Blood oxygen levels
- Sleep quality
- Stress levels
- Steps
- Floors climbed
- Sun exposure
- Diet
- Nutrition
- Wellness
- Calorie count
- Blood pressure
- Location
- Distance traveled
- Blood Alcohol levels

Examples of Existing Health Monitors



Whoop



Oura

OPTIMIZE PRICING AND PRODUCT OFFERING

Peloton’s access to proprietary data can be utilized to accurately determine market-driven and demographic-based pricing models and help determine the optimal portfolio of Peloton product/service offerings

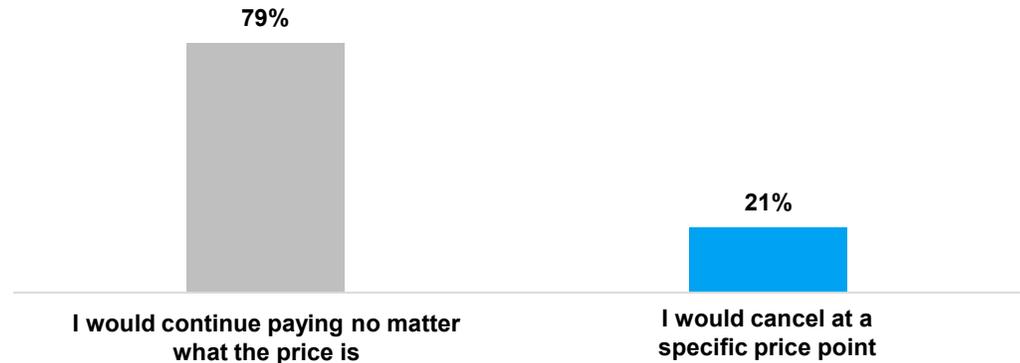
- Management at Peloton has seemingly been far behind the curve in utilizing data for pricing and product optimization
- Blackwells’ market research indicates that Peloton could raise subscription prices substantially
- Nearly 80% of existing Peloton owners surveyed indicated that they would continue paying their Connected Fitness subscription no matter the price
- Of those that indicated price sensitivity, the average price at which they would consider canceling was 33% higher than the current Connected Fitness subscription price



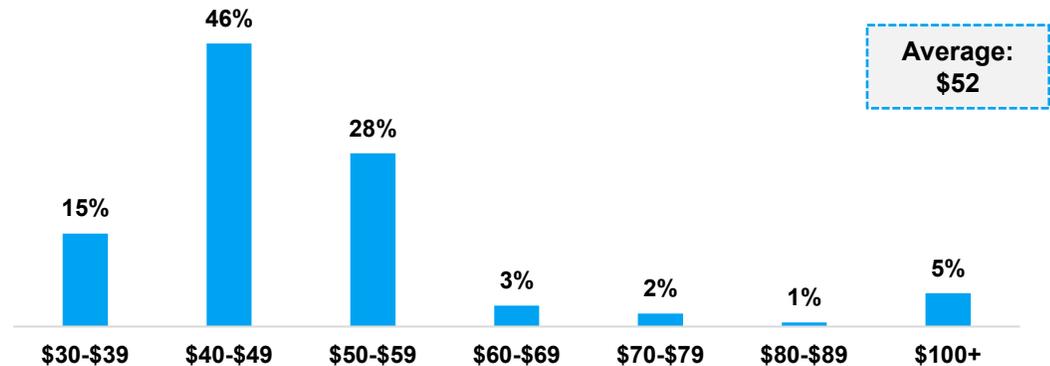
“We love the \$39 price point. We did no research on it. I picked the number...”¹

– John Foley

What is the most you would be willing to pay for a subscription?



If you would cancel at a specific price, what is the most you would be willing to pay for a subscription?



PELOTON INTERACTIVE, INC.

The Best Option is to Sell Peloton

BW

BLACKWELLS CAPITAL

THE BOARD SHOULD EXAMINE A SALE IN ORDER TO MAXIMIZE VALUE

Poor governance structure limits accountability

Poor governance makes Peloton a less appealing investment for many investors

- Insiders retain an outsized voting influence despite their modest economic interest
- The Board remains comprised of interconnected legacy directors whose experience is no longer relevant to address the Company's ongoing challenges

Peloton has been mismanaged

Current management lacks the talent needed to fix the Company

- The Company has still not settled on a consistent pricing strategy and appears not to understand its own customer base
- Peloton continues to suffer from self-inflicted supply chain and quality control issues, with no apparent plan for improvement

Recent changes are largely illusory

Old challenges remain

- A perfunctory leadership transition has not brought about any meaningful changes to the Company's operations

A turnaround involves significant operational risk

A turnaround will take years for a strong management team to execute

- After witnessing \$30 billion in shareholder value destruction in the last year, Blackwells does not believe investors have the patience or confidence in the Board's ability to effectively execute a multi-year business-wide transformation strategy

