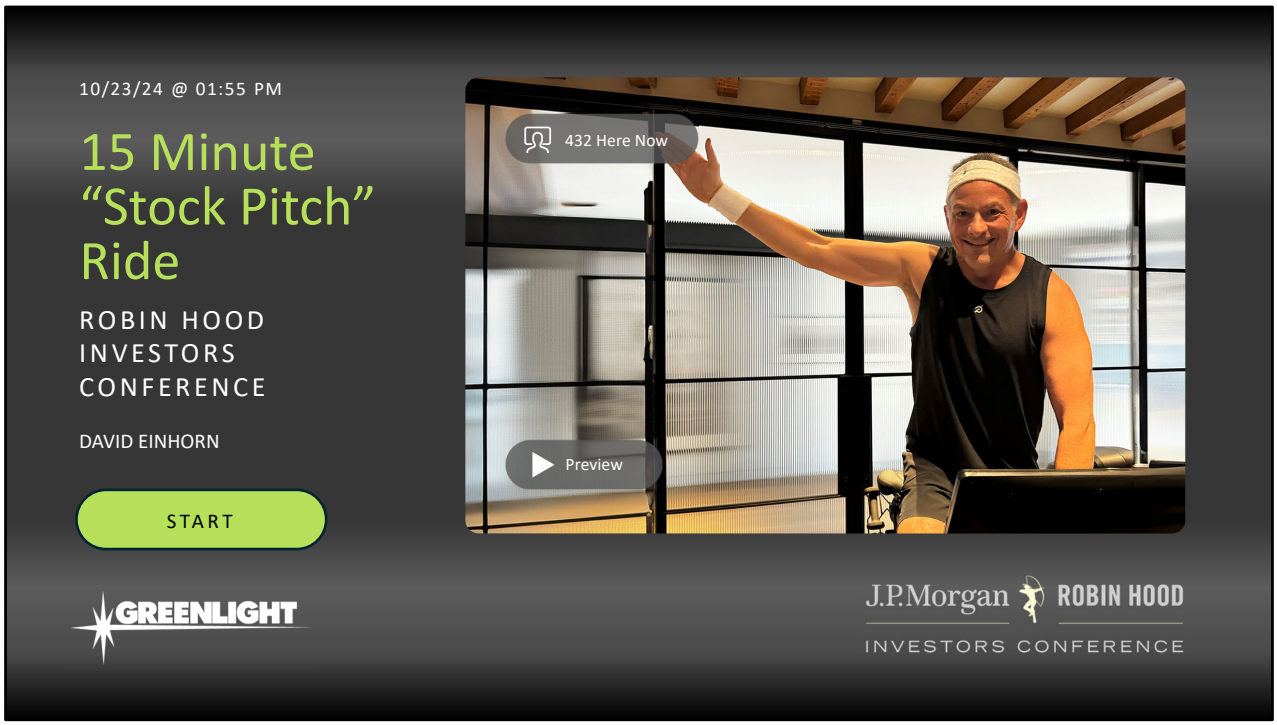


Welcome to the Peloton 15-minute low intensity Stock Pitch Ride.

I'm David Einhorn and I'm here to lead you through an easy, and hopefully profitable, exercise.

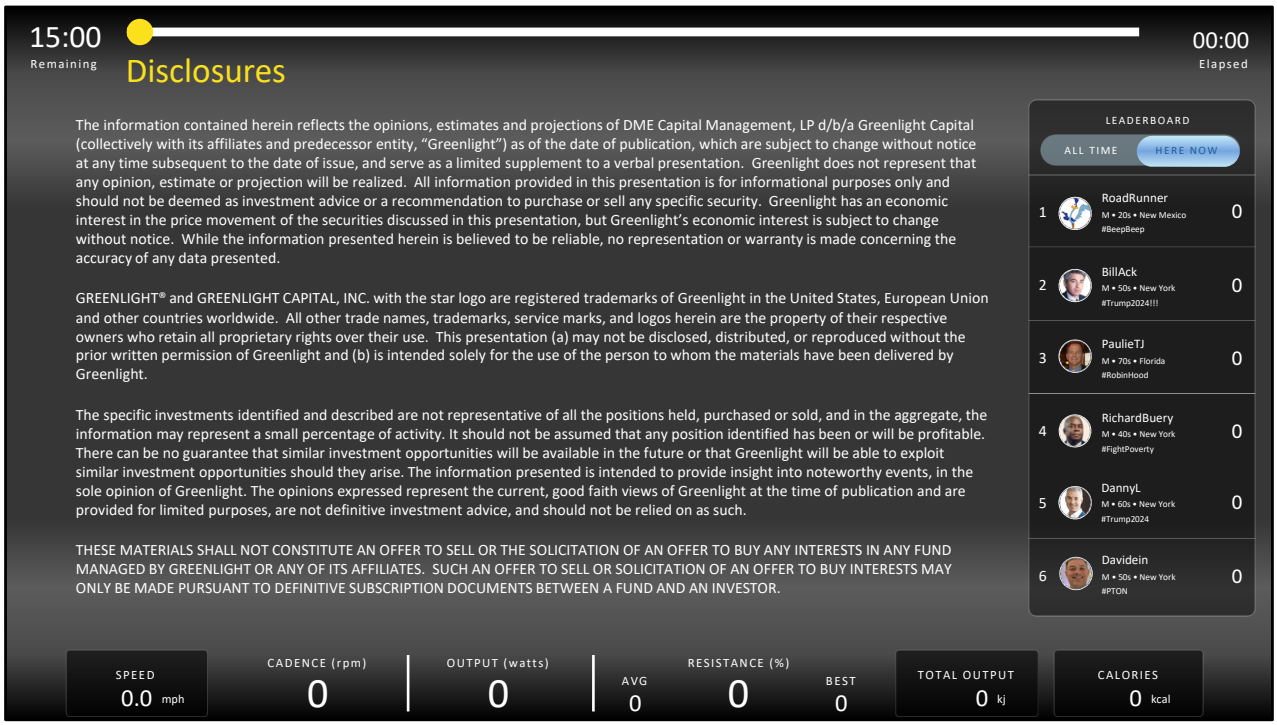
I'm sure you guessed it. I'm going to talk about Peloton Interactive, ticker PTON, during today's workout.

Let's start with some shoutouts:

Congratulations, Paul Tudor Jones, for having perfect Investors Conference attendance!

Thank you, Mary Erdoes and J.P. Morgan, for 12 years of sponsorship.

Well done, David Rosen, best performing best idea of last year's conference; Teva is up 122%... and better yet, I bought some of that.



Think of this as your fitness waiver. Please consult your physician before beginning any fitness routine.

I flash it on the screen and by you sitting here, you acknowledge that while Peloton is in Greenlight's portfolio today, we might change that at any time and not tell you.



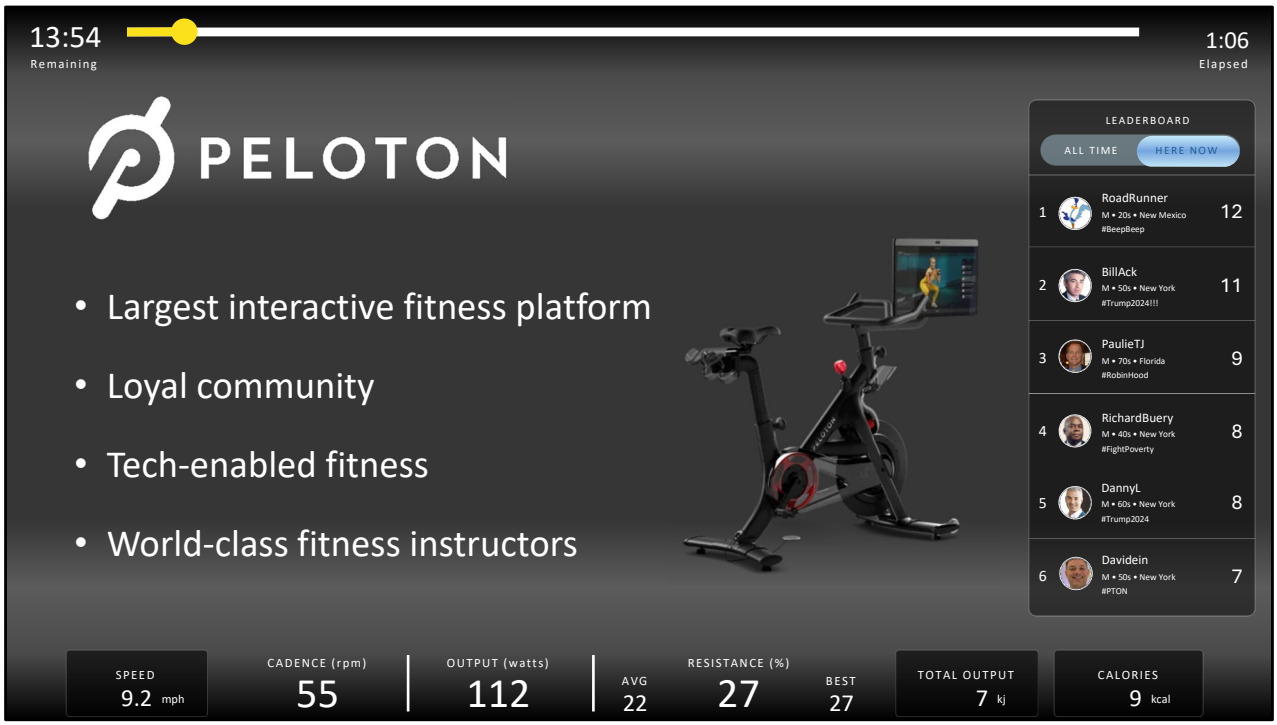
Let's open the workout with our first cartoon:

The cartoon says, "I can't even begin to work out until I find the right news to infuriate me."

And these days, that should be easy!

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Source: www.CartoonStock.com.



I'm sure all of you know that Peloton makes the bike I'm riding.

