

1010DATA

Peloton IPO

Fitness Fad or Sustainable Streaming Media/ Fitness Service?

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Introduction

At 1010data, we track over 2,000 private companies across all our datasets. Peloton's (PTON) planned IPO is the most recent example of how 1010data's customers can use our data to track company reported metrics on a daily basis while uncovering detailed analysis around penetration, retention, geographic concentration, and competitive overlap.

1010data's combined Credit and Debit card transactional data can help investors decide if they should view Peloton as another fitness fad device (similar to FitBit or GoPro), or whether Peloton should more accurately be described as a streaming media company (similar to Apple).

Peloton has many subscription and pricing options. For this analysis, we defined each of the Peloton subscription options as follows:

Digital Service: Transactions between \$12.99 and \$25 -- The digital service is offered for \$19.49 + tax per month (effective July 1, 2018) and works on the user's phone, tablet, or other web device. For Peloton members who initially bought the digital subscription prior to July 1, 2018, the monthly subscription rate remains \$12.99.

Connected Fitness Subscription: Above \$39 and under \$50 -- The bike/tread subscription is offered for \$39 + tax a month and includes access to unlimited classes each day, including more than 8,000 on-demand classes anywhere/anytime, like indoor cycling, running, walking, bootcamp, floor, yoga and meditation classes. Bike/tread subscriptions come with the purchase of the bike or tread hardware device.

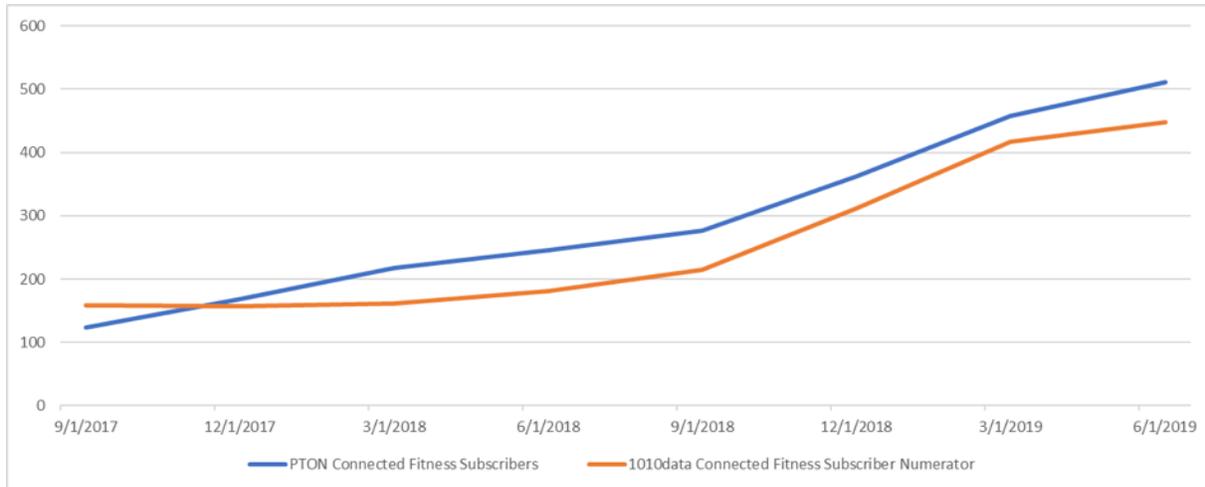
Findings

Since Peloton filed its S-1 on August 27, we can compare the 1010data Credit-Debit panel to the Peloton's reported metrics.

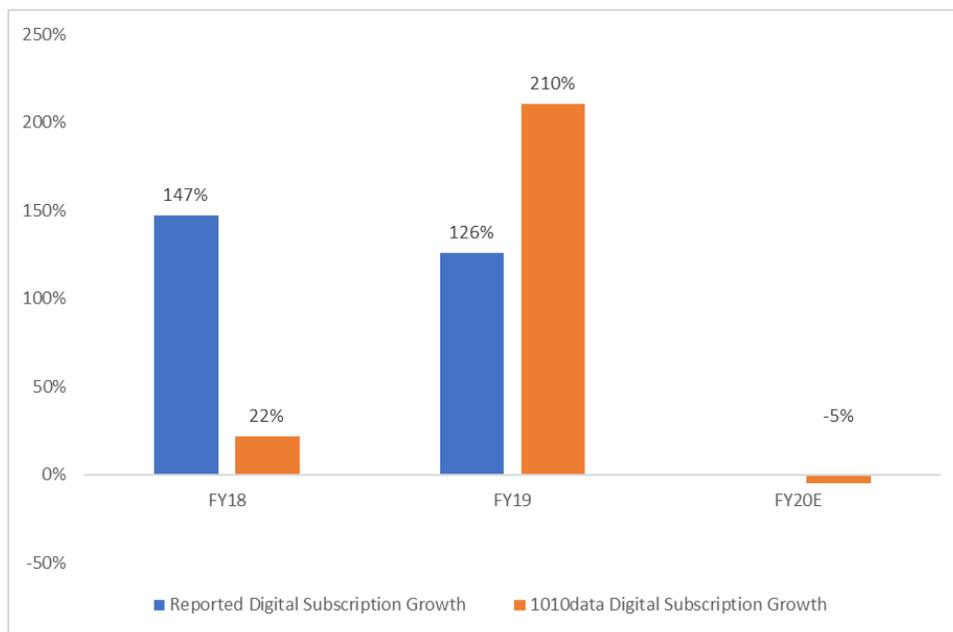
Low Current Customer Penetration: Across any Peloton transaction, less than 1% of our current panel has made any purchase from Peloton, implying the company still has very significant long-term growth potential ahead. Notably, this penetration level is lower than Peloton's estimate that they currently own 5% of their Serviceable Addressable Market (SAM).