Peloton is a strategically valuable asset

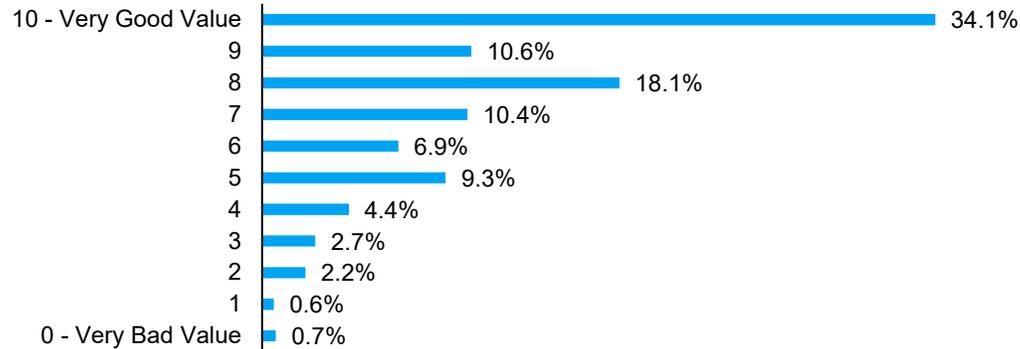
Peloton would be attractive to many potential acquirers

- The Company possesses an engaged, loyal and premium subscriber base that would offer significant value to the right owner

PELOTON IS A STRATEGICALLY VALUABLE ASSET

Peloton has the hallmarks of a valuable business with strong customer loyalty and retention

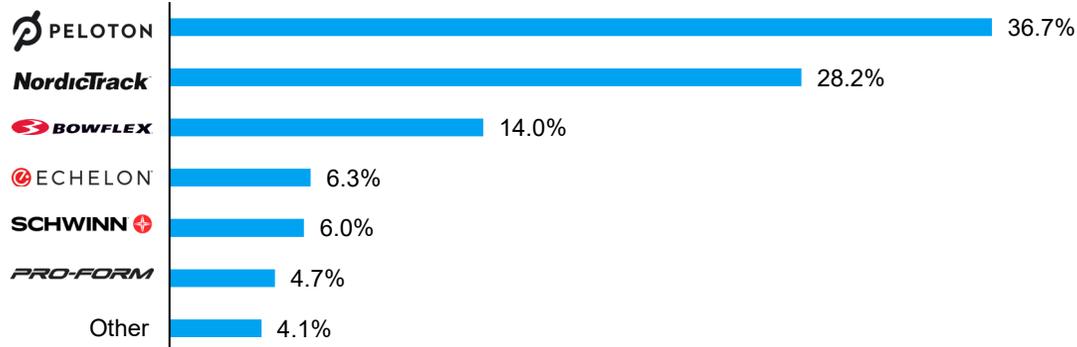
How Good is the Value of Peloton Content?



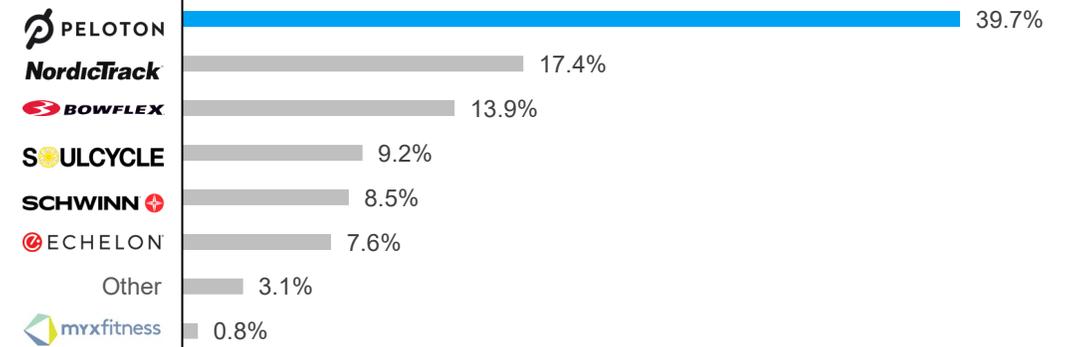
How Often Do You Expect to Use Your Peloton in the Coming Years?



Which Brand of Treadmill are You Looking to Buy?



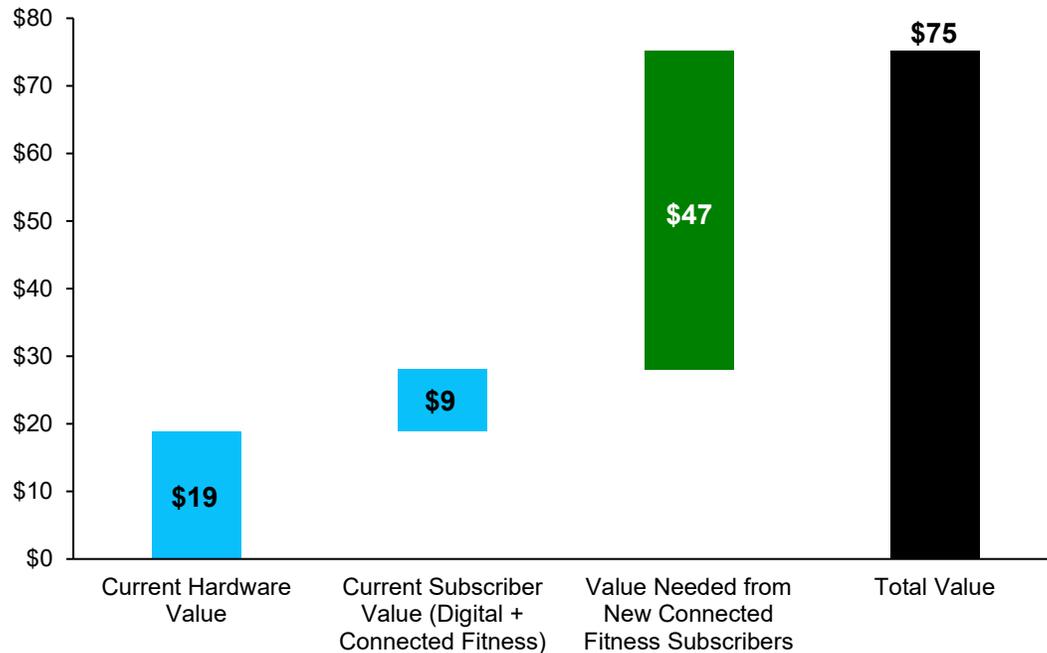
Which Brand of Spin Bike are You Looking to Buy?