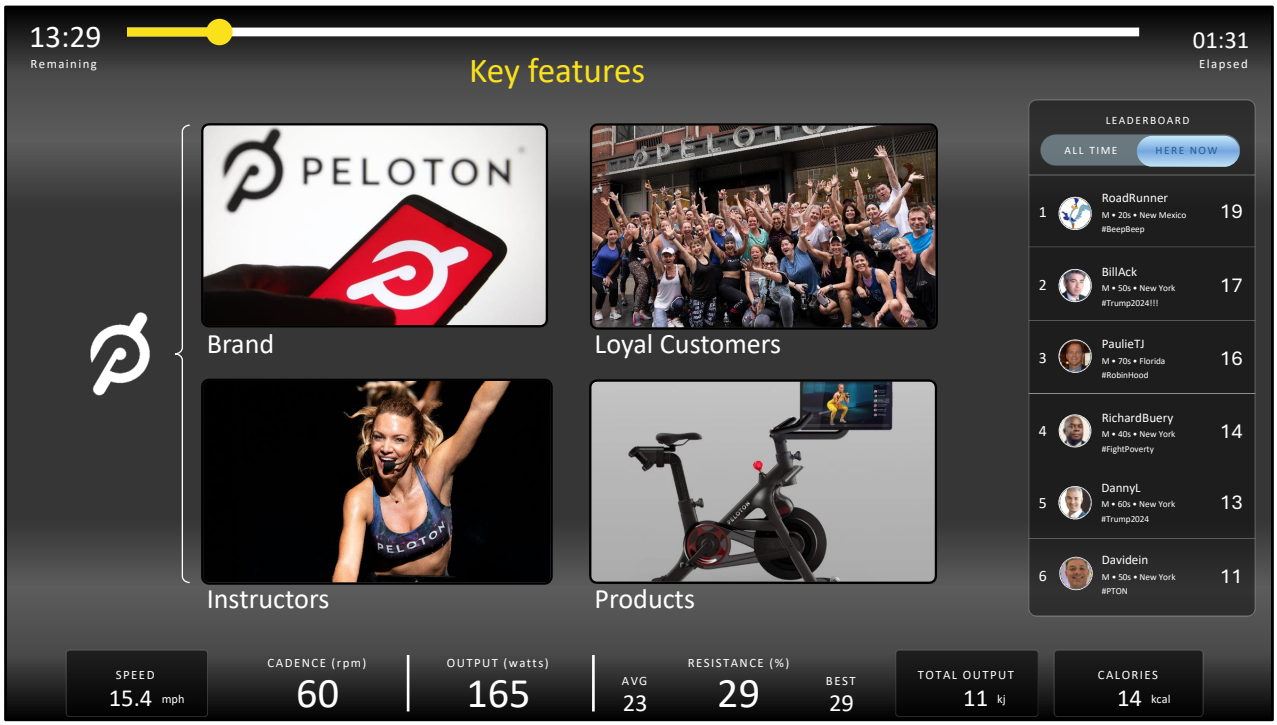
It is the largest interactive fitness platform globally, with a loyal community of over 3 million monthly subscribers who take over 48 million monthly workouts.

Peloton pioneered connected, tech-enabled fitness.

Bear with me, this is the first time I'm teaching a class.

However, Peloton's world-class instructors teach over 1,000 classes a month.

Source: Peloton Interactive Investor Presentation, May 2024.



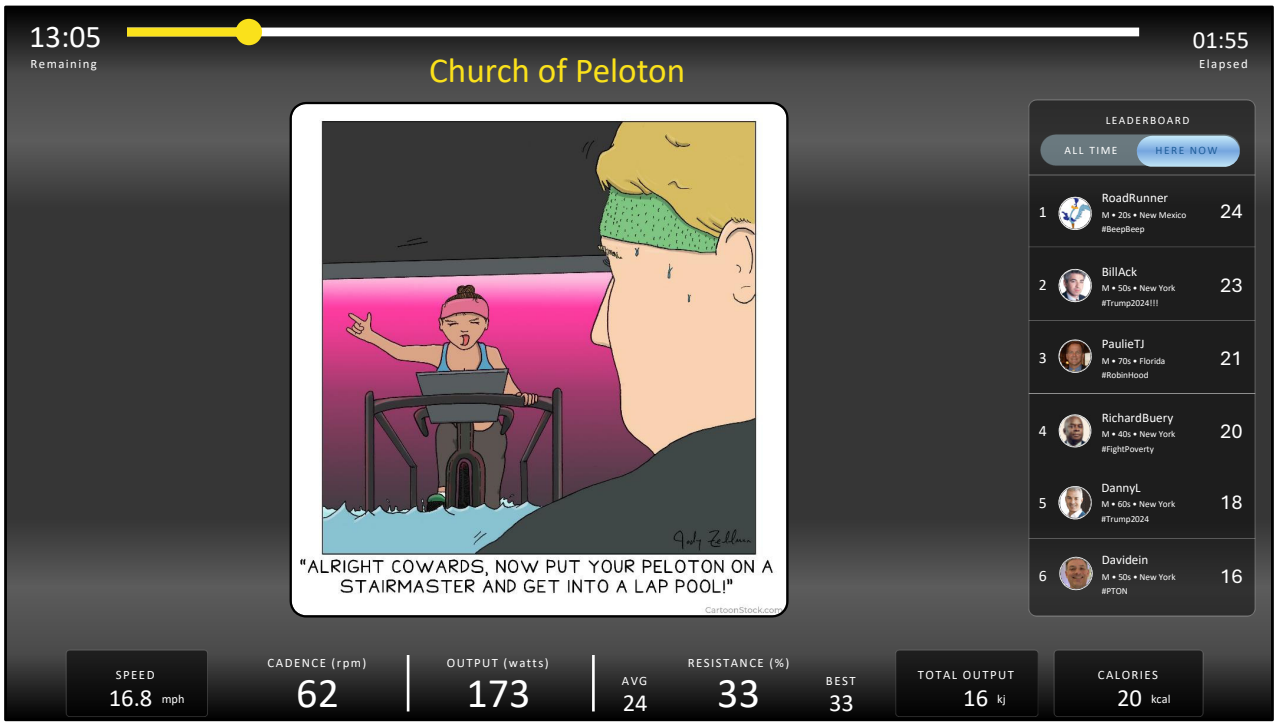
The warm-up is over; give the resistance a half turn. Let's go!

Peloton offers four key features.

It has a strong brand that is recognized globally.

It has a loyal customer base and has built a strong Peloton community.

And since it was first to market with connected, interactive fitness, it has excellent products and the best instructors in the business.

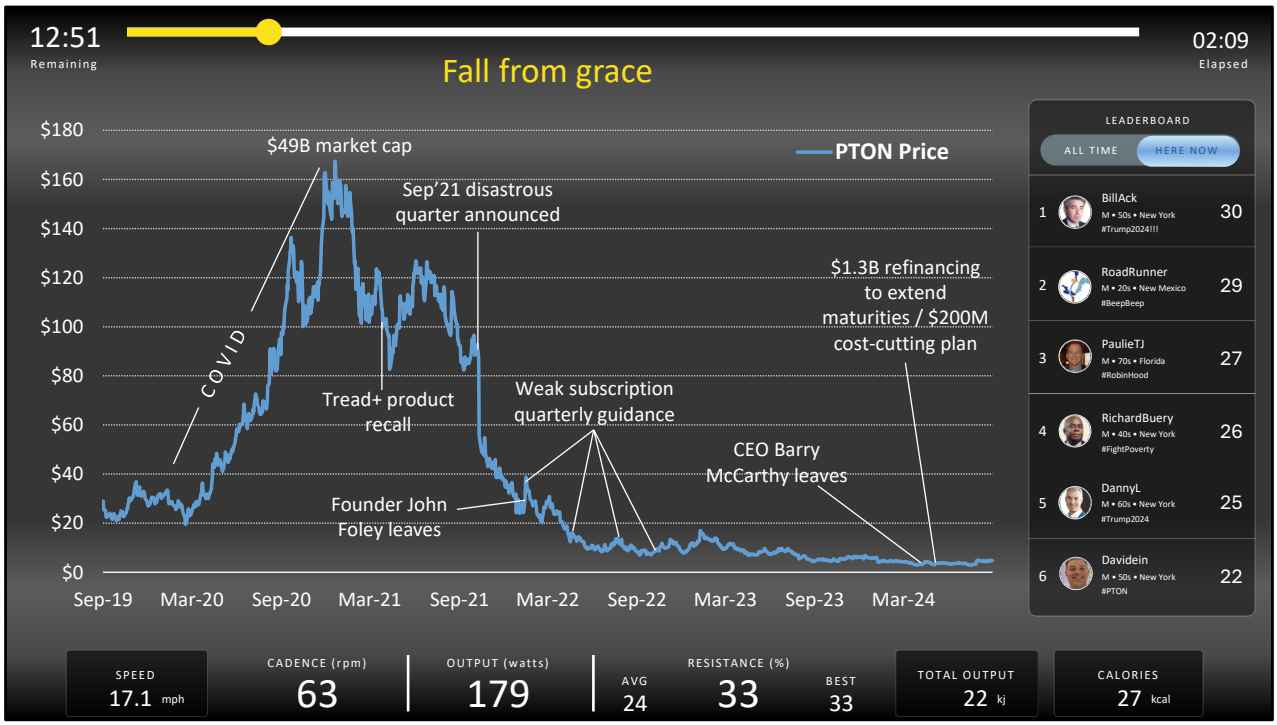


The community is so loyal that it has been often referred to as the "Church of Peloton."

The cartoon says, "Alright cowards, now put your Peloton on a stairmaster and get into a lap pool!"

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Source: www.CartoonStock.com.



After Peloton's September 2019 IPO, COVID hit and Peloton was a huge beneficiary. Gyms closed and the lockdown left everyone at home, and demand went nuts.

The stock followed demand and in 2020, it was the second-best performing Nasdaq stock. The shares went from $20 to $167, giving Peloton a peak market cap of $49 billion. It became part of our bubble basket.

It wasn't just investors, but the company also believed that trees would grow to the sky.

During COVID, for obvious reasons, it became difficult to make and distribute Pelotons, and the wait went on for months. Management addressed the logistics problem by taking manufacturing *and* distribution in-house.

In May 2021, Peloton had to recall all its treadmills after the death of a child and numerous customer injuries.

Then in November 2021, Peloton announced a disastrous quarter, with a significant revenue guide-down for fiscal year 2022. The stock dropped 35% to $55 and never recovered.

The do-it-yourself manufacturing and distribution decisions proved to be ruinous because once the shortage was resolved, it left the company with a high-cost structure.

