Peloton (NASDAQ: PTON)

The exercise equipment and media company Peloton has seen a significant amount of challenges with its business in its recent past. Issues such as slow subscriber growth, decline in equipment sales ands rising manufacturing costs are reflected in the company's struggling financials. As of the quarter ending 12/31/2023 Peloton Interactive reported a net loss of $194.8 million dollars compared to last quarter's loss of $159.3 million dollars. Albeit these losses, potential still exists for the firm as the company is making a strategic shift to growing recurring revenue through digital exercise class subscriptions and equipment rental which reduces the burden of relying solely equipment sales to consumers. Furthermore Peloton is implementing strategic cost-reduction measures to help bring net income up and eventually become positive again through means of layoffs, store-closures and reducing the amount spent on marketing.

The at-home workout industry has grown substantially over the last 10 years with new entrants such as Apple Fitness+, Tonal, and companies such as Nike investing in the space. This increased competition offsets Peloton's reliance on its first mover advantage forcing the company to innovate. Economically speaking, rising interest rates, and the potential for recession reduces consumer spending on luxury items such as Peloton bikes. Consumer preferences are have also shifted away from at-home exercise equipment sales after the Covid-19 pandemic ended and more people began to return to gyms.

The attractiveness of Peloton as an investment is based on the idea that the firm will have a potential turn around as a result of its cost cutting measures, and strategic shift. When evaluating the stock price, the financial turmoil becomes apparent. The stock has dropped over 70% in the last year, trades at a negative price to earnings ration and has a negative EPS of -2.44 indicating that the firm is losing significant amounts of money. However, all is not lost here as the company is reducing its yearly losses, the firm lost $1.26 billion in 2023 up from the $2.83 billion loss in 2022. Growth potential within the sector still exists if the firm continues to shift into recurring subscription business model.

For the field research aspect of this report I am interviewing Haley Hardesty who is an owner of a Peloton bike to get her true opinions on the product after years of use. I am choosing to interview her because as a customer of Peloton she can provide with clear detail insight into the at home workout space.

The proposed questions of the interview are as follows:

- How long have you owned a Pelton Bike and why did you choose Peloton over similar exercise bikes?
- How often do or did you use the bike and did you or still have a subscription to the Peloton classes?
- Do you feel as if the product is worth the hefty price tag compared to comparable exercise equipment/gym memberships?
- If you could go back in time, would you still purchase a Peloton?
- What is your biggest downside to owning a Peloton?

Interview Transcript with Haley Hardesty:

How long have you owned a Pelton Bike and why did you choose Peloton over similar exercise bikes?

**I've owned my Peloton for five years now and the reason that I chose the Peloton over others is because you can watch classes with an instructor while on the bike for a quick guided workout from home**

How often do or did you use the bike and did you or still have a subscription to the Peloton classes?

**I would use the bike 2-3 times a week depending on my schedule. I did have the subscription, but I no longer have the peloton subscription.**

Do you feel as if the product is worth the hefty price tag compared to comparable exercise equipment/gym memberships?

**No, I do not feel as though the product is worth it because the peloton does not get used nearly as often as it should in comparison to how much I paid for it. A regular gym membership would serve me way more than the peloton has.**

If you could go back in time, would you still purchase a Peloton?

**No, I would not purchase the peloton as it sits vacant in my basement more than it gets used.**

What is your biggest downside to owning a Peloton?

**The biggest downside to the peloton would be the fact that it takes up so much space in my house and that I am still paying it off without getting any use out of it.**

The insight gained from this interview with a Peloton customer of over five years is significant as it confirms the reasoning behind the firms' current financial struggles. As Haley had mentioned in the interview she feels that owning the Peloton was not a good investment as she does not use it frequently and subsequently canceled her membership. I found this interesting as she stated that the only reason she decided to purchase the bike was to take part in the virtual class subscription. From a preliminary standpoint, her insight confirms my thinking of the company's prospects as she and other customers would likely be more satisfied with a subscription media model that doesn't require owning the bike which aligns with the rent model of Peloton to generate recurring revenue.