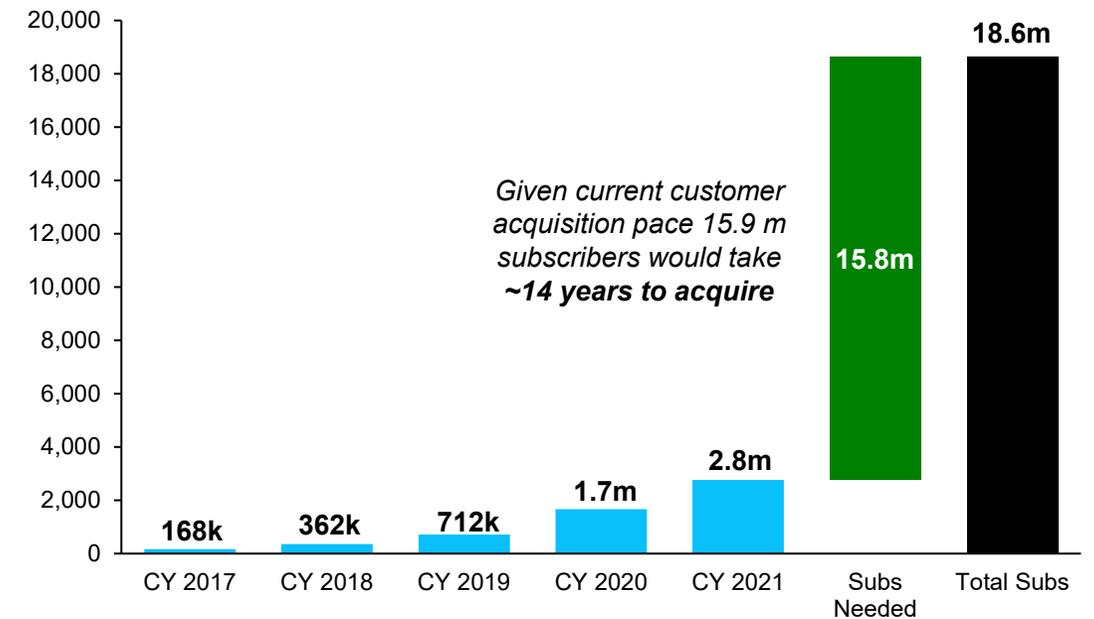
OBTAIN FUTURE VALUE TODAY THROUGH A SALE

Peloton can garner a takeout price today that would take years to achieve as a standalone company

Valuation Bridge to \$75 per Share as Standalone Company



Cumulative Subscribers (in millions)



At current valuation levels Peloton would need to **more than double last-twelve-months (LTM) revenue and grow connected fitness subscribers from 2.8 million 18.6 million** to organically grow to the **\$75 / share** that Peloton is worth in a sale



Amazon would gain significant presence in digital health & wellness globally and obtain further data about its customers to monetize in a variety of ways

- Amazon becomes the **category leader in digital health & wellness**
- Immediate ability to **bundle with 200 million Prime Members**
- Gains significant customer data edge to use for future consumer targeting across Amazon ecosystem
- Through its preexisting health, wellness, content, and lifestyle segments, Amazon has a robust opportunity to cross-sell and bundle content and offerings such as:
 - **Prime Gaming:** Creating games and game-like content for workouts (like controlling characters and scoring points by using your Tread)
 - **Amazon Fresh:** Integrated meal plans, diets, and nutrition goals
 - **Prime Video:** New exercise content combined with ability to watch Prime Video content and MGM content on the bike
- **Strategically Defensive:** Prevents other big tech / health and wellness competitors from gaining trophy subscription fitness asset

Company Overview¹

Market Cap (\$M)	\$1,571,245
Enterprise Value (\$M)	\$1,614,635
LTM Revenue (\$M)	\$469,822
Cash and Short-Term Investments (\$M)	\$96,049
Net Debt/LTM EBITDA	0.73x

Economic Benefits to Amazon²

Number of Members: **200 million**

<i>Value Creation at Various Member Penetration Rates:</i>	
2.5%	\$27.8 billion
5.0%	\$55.7 billion
10.0%	\$111.4 billion