Years of losses ensued. Management was changed a couple times, and the shares bottomed at $2.70 in May.

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Source: Bloomberg L.P., retrieved October 22, 2024.



The COVID pandemic might have been the best and worst thing that happened to Peloton. The company was a huge COVID beneficiary, but management, led by founder John Foley, thought it could continue growing for a long time.

Peloton heavily invested in this growth without regard to profitability or expense management, thinking it could get to 100 million subscriptions.

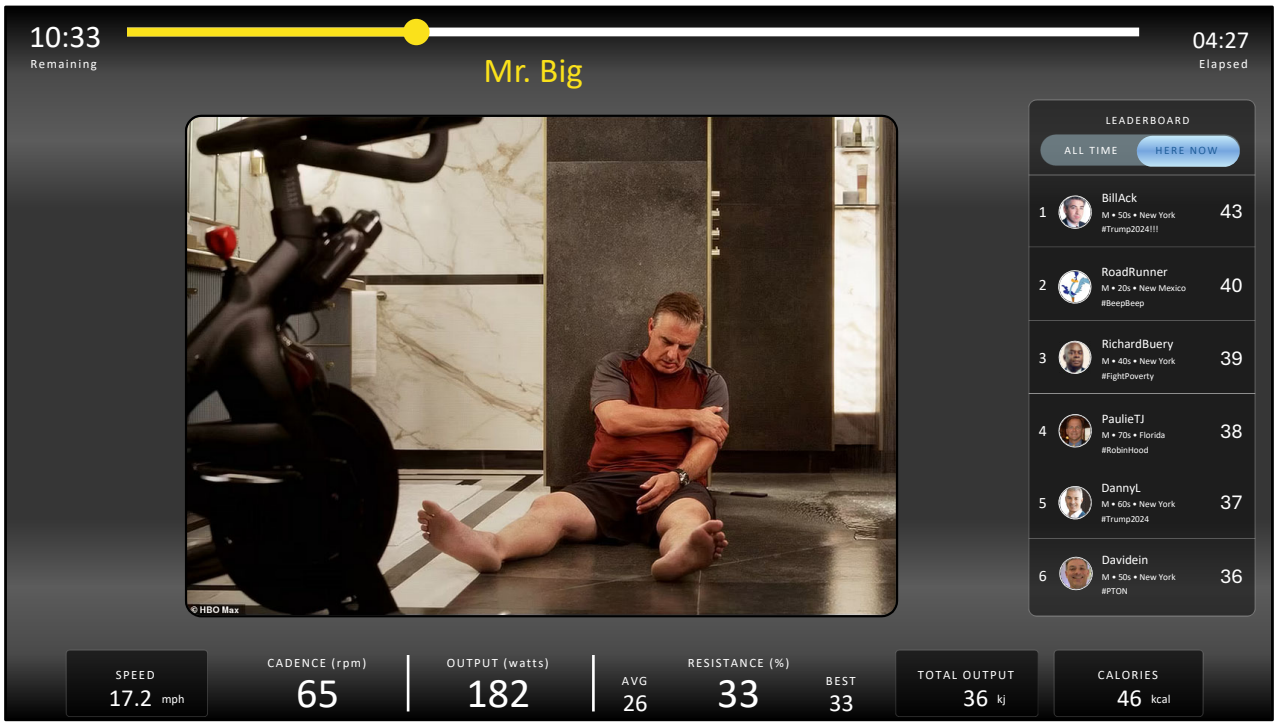
In addition to the manufacturing and distribution shifts, Peloton opened dozens of fancy retail showrooms and built an expensive in-house studio for ads to attract customers at any cost.

Since Wall Street fed the belief that only revenue mattered, Peloton set firmwide target compensation in the 90th percentile.

And since stock comp is especially not considered an expense, it gave grants every 90 days.

When the stock collapsed, many senior executives who borrowed against their shares to avoid taxes faced margin calls.

Source: Peloton Interactive Investor & Analyst Session, September 15, 2020; other publicly-available sources.



Peloton became part of pop culture.

When *Sex and the City* came out with a sequel, it opened with Mr. Big dying from a heart attack on his Peloton.

In real life the stock fell 11% that day.

About a month later, Wags in *Billions* also had a heart attack while riding a Peloton. In typical Wags fashion he quipped, “It’s a small heart attack. I’m not going out like Mr. Big.”

Don’t worry – I’m also not going to collapse here on stage. And I’m almost catching up to Dan.

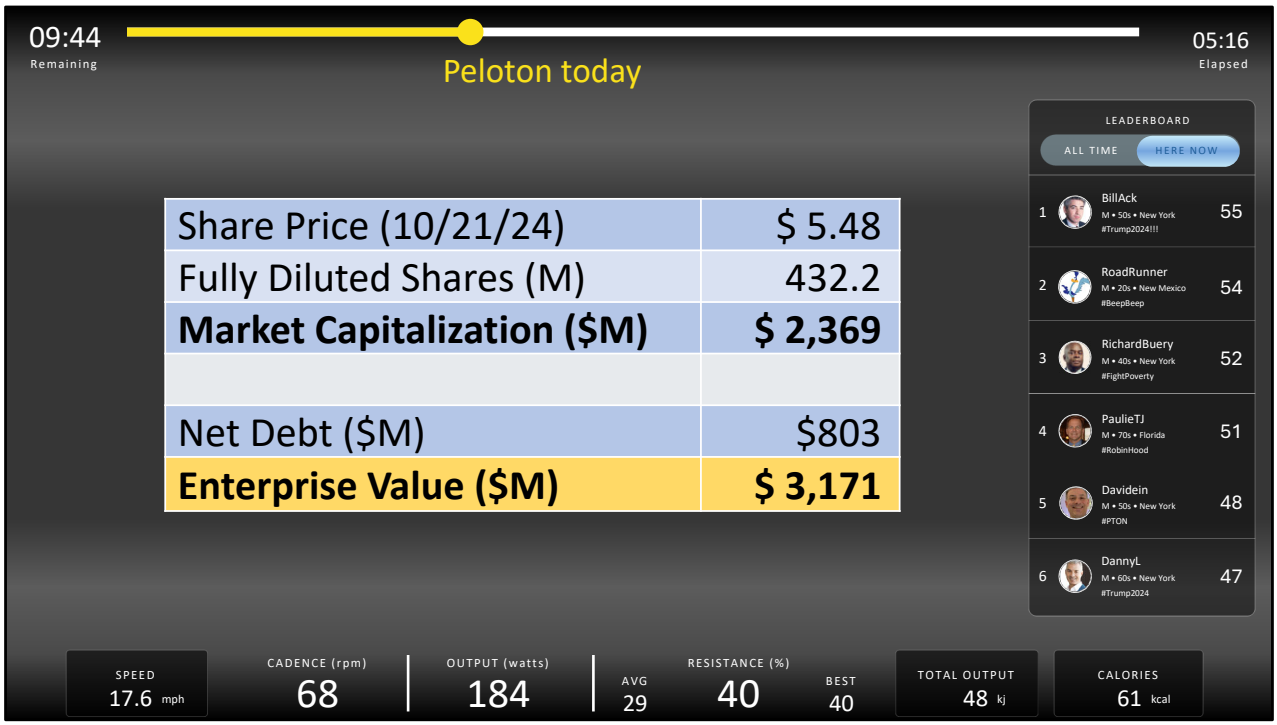
Source: HBO Max; Bloomberg L.P., retrieved October 22, 2024; other publicly-available sources.



And while Mr. Big's death was a big deal, Peloton was also left for dead post-pandemic as you saw from the stock price.

The cartoon says, "Now *that's* how you play dead."

Source: www.CartoonStock.com.



Share Price (10/21/24)	$ 5.48
Fully Diluted Shares (M)	432.2
Market Capitalization ($M)	**$ 2,369**
Net Debt ($M)	$803
Enterprise Value ($M)	**$ 3,171**

Let's give the resistance another turn and stand up.

Peloton today trades at $5.48 per share.

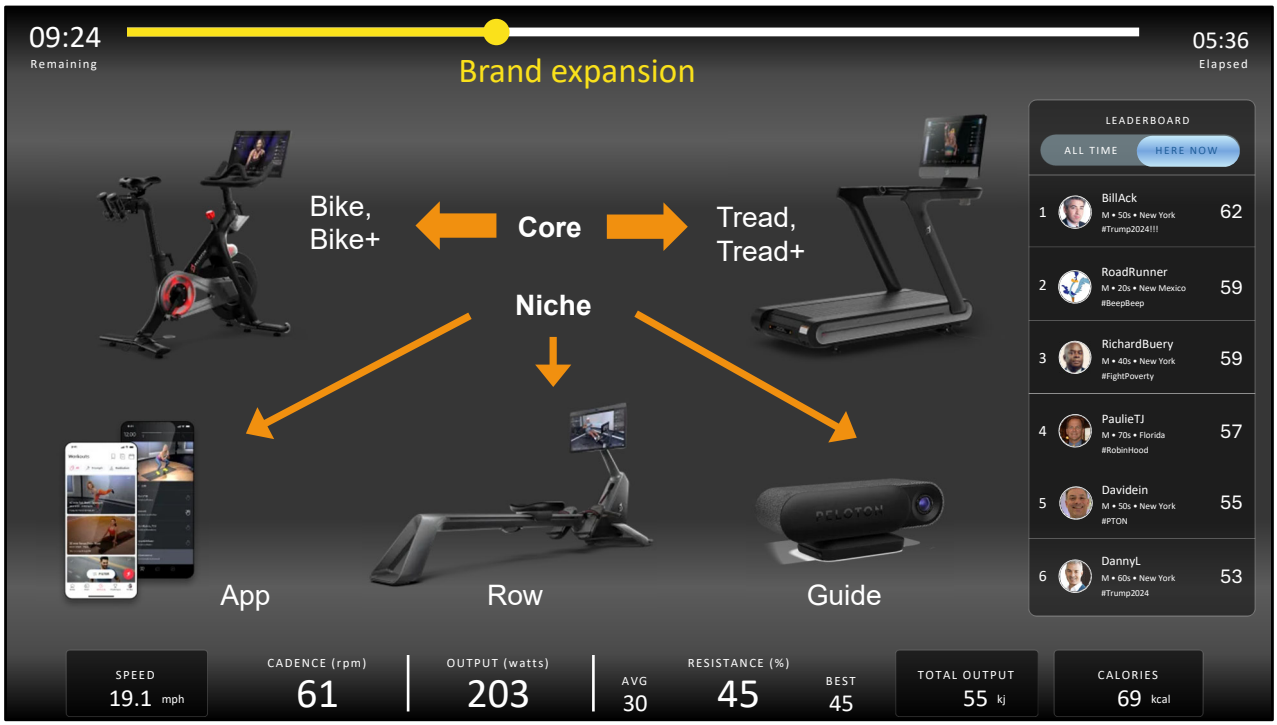
It has a market cap of $2.4 billion.