Connected Fitness Subscriptions Continue to Grow: Aside from their premium priced stationary bike and treadmill, PTON is banking on the associated subscriptions to continue to drive revenue growth. After purchasing a bike or tread, owners pay another \$39 for access to online classes. In their

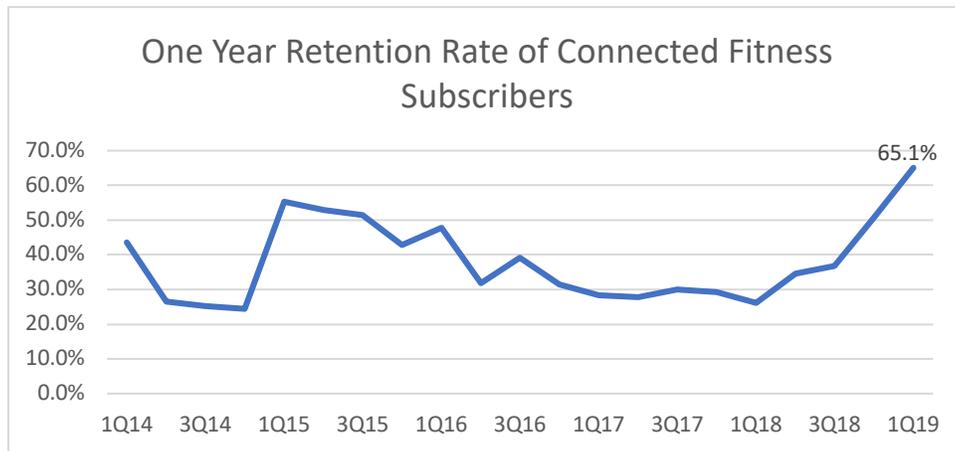
recent S-1 filing, PTON revealed that the number of those subscribers has almost quadrupled, from 108K in June 2017 up to 511K in June 2019. Our data showed a similar story long before they filed.



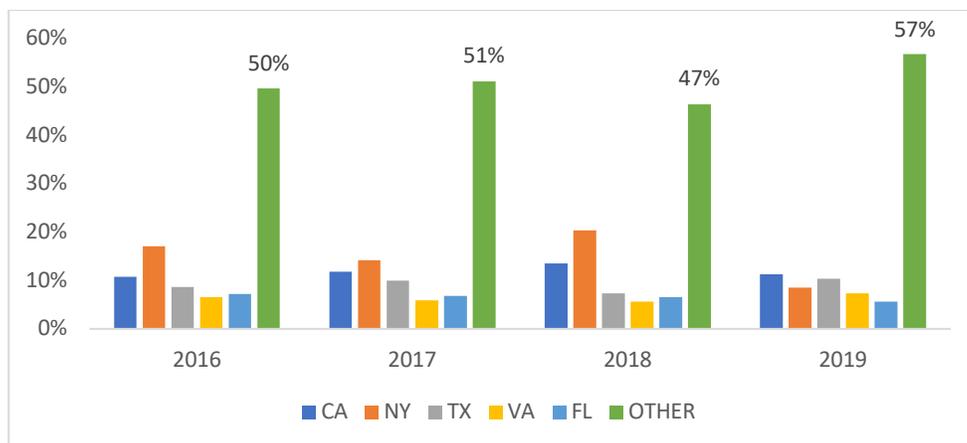
Digital Subscription Revenue: Peloton reported 126% YoY revenue growth from digital subscriptions in FY19, well below the 210% increase in digital subscription revenue within the 1010data Credit/Debit panel. While Peloton is only about 2 months into FY20, the 1010data Credit/Debit revenue from digital subscriptions is only 5% behind FY19, implying a huge surge in digital membership growth likely for FY20.



Retention Rate: In its S-1 filing, Peloton cited a weighted-average 12-month Connected Fitness Subscriber retention rate of 95%, significantly higher than the 1010data Credit/Debit panels, as shown below. However, Peloton allowed purchasers of a bike to include the \$39 monthly subscription fee in the interest financing until 2018 when this option ceased. We believe that this affected our ability to disambiguate the connected fitness subscription from the bike purchase, likely lowering our retention rate as a result. Retention rates have risen significantly among more recent Connected Fitness Cohorts.



Geography of Users: Peloton Connected Fitness subscribers in the 1010data Credit/Debit panel tend to skew toward larger metropolitan areas, with 12% of users from California, 11% from New York, 10% from Texas, 7% from Virginia, and 6% from Florida. However, newly joined Connected Fitness Subscribers are becoming geographically diverse, with subscribers outside these 5 largest states comprising 57% of new Connected Fitness Subscribers in 2019, up from 47% in 2018. Peloton did not give any geographic information in the S-1.



Overlap with Gym Memberships: Roughly 55% of Peloton users in the Credit/Debit panel also had gym memberships, with the biggest overlap being Soul Cycle at 14%, followed by Planet Fitness at 13%, Orange Theory at 11%, Golds Gym at 9%, and Equinox at 8%. Among all Peloton purchasers, the average time to cancel the gym membership after the Peloton purchase was 6 months

Gym	Avg Cancellation Vs. Peloton Purchase (in months)
Equinox	7
Planet Fitness	7
Orangetheory	6
Soul Cycle	5
Barry's Boot Camp	3
Golds Gym	3
Flywheel	-1
David Barton Gym	-4

The jury is still out on whether Peloton is a fitness fad or a sticky streaming media company. Contact our team at equities@1010data.com if you'd like to track their progress on a daily basis.