POTENTIAL STRATEGIC ACQUIRERS

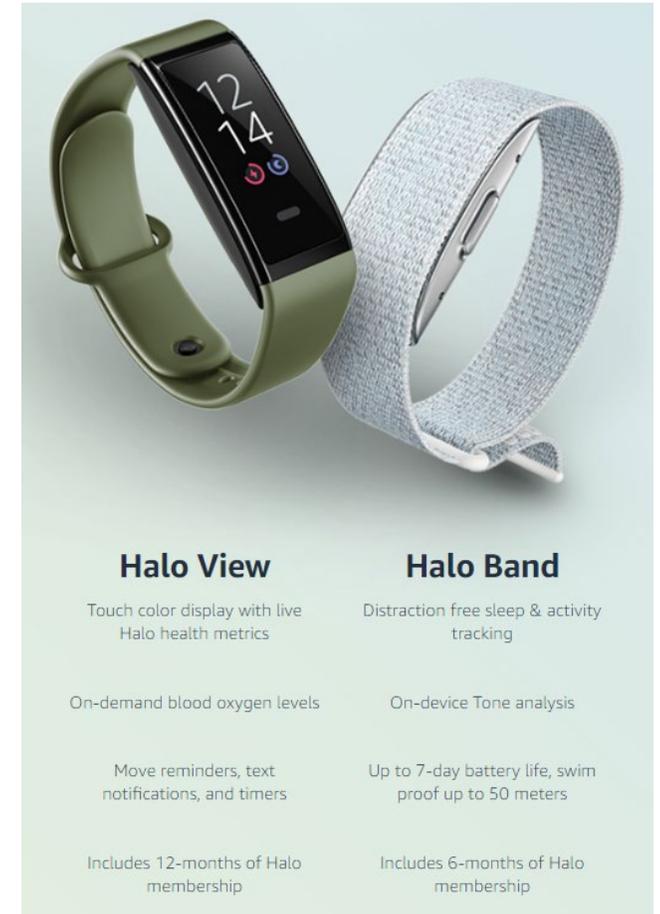
AMAZON CASE STUDY



Amazon has been making a significant push into digital health & wellness

Amazon Halo – Fitness Tracker and Wearable

- In December 2021, Amazon launched the **Amazon Halo**
 - Halo tracks physical activity (e.g., heart rate, steps, activity score and blood oxygen levels), sleep time and assessment, body composition and tone of voice
 - Halo is also partnered with Whole Foods for 450+ recipes and has daily meditations
 - Would allow for easy integration with Peloton and could become exclusive wearable of Peloton
- Acquiring Peloton would be a logical expansion of Amazon's existing health and fitness strategy
- Peloton's ecosystem would provide another distribution channel for Amazon's products (e.g., video, music, Audible and Kindle)
- Continues to enhance value proposition for all Prime Members





APPLE

Apple would position itself as the global leader in digital health & wellness

- Apple becomes the **category leader in digital health & wellness**
- Immediate ability to **bundle with 100 million Apple watch users**
- Gains significant customer data edge to use for applicability across the Apple ecosystem
- Through its preexisting health, wellness, content and lifestyle segments, Apple has a robust opportunity to cross-sell and bundle content offerings such as:
 - **Apple Fitness+:** Full integration of all Apple’s preexisting health features and classes
 - **Apple Music:** Integrated apple music to create workout playlist and content (i.e., sort music by BPM or workout time)
 - **Apple TV+:** New exercise content combined with ability to watch Apple TV+ content
- Leading brand and high quality of Peloton offering fits well with Apple’s ethos of premium products
- **Strategically Defensive Asset:** Prevents other big tech / health and wellness competitors from gaining a trophy subscription fitness asset

Company Overview¹

Market Cap (\$M)	\$2,775,774
Enterprise Value (\$M)	\$2,834,659
LTM Revenue (\$M)	\$378,323
Cash and Short-Term Investments (\$M)	\$63,913
Net Debt/LTM EBITDA	0.46x

Economic Benefits to Apple²

Number of Users: **100 million**

Value Creation at Various User Penetration Rates:

2.5%	\$15.5 billion
5.0%	\$31.0 billion
10.0%	\$62.1 billion





POTENTIAL STRATEGIC ACQUIRERS

APPLE CASE STUDY



Apple + Peloton = health and fitness market leader

- Apple's original health app was announced in June 2014
- Following the popularity of the Apple Watch, Apple developed new health and wellness functionality and features:
 - Tracking health data and storing clinical medical records
 - Electrocardiogram (ECG) measurements and heart rate variability
 - Steps, walking and running distances, stairs climbed
 - Sleep analysis, nutrition, and weight
- In March 2015, Apple launched Apple Fitness+, a fully integrated fitness service powered by the Apple Watch with 11 workout types, audio-guided walks and runs and real-time metric tracking
 - Available on the Apple Watch, iPhone, iPad, and Apple TV
 - Offers cycling, running, rowing, HIIT, strength, yoga, pilates and dance classes



Apple WATCH

Apple Fitness+





Google would position itself as a leading player in health and wellness

- Plug-and-play ability to **bundle with 31 million weekly Fitbit users**
- Robust opportunity to cross-sell and bundle content and offerings such as:
 - **Fitbit / Wear OS:** Fitbit and Wear OS (a version of Google’s android operating system designed for smartwatches and wearables) provide a significant opportunity to bundle content and link the systems to Peloton equipment
 - **Google Fit:** Google’s activity tracker Google Fit is an app for iPhone and Android which tracks runs, workouts, exercise and sleep and also links to Apple and Samsung watches
 - **Google Home / Chromecast:** Google Home and Chromecast are the starting points of Google’s smart home products that could incorporate Peloton into the ecosystem for a more integrated smart home experience
 - **YouTube:** Google, through its ownership of YouTube, can provide new content and streaming services for the Peloton devices
- **Strategically Defensive Asset:** Prevents other big tech / health and wellness competitors from gaining trophy subscription fitness asset