After the recent debt refinancing to extend maturities to 2029, it has net debt of about $800 million for a total enterprise value of $3.2 billion.

Some more shoutouts:

Crushing their 10th Robin Hood Conference, we have Anton Katz, Tobie Lochner, Carl Kuehner and Morris Mark. Good job!

Source: Bloomberg L.P., retrieved October 22, 2024; Peloton Interactive 2024 annual report, available at https://investor.onepeloton.com/financial-information/quarterly-results; Greenlight estimates and calculations. Fully diluted share count includes 358.3 million Class A common shares outstanding as of July 31, 2024, 18.1 million Class B common shares outstanding as of July 31, 2024 and 55.8 million restricted stock units outstanding as of June 30, 2024.



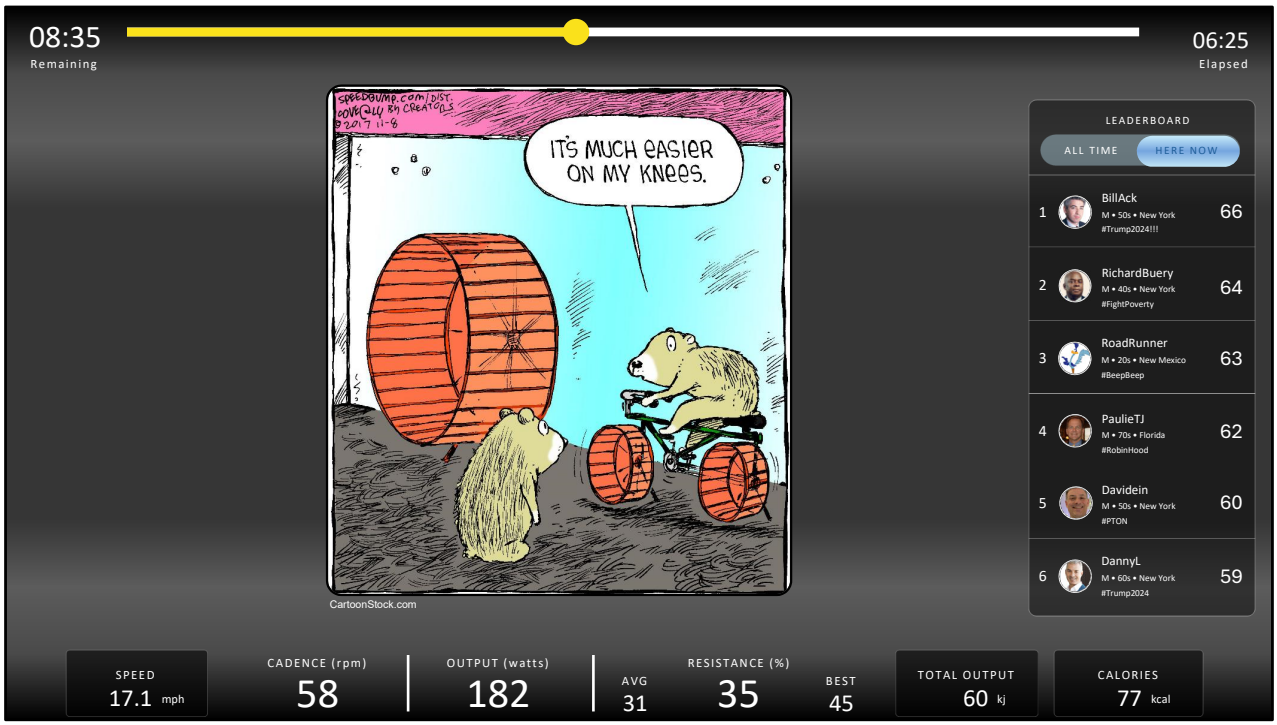
Bikes are still the majority of sales.

Given its strong brand name in the fitness market, Peloton expanded into other verticals – first tapping the runners' market by introducing treadmills.

More recently it has introduced several niche products, including a rowing machine, and Guide, a motion-sensing TV tabletop device where you can do things like dance classes and weightlifting.

Peloton also developed a standalone fitness app, which is a separate lower-priced subscription that was meant to increase accessibility of the brand and provide a way for people to use shared equipment at health clubs. It ultimately attracted a bunch of lower-quality subscribers with much higher churn.

Initially it was meant to be a customer acquisition funnel, but then reprioritized post-COVID as another profit generator.



Take the resistance back down and sit. Let's bring the cadence up.

As you can see from the sweat, stationary biking is really good exercise.

Let's give some shoutouts to… everyone here. This conference has raised $61 million since 2013!

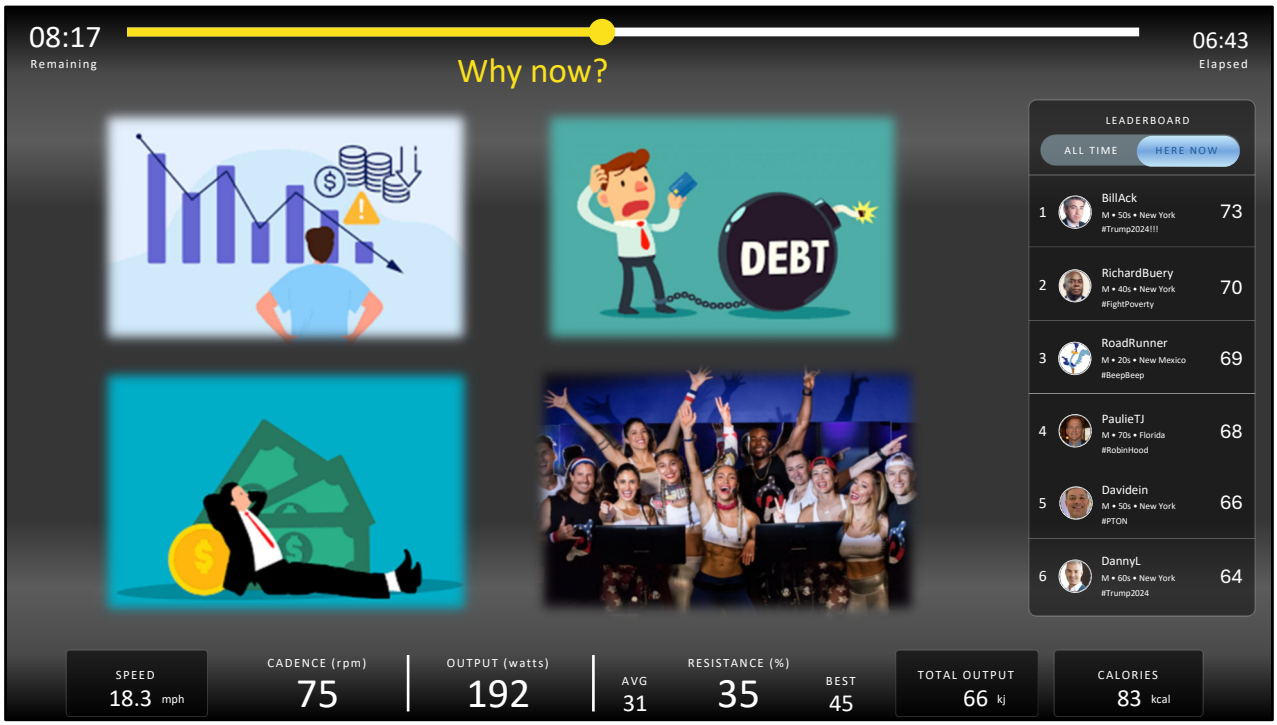
And welcome Dr. JJ from GIC, who flew all the way from Singapore to be here today.

Not to mention, my daughter Naomi, who is in from London and my parents who are in from Wisconsin.

I mean, how many speeches have obvious spots to call out to Mom and Dad?

Here is the hamster telling his friend, "It's much easier on my knees."

Source: www.CartoonStock.com.



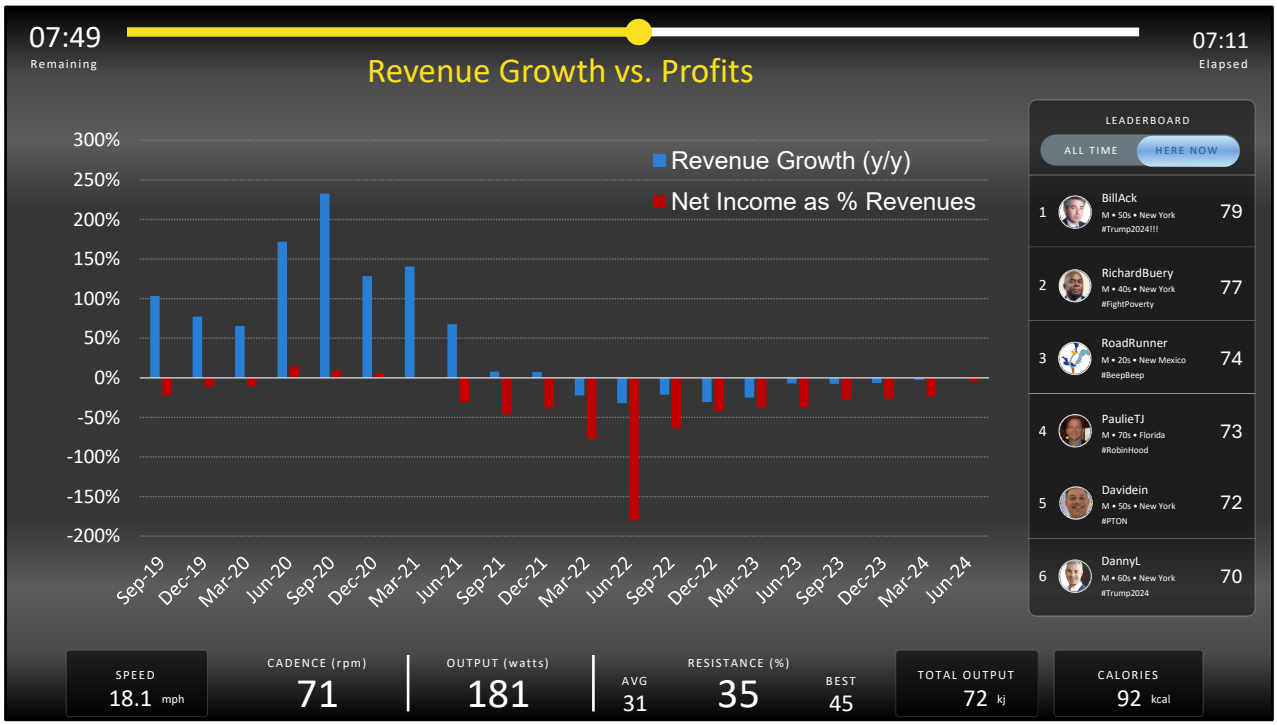
Why do we like Peloton now?

