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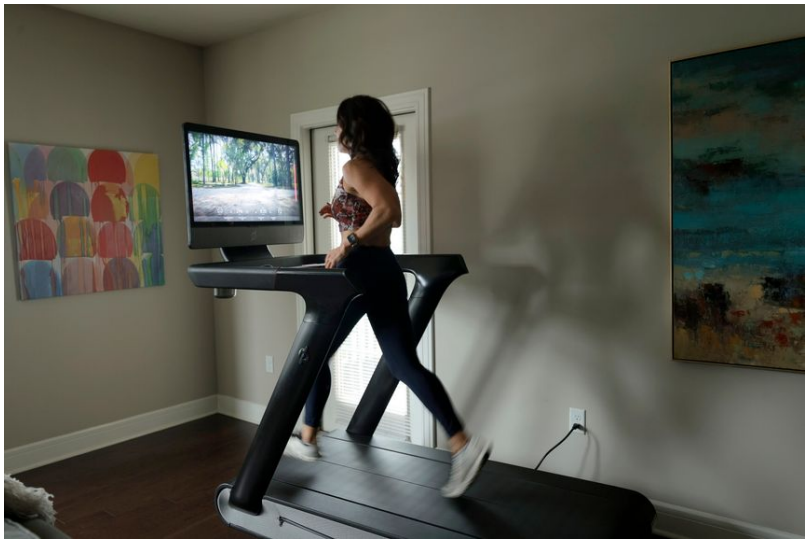
BUSINESS

Peloton, in Reversal, Plans to Raise $1 Billion in Stock Offering

Fitness-equipment maker to sell shares for first time since 2019 IPO after stretch of heavy spending



The company had said recently that it didn't need additional capital despite wider-than-expected losses.

PHOTO: MICHAEL LOCCISANO/GETTY IMAGES

By Sharon Terlep

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Peloton Interactive Inc. on Tuesday announced a $1 billion stock offering, just weeks after the maker of connected fitness equipment said it didn't need additional capital to weather wider-than-expected losses and slowing growth.

Peloton poured hundreds of millions of dollars into ramping up manufacturing to meet soaring demand during the pandemic as more people worked out at home. The company's revenue more than doubled last year compared with 2019 despite product shortages and delays.

Then Peloton's fortunes changed. Earlier this month, the company said fewer people were joining its online workouts and warned that its annual revenue could be nearly 20% lower than it initially predicted.

Asked on Nov. 4 by analysts whether Peloton needed additional cash to deal with the shift, finance chief Jill Woodworth said, "Cutting to the chase, we don't see the need for any additional capital raise based on our current outlook." Ms. Woodworth said Peloton instead would consider putting off capital investments and cut costs.

"While we are sufficiently capitalized, we see an opportunity to expand our liquidity position to ensure we are making the best strategic decisions for Peloton's medium and long-term growth opportunity," a Peloton spokeswoman said in a statement Tuesday.

The New York-based company said it would use proceeds from the stock sale for general corporate purposes, which could include building or expanding facilities or buying other companies, products or technologies.

Peloton's reversal on raising capital reflects how it is re-evaluating its capital structure after being among corporate America's pandemic growth stories. Peloton had $924 million in cash, cash equivalents, and marketable securities at the end of September, down 66% from its position at the end of March.

The company said it expects net proceeds of $1.07 billion from the offering, its first since going public in 2019. It priced the sale of 23.9 million shares at $46 each.

Peloton's share price was above $160 in late December, a more than eightfold increase from March 2020. The stock traded around $53 Tuesday, up nearly 12% for the day.

New share offerings often dilute the value of existing shares, which typically drives the price lower. BMO Capital Markets analyst Simeon Siegel said that Peloton shares likely jumped in part because investors who feared the company would run short on cash are relieved that it will have a $1 billion cushion.

"What we're seeing now is many people had concerns over Peloton's liquidity," he said in an interview.

As sales climbed last year, Peloton Chief Executive John Foley argued that demand, while bolstered by the pandemic, would continue to grow afterward because Peloton's streaming content and high-end equipment would still draw converts even when gyms reopen.

"Now that Peloton is here and now that the experiences at home are incredible, that has nothing to do with Covid," he said last December. "That is a human need of, 'I want to get

fit.'"

He bet on sustained demand with the $420 million acquisition in commercial fitness-equipment provider Precor Inc., a move that ramped up capacity and gave the company U.S.-based manufacturing. Peloton also announced plans this spring to build a $400 million factory in Ohio to open in 2023.

Peloton has also dealt with the fallout from a recall fight with U.S. regulators, which led the company in May to halt sales of its Tread+ treadmill. The product has yet to return to market.

Earlier this month, executives said the company had found it challenging to predict and adjust as demand falls from its pandemic highs.

"In racing to meet COVID-driven demand, [Peloton] embarked on a massive and increasingly seemingly unnecessary investment spree, dwindling cash and ballooning inventory, while demand tapered," Mr. Siegel said in a research note.

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