Company Overview ¹	
Market Cap (\$M)	\$1,761,984
Enterprise Value (\$M)	\$1,650,219
LTM Revenue (\$M)	\$257,637
Cash and Short-Term Investments (\$M)	\$139,649
Net Debt/LTM EBITDA	NM

Economic Benefits to Google ²	
Number of Users:	31 million
<i>Value Creation at Various User Penetration Rates:</i>	
2.5%	\$3.0 billion
5.0%	\$6.1 billion
10.0%	\$12.1 billion





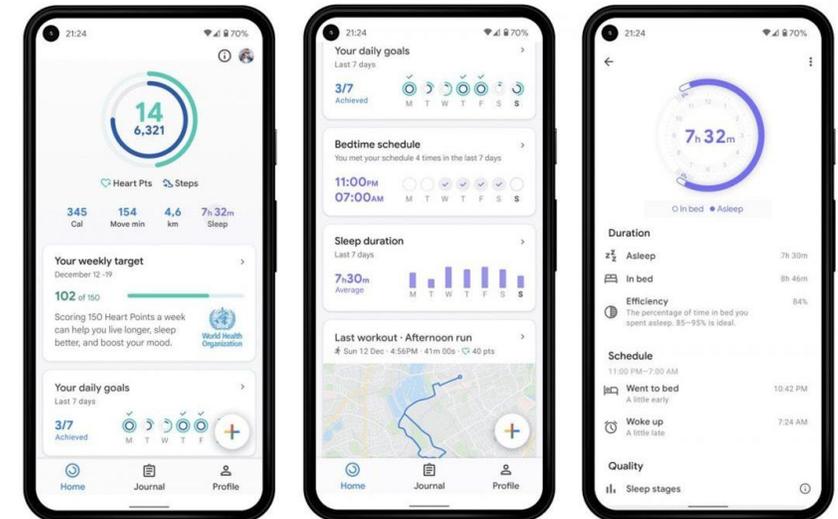
POTENTIAL STRATEGIC ACQUIRERS

GOOGLE CASE STUDY



Google's existing presence in the connected fitness, health and wellness, and streaming content would augment these market positions

- Google Fit platform and FitBit wearables could seamlessly integrate with Peloton products and software
- Peloton already runs on Google's Android operating system
- Google Play, Google Play Store, YouTube, and Google Podcasts bring a large collection of movies, TV shows, podcasts and original content to the Peloton ecosystem
- Gain significant customer data to use for future targeting across Google ecosystem; significant opportunity to collect data on the fitness, health, nutrition and habits of its users





WARNER BROS. DISCOVERY / SIRIUSXM / LIBERTY COMPLEX

Given the large streaming bases of Warner Brothers Discovery and SiriusXM and the extensive value creation record of John Malone and Greg Maffei, the Liberty complex could offer several strategic combination options

- Immediate ability to **bundle with 74 million HBO Max subscribers and/or 35 million SiriusXM subscribers and 22 million Discovery+ subscribers to drive adoption**
- Compelling value proposition for existing and new subscribers
 - **Seamless Content Integration:** A Peloton acquisition would significantly widen content available for distribution to HBO Max, Discovery+ and SiriusXM and subscribers, which could attract new connected fitness subs
 - **Increases Engagement:** Streaming fitness classes through the HBO Max and Discovery+ platform should widen moat around business and generate incrementally valuable customer data
 - **Further Integration with Warner Bros. Discovery Content:** Unique opportunity to offer interactive Bike, Tread (and potentially row) class workouts with beloved properties/characters like DC Comics, Lord of the Rings, and Harry Potter
- **Strategically Defensive Asset:** Prevents other big tech / streaming competitors from gaining trophy subscription fitness asset
- **Liberty Leadership is Likely Familiar with Peloton:** Peloton Board Member Jay Hoag (TCV Founding General Partner) and the Chairman of SiriusXM, Gregory Maffei (Liberty Media CEO), have served on the Board of Directors of Zillow for many years

Warner Bros. Discovery ¹	
Market Cap (\$M)	\$58,608
Enterprise Value (\$M)	\$112,474
Pro forma LTM Revenue (\$M)	\$45,543
Pro forma Cash and Short-Term Investments (\$M)	\$3,905
Pro forma Net Debt/LTM EBITDA	4.96x

SiriusXM ¹	
Market Cap (\$M)	\$26,501
Enterprise Value (\$M)	\$35,553
LTM Revenue (\$M)	\$8,696
Cash and Short-Term Investments (\$M)	\$191
Net Debt/LTM EBITDA	3.52x



Warner Bros. Discovery could leverage its unique collection and integrate with Peloton offerings

The merger of Discovery and Warner Media created¹:

- The largest content library with ~200k hours of branded video
 - Leading scripted and unscripted content portfolio
 - Available in 220+ countries and territories and 50 languages
- Access to the high-quality production capabilities of Warner Brothers studio
 - #1 TV studio by revenue and volume
 - Top 2 movie studio by box office 11 of the last 12 years
- Premium sports rights in U.S., Europe and Latin America including partnerships with NBA, MLB, NHL, professional tennis, college basketball, professional golf, college basketball and Formula One
- Peloton could add to and complement this already impressive portfolio of TV, movies, and sports with its best-in-class fitness content
- Liberty also owns a significant stake in SiriusXM, another opportunity to integrate other media offerings



Netflix would extend its global lead as the unrivaled leader in streaming content and would add a new category to drive further subscriber growth and engagement

- **Re-accelerates revenue and profit growth following maturation of its target market**
- Immediate ability to **bundle with 222 million Netflix subscribers to drive adoption**
- Compelling value proposition to **extend existing “Content People Love” strategy**
 - **Seamless Content Integration:** Peloton’s ecosystem currently limits content to Peloton-only content. A Peloton acquisition would significantly widen content available for distribution to Netflix subscribers, which could attract new connected fitness subscribers that are less focused on fitness classes
 - **Increases Engagement:** Streaming fitness classes through Netflix’s platform should widen the moat around its business and generate incrementally valuable customer data
 - **Alignment with Increasing Focus on Interactive Content:** Expands Netflix's potential in furthering its efforts in the interactive / choose-your-own-adventure content that the company has recently ventured into with the likes of Bandersnatch and Trivia Quest
- **Strategically Defensive Asset:** Prevents other big tech / streaming competitors from gaining trophy subscription fitness asset
- **Netflix Leadership is Familiar with Peloton:** Peloton Board Member Jay Hoag is the Lead Director of Netflix; Barry McCarthy previously served as long-time CFO of Netflix

Company Overview¹

Market Cap (\$M)	\$157,998
Enterprise Value (\$M)	\$170,086
LTM Revenue (\$M)	\$29,698
Cash and Short-Term Investments (\$M)	\$6,028
Net Debt/LTM EBITDA	1.89x

Economic Benefits to Netflix²

Number of Subscribers: **222 million**

Value Creation at Various Subscriber Penetration Rates:

2.5%	\$37.0 billion
5.0%	\$73.9 billion
10.0%	\$147.8 billion



POTENTIAL STRATEGIC ACQUIRERS

NETFLIX CASE STUDY

NETFLIX

Through its “Content People Love” strategy, Netflix can capitalize on Peloton’s top tier content to deliver additional content outside of Peloton’s environment

- Combining Netflix (the largest streaming service in the world) with Peloton (the largest interactive fitness platform in the world) opens up significant value creation opportunities
- Integrating Netflix’s extensive content library with Peloton devices would allow riders, runners (and potentially rowers) to work out to more than only Peloton classes
- Adding Peloton’s workout videos as an additional content category to the Netflix library could also introduce an entirely new and significantly larger user base to the content that millions of Peloton users already love while also differentiating Netflix’s offering compared to traditional streaming services
- Providing access to Netflix content could drive incremental subscriber growth as well as purchases of connected fitness equipment and devices
- Netflix also has one of the largest content creation platforms, opening the door to many collaboration opportunities

NETFLIX INVESTORS

Netflix’s View: streaming entertainment is replacing linear TV

Content People Love

People’s tastes are very broad, even in a single market. The internet allows us to offer a wide variety, and to have our user interface quickly learn and make recommendations based upon individual users’ tastes. Those members who love action blockbusters, Korean soaps, anime, sci-fi, Sundance films, zombie shows, or kids cartoons will find that Netflix fills their homepage with relevant and interesting titles.

Since 2013, we’ve been at a scale where we can economically create original content for Netflix and our offering has improved as we grow further and gain greater confidence. With each original, we learn more about what our members want, about how to produce and promote effectively, and about the positive impact of originals on our brand.





Nike could drive future growth in its consumer fitness segment

- Nike could diversify away from its legacy consumer retail business
- Immediate ability to **bundle with 300 million members of Nike’s membership program**
- Gains significant customer data edge for Nike product development and customer targeting
- Nike has a robust opportunity to integrate its existing apps and platforms:
 - **Nike Training Club:** Nike’s Nike Training Club is an app that aims to aid its users by creating stronger fitness habits and establishing goals, creating an opportunity to integrate the planning-focused aspects of the system with Peloton’s vast content base
 - **Celebrity Endorsements:** Nike has one of the most impressive rosters of celebrity endorsements, providing an opportunity for Peloton to gain access to premier guests to appear in its content
- **Strategically Defensive Asset:** Prevents other big fitness retail or health and wellness competitors from gaining trophy subscription fitness asset

Company Overview¹

Market Cap (\$M)	\$203,027
Enterprise Value (\$M)	\$202,217
LTM Revenue (\$M)	\$46,894
Cash and Short-Term Investments (\$M)	\$13,467
Net Debt/LTM EBITDA	NM