We had seen years ago the bubble stock of a company with slowing growth, too much debt and a crazy cost structure.

Facing bankruptcy can force change. Peloton has started to right-size and cash burn has stopped.

It refinanced its debt to push out maturities.

And with a loyal customer base that pays $44 per month, it’s a valuable subscription business.



Here's the history.

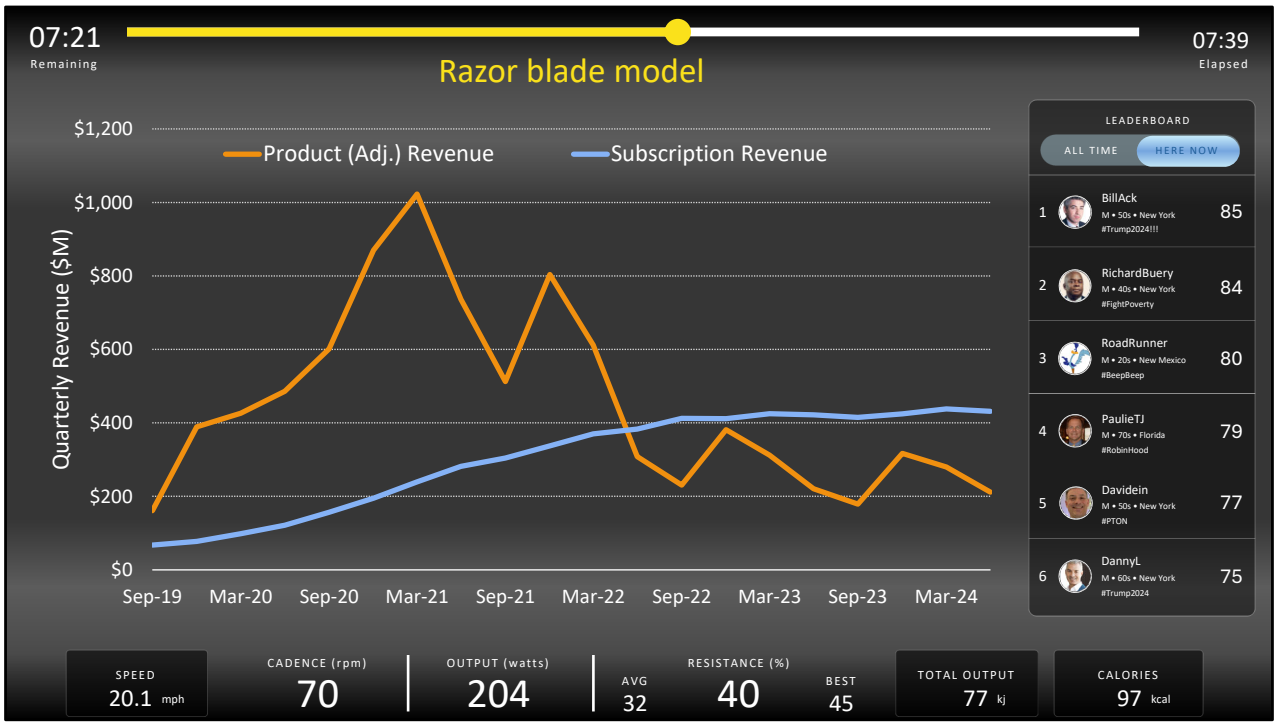
Before COVID growth was around 100%, which became over 200%.

But by the end of 2021, new bike sales collapsed, and growth turned negative.

Negative growth combined with high costs led to big losses, which peaked at $1.2 billion in one quarter, about half of what the whole company is worth today.

At the far right you can see that revenues are now stable, and losses are negligible.

Source: Multiple Peloton Interactive financial reports, available at https://investor.onepeloton.com/financial-information/quarterly-results; Greenlight estimates and calculations. Peloton's revenue has been adjusted to exclude the impact of product recalls, as detailed in the company's 10-K and 10-Q footnotes.



Here's where it gets exciting, so let's give the resistance a nudge and keep the cadence. Let's go!

Yesterday was Larry Robbins' birthday and Monday was Shawn Pattison's birthday. Happy birthday, guys! And Curtis Schenker is here. We went out to lunch, and he pitched me the Peloton idea… and then paid for lunch! Thank you , Curtis.

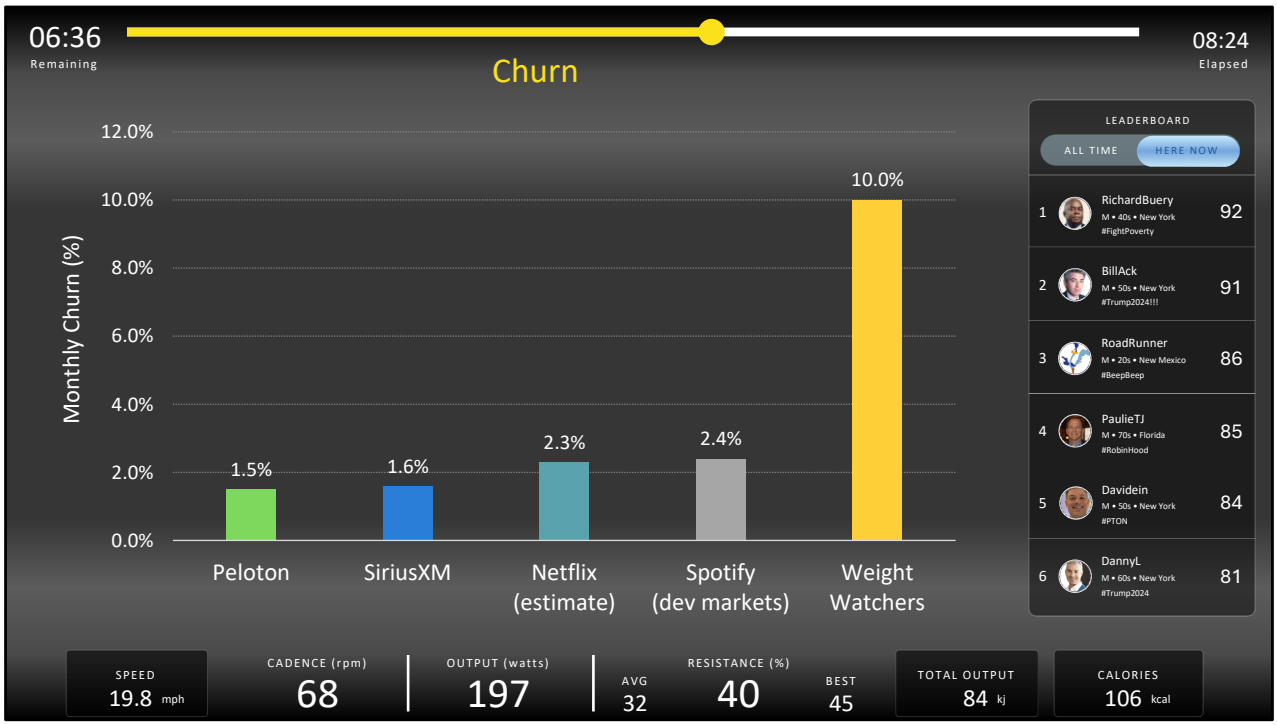
Peloton is a unique franchise that can thrive from here. Instead of focusing on growth, management will need to focus on the durable subscription model and profitability.

What we have here is a classic razor-razorblade model, where the razors, in this case, are the bikes and other equipment.

The equipment, shown in orange, is sold at breakeven; it ballooned during COVID and then collapsed.

But the subscription revenue, shown in blue, has climbed steadily and has shown the durability one would hope for with 68% gross margins.

Source: Multiple Peloton Interactive financial reports, available at https://investor.onepeloton.com/financial-information/quarterly-results; Greenlight estimates and calculations. Product (Adj.) revenue has been adjusted to exclude the impact of product recalls.



Peloton customers are very loyal, and the monthly churn last fiscal year was about 1.5%, though with recent changes in business mix it's expected to tick up a couple tenths.

Even so, churn compares favorably to several highly-valued subscription peers.

And Peloton tracks engagement very closely; workouts per account have been stable at over 13 per month recently.

Source: Peloton Interactive 2024 annual report available at https://investor.onepeloton.com/financial-information/quarterly-results; SiriusXM second quarter 2024 financial report available at https://investor.siriusxm.com/financial-information/financial-results; SiriusXM Investor Presentation, September 2024; Spotify 2022 Investor Day available at https://s29.q4cdn.com/175625835/files/doc_presentation/Spotify_Investor_Day_2022_V19_SHOWFILE-(PART-2).pdf; Morgan Stanley Research, WW International Model, August 2, 2024; Peloton Interactive Investor Presentation, May 2024.

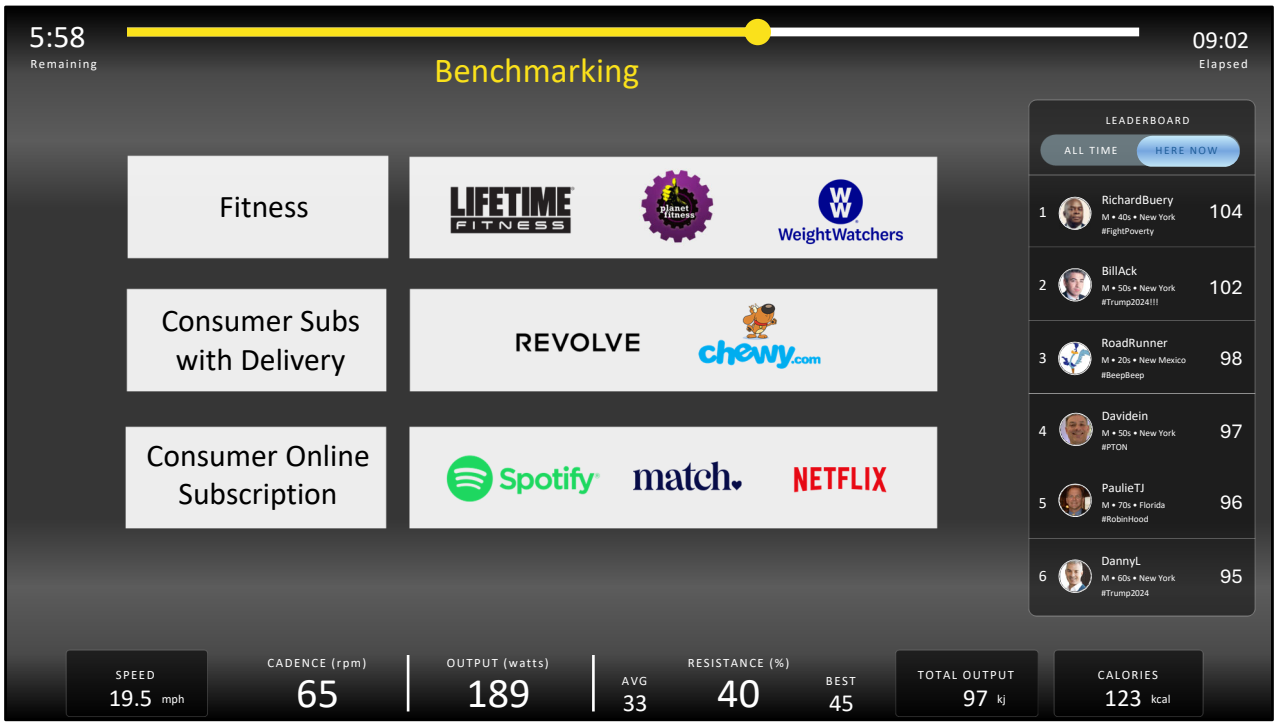


The cartoon says, “Honey! I’m in a thousandth place!”

Did anyone notice I’m about to pass Paul?

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Source: www.CartoonStock.com.

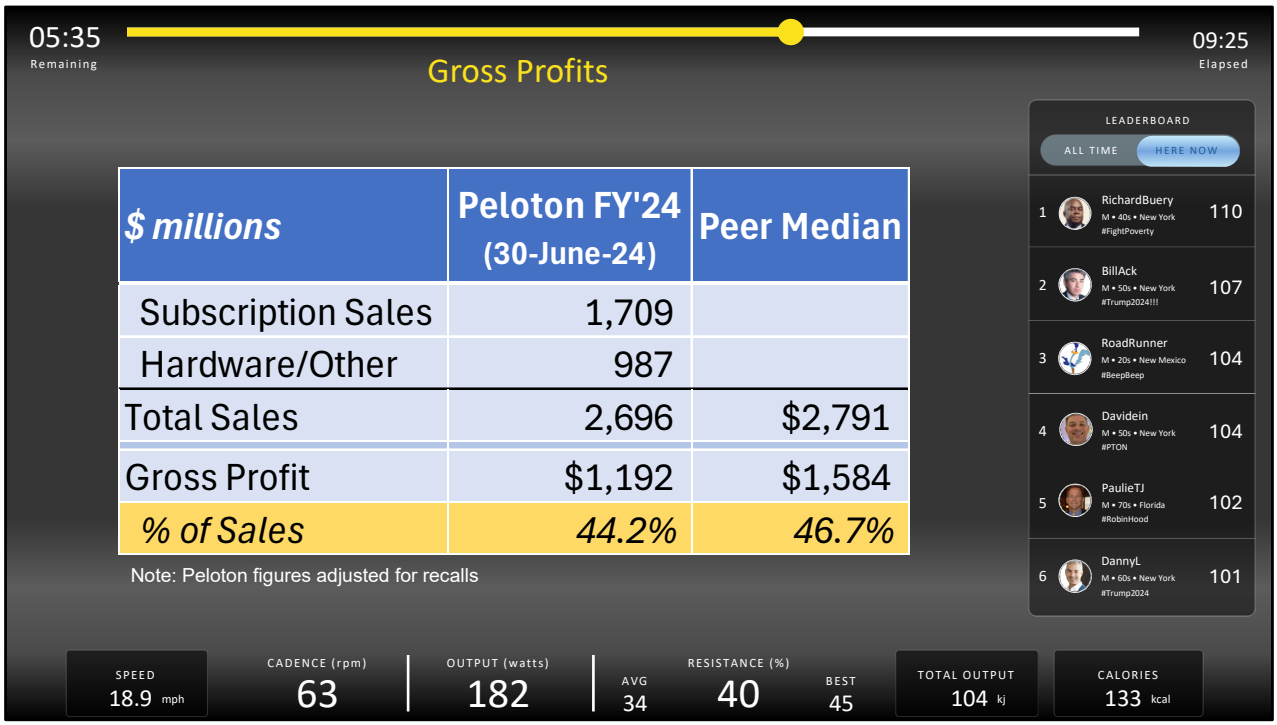


We conducted a benchmark study to analyze Peloton's cost structure compared to similar companies.

Our thesis was that Peloton should have much better margins.

Our findings were more surprising than we even anticipated.

We selected three sets of comparables for Peloton given it is a unique company – fitness companies, consumer subscription businesses with delivery, and consumer online subscriptions.

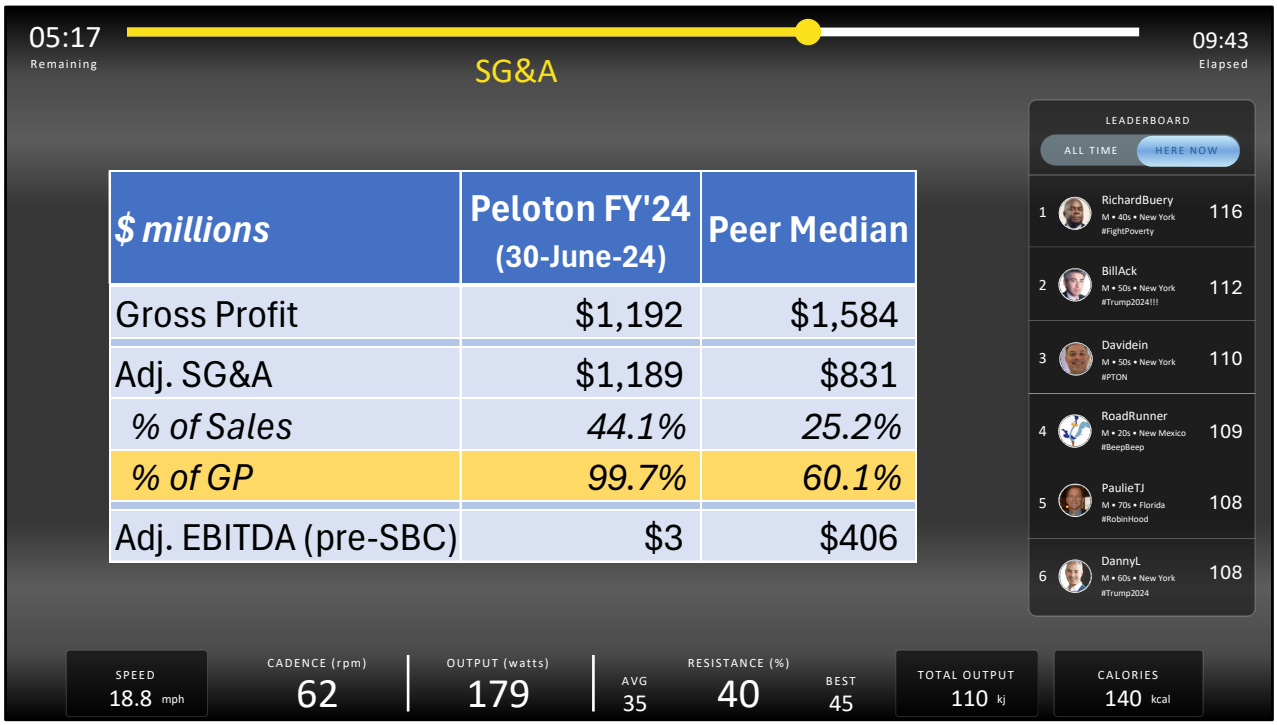


Peloton generated a gross profit of about $1.2 billion; it is 44% of sales, which is slightly lower than the median peer group at 47%.

Part of this is that equipment sales have almost no margin.

The 68% margin on subscriptions is actually quite adequate.

Source: Peloton Interactive 2024 annual report, available at https://investor.onepeloton.com/financial-information/quarterly-results; latest annual reports of Life Time Group Holdings, Planet Fitness, WW International, Revolve Group, Chewy, Spotify Technology, Match Group and Netflix; Greenlight estimates and calculations. Each value shown in the "peer median" column represents the median value for each metric or figure across a group of comparable companies or entities. Because each median is calculated independently, the figures in this column may not follow a consistent internal pattern when compared against each other. Peloton's Hardware/Other revenue, Total Sales, and Gross Profit have been adjusted to exclude the impact of product recalls.



$ millions	Peloton FY'24 (30-June-24)	Peer Median
Gross Profit	$1,192	$1,584
Adj. SG&A	$1,189	$831
% of Sales	*44.1%*	*25.2%*
% of GP	*99.7%*	*60.1%*
Adj. EBITDA (pre-SBC)	$3	$406

Below gross profit there is a huge problem.