Economic Benefits to Nike²

Number of Members:	300 million
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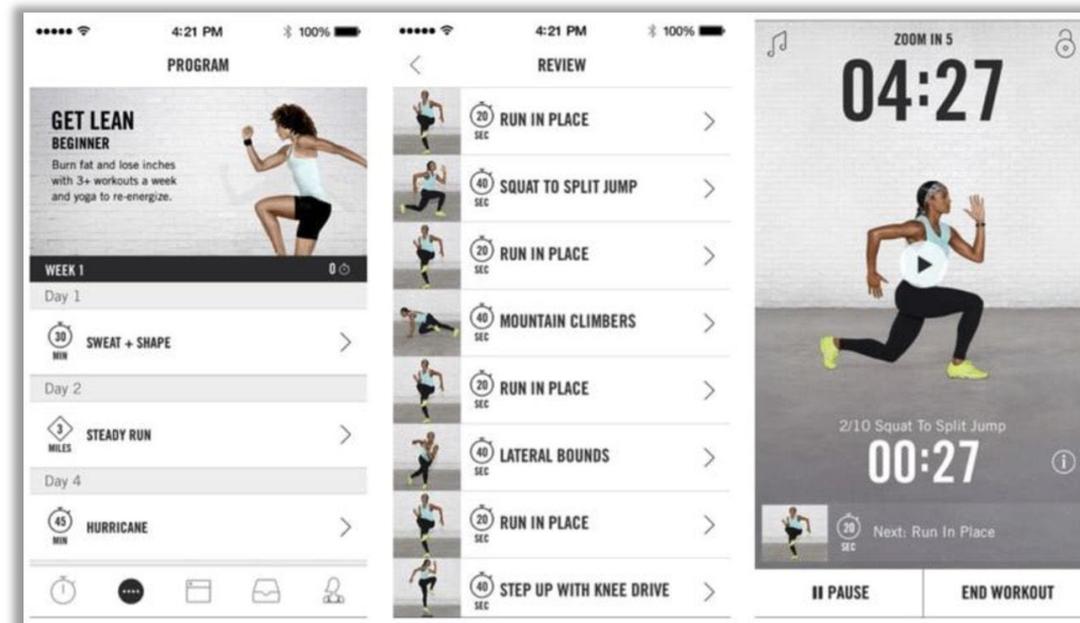
Value Creation at Various Member Penetration Rates:	
0.5%	\$11.3 billion
1.0%	\$22.6 billion
2.5%	\$56.6 billion





Nike could drive future growth in its consumer fitness segment

- Combining Nike Training Club and Peloton's content base provides an opportunity for Nike to drastically increase its content library
- Nike's network of celebrity endorsements could be tapped to create guest content such as:
 - Tennis boot camp with Serena Williams
 - Tiger Woods strength training for golf
 - Basketball cardio workout with LeBron James
- Peloton would also give Nike significant access to customer data and workout trends, allowing it to stay ahead of the curve in product offerings and new technology and content



How Nike execs think through its digital ecosystem

Recent collaborations with Megan Thee Stallion and Dick's Sporting Goods have built on the brand's efforts to craft a connected shopping experience across its channels.

Published Nov. 11, 2021

*"Customer data is key to Nike's ability to keep customers within its environment, and Nike uses its membership to actively personalize a customer's experience by recommending products or pushing shoppers to content on its training apps."*¹

A SALE OF THE COMPANY IS THE BEST RISK-ADJUSTED OPTION FOR SHAREHOLDERS

Peloton is a strategically valuable asset

- Powerful brand and market leader
- Largest interactive and connected fitness platform in the world
- Highly engaged customer base with low churn rates
- Significant customer data
- Subscribers value the Company's proprietary and differentiated content and user experience
- Large TAM and still in the early innings of market penetration

Peloton would be an attractive fit for many strategic acquirers

- Potential strategic acquirers including Apple, Amazon, Google, Netflix, Nike and others have highly complementary businesses with existing user bases that would provide many opportunities for cross-selling
- An acquirer would be able to realize significant cost synergies and better utilize Peloton's latent pricing power
- Peloton would fit within product and service ecosystems, including wearables, streaming content and software
- Extremely difficult-to-replicate business with 10+ years of lead time

Fair value for Peloton in a sale is at least \$75 per share

- Based on comparable transactions and peer multiples, Peloton could be worth at least \$75 per share in a sale
- Buyers could easily justify paying \$75 per share or higher based on the high potential for value creation opportunities

PELOTON INTERACTIVE, INC.

Conclusion

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CONCLUSION

Poor corporate governance and management’s lack of credibility continue to depress the share price

- Insiders continue to exercise voting control of the Company despite their modest economic ownership
- Significant insider selling and pledging demonstrates that their interests are not aligned
- CEO search appears driven by legacy directors, resulting in what Blackwells believes was a rushed process and an egregious and off-market sign-on compensation package

Peloton’s recent leadership transition has not resulted in any meaningful changes or created value for shareholders

- Management team largely remains the same one that destroyed \$40 billion in shareholder value
- The Board remains populated by directors with myriad connections to each other and seemingly lacks independence
- Mr. McCarthy’s key initiative – cost-cutting – lacks transparency, sufficient scale and fails to address other core issues

A “Reimagined Peloton” could create substantially more shareholder value

- A “Reimagined Peloton” as a “Fitness-as-a-Service” platform could enable a potential acquirer to realize substantially more value than conventional cost and revenue synergies

Selling Peloton today would provide shareholders with immediate value and certainty and is preferable to a long and difficult turnaround

- A transformation of Peloton would take years and would involve significant execution risk
- Peloton is a strategically valuable asset that would be attractive for many potential acquirers
- A strategic acquirer could pay \$75 per share or more given ample opportunities for additional value creation
- For Peloton to garner a similar share price would likely take years through the acquisition of millions more subscribers



BLACKWELLS CAPITAL

Two months since Peloton hired one of the highest paid CEOs in all of corporate America, nothing has fundamentally changed.