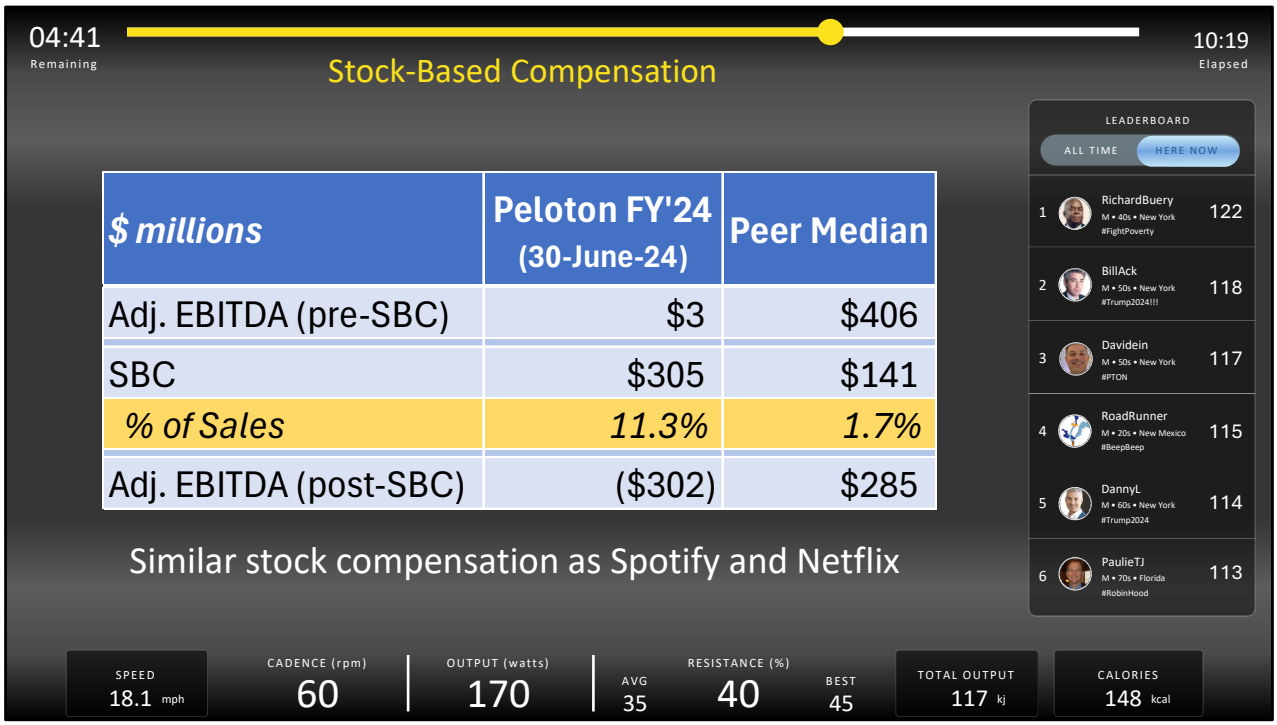
Even though costs have been cut to end the cash burn, Peloton still achieves basically zero adjusted EBITDA versus the peer median of $406 million.

For peers, over a third of gross profit flows through to EBITDA.

Part of the problem is that Peloton spends too much on research and development.

Just as one example, Peloton spends about twice the R&D that Adidas spends… *in dollar terms*. And Adidas has 8 times more sales than Peloton and an order of magnitude more product lines.

Source: Peloton Interactive 2024 annual report, available at https://investor.onepeloton.com/financial-information/quarterly-results; latest annual reports of Life Time Group Holdings, Planet Fitness, WW International, Revolve Group, Chewy, Spotify Technology, Match Group, and Netflix; Greenlight estimates and calculations. Each value shown in the "peer median" column represents the median value for each metric or figure across a group of comparable companies or entities. Because each median is calculated independently, the figures in this column may not follow a consistent internal pattern when compared against each other. Peloton's Gross Profit has been adjusted to exclude the impact of product recall estimates. In order to maintain comparability between companies, Adj. SG&A is calculated as the difference between Gross Profits and Adj EBITDA (pre-SBC) for the entire peer set.

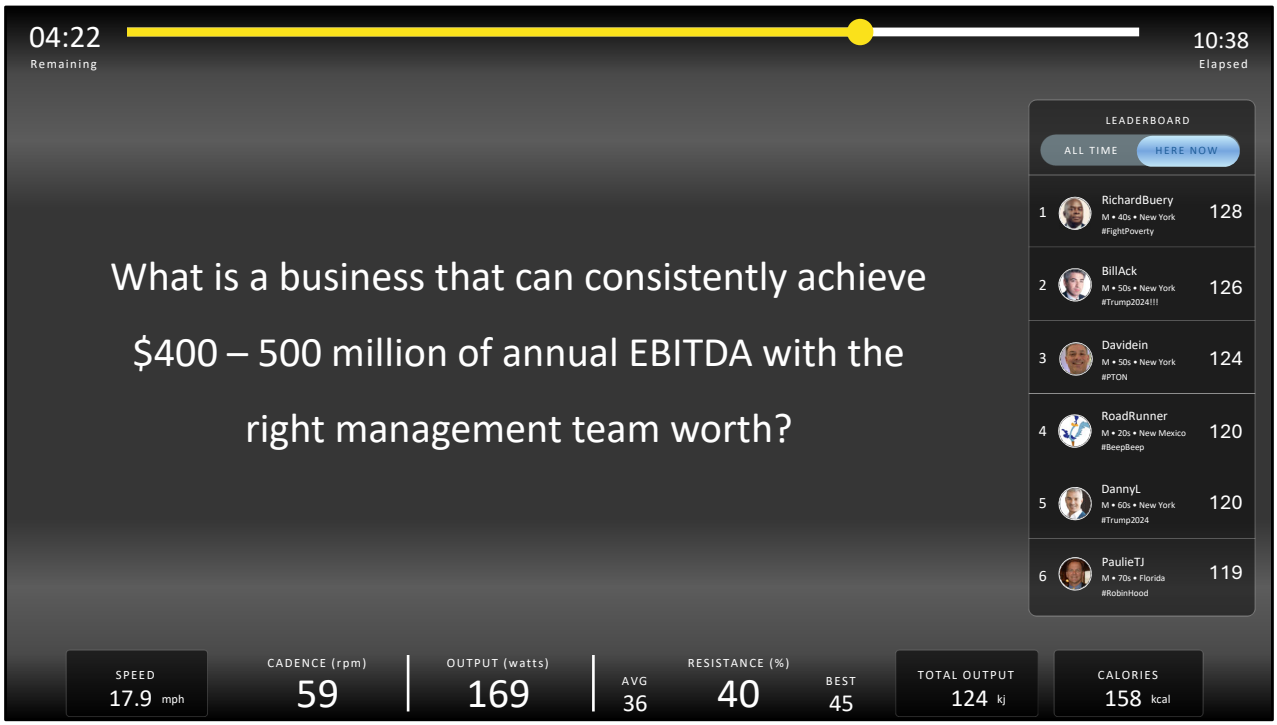


And this is even before considering stock-based compensation.

Peloton had stock compensation expense of $305 million, which is over double the peer median.

Peloton's stock comp is comparable *in dollar terms* to Spotify, which is 30 times bigger, and Netflix, which is 140 times bigger.

Source: Peloton Interactive 2024 annual report, available at https://investor.onepeloton.com/financial-information/quarterly-results; latest annual reports of Life Time Group Holdings, Planet Fitness, WW International, Revolve Group, Chewy, Spotify Technology, Match Group, and Netflix; Greenlight estimates and calculations. Each value shown in the "peer median" column represents the median value for each metric or figure across a group of comparable companies or entities. Because each median is calculated independently, the figures in this column may not follow a consistent internal pattern when compared against each other.



If we right-size the cost structure to the benchmark, there should be $400 - $500 million of EBITDA from the current subscription revenue base.

Companies like this trade at 9 to 32 times EBITDA.

9 times $450 of EBITDA implies a $7.50 share price.

32 times implies a $31.50 share price.

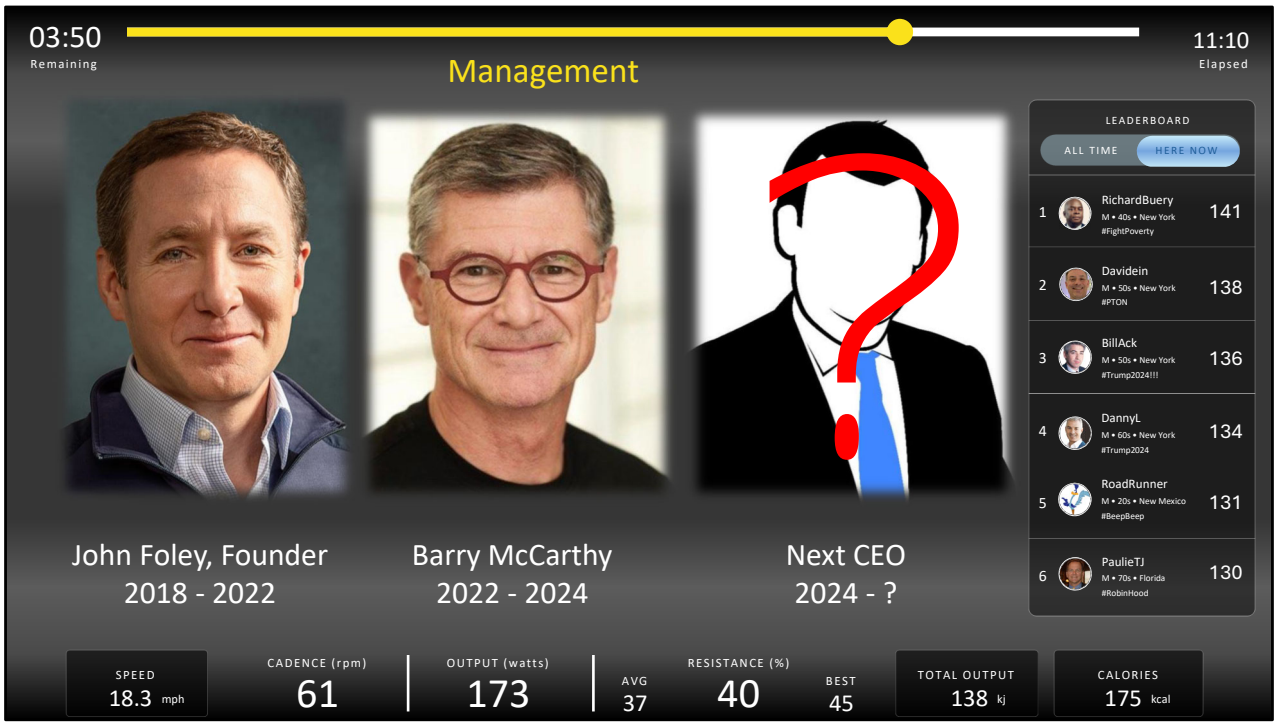
Source: Bloomberg L.P., retrieved October 22, 2024; Greenlight estimates and calculations.



The cartoon says, "I should consider keeping a Peloton for myself? What exactly is it you're implying?"

Very simply put: Peloton needs to spend more time *on the Peloton*!

Source: www.CartoonStock.com.



For that we need new management.

John Foley was the founder and first CEO of Peloton. He grew the company like crazy and with "founder's optimism" thought it could be a $1 trillion company. If you believe that… the costs don't matter. That didn't work out, and he was replaced in 2022 by Barry McCarthy.

McCarthy knew subscription business models, having been CFO of both Netflix and Spotify.

McCarthy moved the company in the right direction. He reversed course on vertical integration and outsourced more. He started to right-size costs. But he did not go far enough. He also prioritized mobile app sales over equipment subscriptions, which ultimately did not pan out. After two years, with the stock going from the $30s to $4, he left.

Two board members have been interim co-CEOs since then. The company is recruiting a new permanent CEO, and we expect an announcement before I try to teach another class.

Getting tired here… almost done… let's find a final burst of energy!

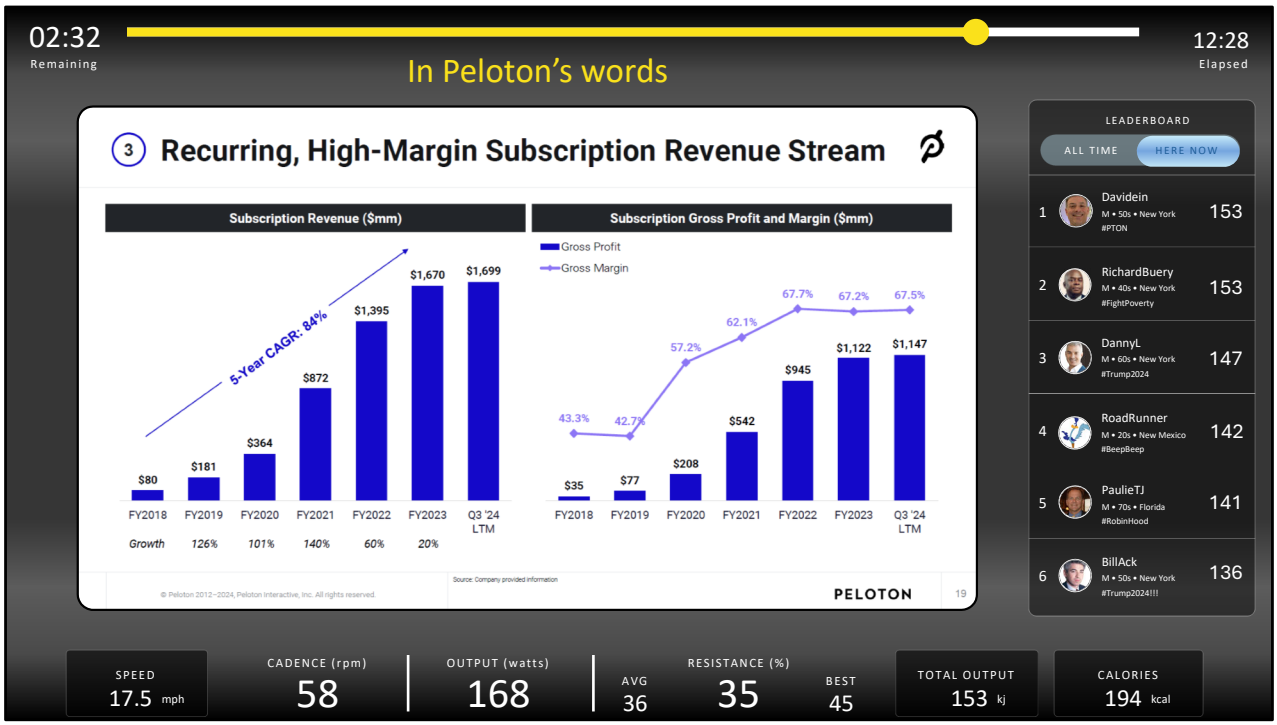
Every push of the pedal, every drop of sweat, it's more than just a workout—it's a step closer to changing lives!



Let's take the resistance down another touch. I gotta get through this.

The cartoon says, "Before I launch into our boring financial report, I want to review my truly awesome gym workout stats!"

Source: www.CartoonStock.com.



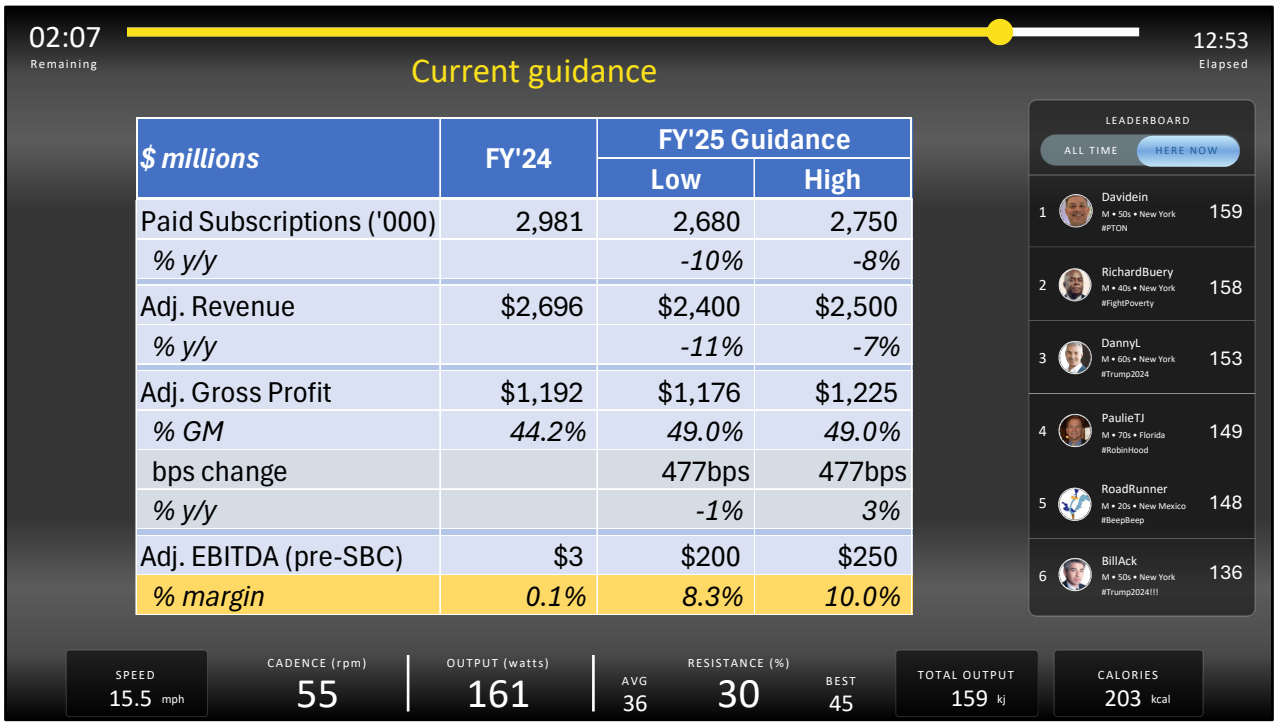
The nice part of our thesis is that we don't have to convince Peloton this is the right approach.

Here is a slide from Peloton's May 2024 investor presentation.

Peloton's interim co-CEOs are telling the same story of a recurring, high-margin subscription revenue stream business.

They have also implemented an initial cost-cutting plan, which still leaves plenty of room for the new CEO.

Source: Peloton Interactive Investor Presentation, May 2024.



$ millions	FY'24	FY'25 Guidance	
		Low	High
Paid Subscriptions ('000)	2,981	2,680	2,750
% y/y		*-10%*	*-8%*
Adj. Revenue	$2,696	$2,400	$2,500
% y/y		*-11%*	*-7%*
Adj. Gross Profit	$1,192	$1,176	$1,225
% GM	*44.2%*	*49.0%*	*49.0%*
bps change		477bps	477bps
% y/y		*-1%*	*3%*
Adj. EBITDA (pre-SBC)	$3	$200	$250
% margin	*0.1%*	*8.3%*	*10.0%*

We are getting to the end… lets dial down the resistance and slow the cadence.

In Peloton's August conference call, the interim CEOs released guidance for fiscal year 2025, which began in July.

Management assumed no subscriber growth from new initiatives or offerings, which implies lower subscribers. We believe this guidance is way too low.

With the previously announced $200 million cost-cutting plan, Peloton thinks it can generate adjusted EBITDA in the range of $200 - $250 million this fiscal year.

We believe this is all very achievable, and that in fact, the interim CEOs are setting a low bar for a new incoming CEO to show success early on.

Source: Peloton Interactive 2024 annual report, available at https://investor.onepeloton.com/financial-information/quarterly-results; Peloton Interactive Q4 FY2024 Shareholder Letter, August 22, 2024; Peloton Interactive Earnings Call, August 22, 2024; Greenlight estimates and calculations. Peloton's FY'24 Adj. Revenue and Adj. Gross Profit have been adjusted to exclude the impact of product recalls.



And one final cartoon, which is apropos for this audience.

The doctor asks, “When was the last time you exercised something other than a purchase option?”

You should all go out and buy a Peloton if you don’t have one.

And while we like the base Peloton story, we also think there is lots of optionality.

None of our analysis assumes any growth in subscription revenues from new customers or price increases or other new initiatives, such as activation fees from the growing used bike market and international expansion.

Peloton continues to garner top reviews among consumers and fitness publications. Working out in the comfort of your own home is not a fad, and a trend towards healthier lifestyles should all drive underlying subscriber growth over time.

If you join me for my 30-minute class, I will tell you all about that!

Great job everyone!!! You’ve earned dessert and a nap.

Source: www.CartoonStock.com.