Peloton's powerful brand, proprietary technology, engaging instructors, and fiercely loyal subscriber base can be shaped into a much more attractive business. But this cannot happen effectively in the public markets, especially with the current leadership in place.

PELOTON INTERACTIVE, INC.

Appendix

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PELOTON IS A STRATEGICALLY VALUABLE ASSET

Consumers consistently view Peloton as the best at-home fitness equipment brand



Top Takeaways

SURVEY TAKEAWAYS	Fitness Trends	Exercise frequency increased sequentially with the % who work out at home holding steady in the top spot of exercise options. Consumers feel they are working out more now than pre-pandemic and increasingly expect that trend to continue going forward.
	PTON Brand Headwinds + Tailwinds	The primary reason consumers don't buy Peloton products continues to be the price / they can't afford it. Consumers continue to view Peloton as the best at-home fitness equipment brand. Customers are very satisfied with the product and indicate a high degree of loyalty to the brand. Peloton also gets the most credit from respondents for having the "best sense of community."
	Rental Model Explored	Though consumers prefer the thought of purchasing/financing Peloton products, a reasonably large cohort of consumers preferred the idea of the rental model. The possibility of being able to rent the equipment drives a modest increase in likelihood of buying Peloton equipment in the future among consumers who do not currently own Peloton equipment. The increase in likelihood is tied more to the broader population than it is to respondents who are actively in the market to buy fitness equipment and/or existing Peloton customers. In all, consumers who would prefer purchasing/financing indicate a longer period of expected usage of the equipment compared to those who would prefer to rent.
	Purchase Intentions	Peloton remains the most likely spin bike respondents expect to choose among those currently in the market. Peloton is also the most likely tread respondents expect to choose among those currently in the market. When it comes to the tread, Peloton has gained share of future purchase intentions over the past four quarters.
	Pricing Power and New Products	Customers think Peloton's content subscription is a very good value for the price. Peloton customers remain very interested in buying new Peloton products that they might come out with in the future.

"Peloton remains the most likely spin bike respondents expect to choose among those currently in the market."

Peloton is also the most likely tread respondents expect to choose among those currently in the market."

When it comes to the tread, Peloton has gained share of future purchase intentions over the past four quarters"

DIGITAL ONLY PROVIDERS OVERVIEW

Being the household name in bikes, treadmills, and trainers is not enough. Peloton needs to provide more to dominate the connected fitness space and provide a comprehensive /total life solution

- Connected fitness is one of the fastest growing segments and Peloton is the leading name in the space
- In order to continue to dominate, Peloton must increase their offerings to become the ‘one-stop-shop’ in connected fitness
- Recently acquired fitness app Centr was touted as “your physical trainer, dietician, chef, and wellness coach” as the app offered more than just workouts

Offering	PELOTON	Centr	Nike Training Club	Apple Fitness +	Sweat	Fit Body	Le Sweat TV	TRX Training Club	Studio Bloom	Jefit	Strava	Glo	Beach Body	Zwift	Total
Cardio	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
Core	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓		12
HIIT	✓	✓	✓	✓	✓	✓	✓			✓		✓	✓		10
Mobility	✓	✓	✓	✓	✓		✓		✓	✓			✓		9
Strength	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓		12
Yoga	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓		11
Meal Plans / Recipe		✓	✓			✓			✓				✓		5
Mindfulness / Meditation	✓	✓	✓	✓					✓			✓	✓		7
Planners		✓	✓			✓	✓	✓	✓	✓	✓	✓			9
Community Features	✓		✓	✓	✓					✓	✓		✓		7
Social Network											✓				1
Sports Entertainment & Content															0
Celebrity Endorsements		✓		✓							✓				3
Prenatal & Postpartum Fitness	✓			✓	✓	✓			✓				✓		6

HARDWARE PROVIDERS OVERVIEW

We also urge Peloton to integrate its presence deeper in the hardware space through both select product launches and integrated screens and software

- Peloton’s bike and tread are already segment leaders in brand recognition as both surveyed highest in desirability
- We do not believe Peloton should blindly pursue hardware product launches with little strategy as demonstrated in the launch of the Peloton Guide
- Instead, the company should maintain their market leading position in the bike while exploring strategic partnerships with other hardware vendors irrespective of the manufacturer

Offering	 PELOTON	iFit	Equinox / Soul Cycle	Tonal	MIRROR	Bowflex	Echelon	Tempo	Fight Camp	Hydrow	Nautilus	Ergatta	Total
Treadmill	✓	✓	In Gym			✓	✓				✓		6
Elliptical		✓	In Gym			✓					✓		4
Fitness Mirror		✓			✓		✓	✓					4
Bike	✓	✓	✓			✓	✓				✓		6
Rower	TBD	✓	In Gym			✓	✓			✓		✓	6
Strength Product	✓	✓	In Gym	✓	✓	✓		✓					7
Climber			In Gym										1
Boxing	✓	✓	✓		✓			✓	✓				6
HIIT	✓	✓	✓		✓	✓	✓	✓					7
Bootcamp	✓	✓	✓		✓								4
Cooking Classes		✓											1
Meditation	✓	✓		✓	✓								4



BLACKWELLS CAPITAL

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