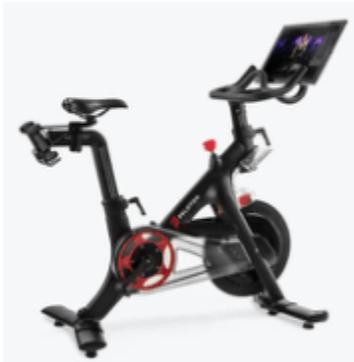




HONEYCOMB ASSET MANAGEMENT LP

Potential Opportunity: BUY Peloton



Price Target (June 2020): \$38 / +60%
Price Target (June 2021): \$53 / +126%
Purchase Price: \$23.58

March 7, 2019

IMPORTANT LEGAL DISCLOSURE



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An investment in the Funds is not suitable for all investors. An investment in the Funds will be suitable only for certain financially sophisticated investors who meet certain eligibility requirements, have no need for liquidity in their investment, can bear significant investment losses, and can bear the risk of an investment in the Funds for an extended period of time. No guarantee or representation is made that and Fund's investment program, including, without limitation, its investment objectives, diversification strategies, or risk monitoring goals, will be successful. Investment results may vary substantially over time, and substantial losses may occur. Nothing herein is intended to imply that any Fund's investment methodology may be considered "conservative", "safe", "risk free" or "risk averse". Economic, market and other conditions could also cause the Funds to alter their investment objectives, guidelines and restrictions.

Certain information contained in this document constitutes "forward-looking statements", which can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "target", "project", "estimate", "intend", "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties and assumptions made by the Investment Manager, actual events or results may differ materially from those reflected or contemplated in such forward-looking statements.

Past performance is not indicative nor a guarantee of future returns.

KEY INVESTMENT POINTS

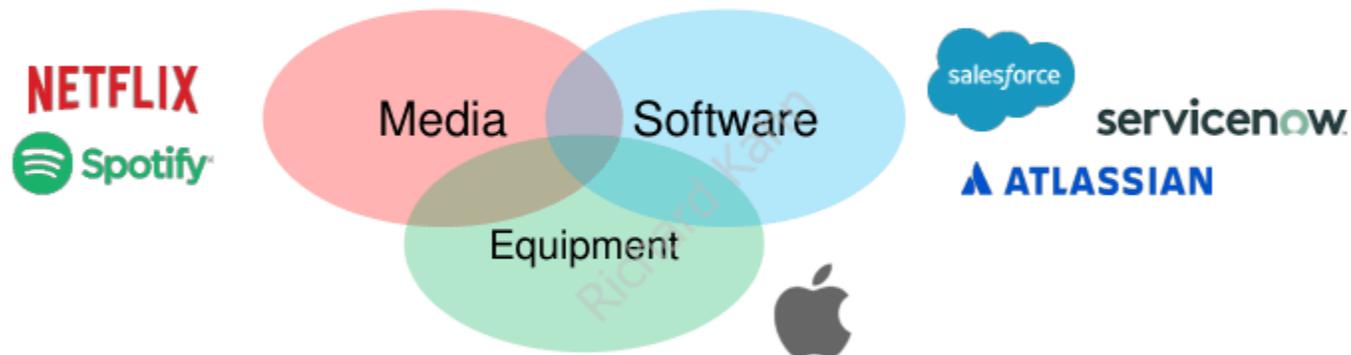
We see potential for Peloton to become the Apple + Netflix of Fitness



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WHY INVEST IN PELOTON?

- **Offering:** With a leading hardware, software, and media-integrated offering, we believe Peloton can be a disruptor in the \$100B global fitness market
 - We see Peloton as multiple companies in one, which widens the competitive moat



- **Growth:** We forecast a >60% revenue CAGR through 2022, supported by the signature cycling product, new product roll-outs, and international expansion
 - We believe Wellness is a long-term secular trend and see Peloton using technology to connect the world through fitness
- **Attractive Return:** We see potential +126% upside to our June 2021 PT and a potential 42% gross IRR, with high growth and a low-churn subscription component driving value creation
 - Peloton has indicated plans to go public in 2019¹

¹ Source: WSJ "Peloton Interviews Banks for IPO" (Feb 11, 2019); WSJ "Take a Ride With Peloton CEO John Foley" (Nov 5, 2018)

PELTON OVERVIEW: COMPANY BACKGROUND

Disruptive hardware, software, and media-integrated fitness offering



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Background

- Founded in 2012 by CEO John Foley and headquartered in NYC
- 1,200+ employees and growing, including a >200 person software engineering team
- Over \$800M of revenue, growing 100% Y/Y (per CEO Yahoo Finance interview)

Product Offering

- Peloton started with its signature Bike product (>300K sold) and recently launched a Treadmill
- Peloton offers monthly subscriptions, both with the physical products and as a standalone app. Peloton has ~300K subscribers and ~1M members, with multiple members of a household able to share a subscription

Engagement

- Over 2.5M rides taken monthly by the Peloton community (as of Apr. 2018). The average rider uses Peloton 12-13 times per month
- Peloton riders rode 165M miles in the year ended August 2018, with 600M+ calories burned per month
- Net churn for the subscription business is <1% per month, and 96% of Peloton Bikes and Treadmills sold have active memberships attached

Media

- Up to 14 daily live Bike rides, with instructors who gain 'celebrity' status. Average of ~500 riders per class
- Library of >10K on-demand classes across major fitness verticals. 10% of classes are taken live versus 90% on-demand
- Peloton is spending \$45M to develop a new digital media studio in NY, with an additional studio planned in Europe

Distribution

- Peloton operates its own retail stores (70+ currently) and its own logistics network

Source: Honeycomb, Company website, CEO interviews (WSJ, Strategy Business Interview, Yahoo Finance, CNBC)

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PELOTON OVERVIEW: PRICING OPTIONS

Equipment packages (incl. financing options), plus membership subscriptions



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- Base price of \$2,245 for the Peloton Bike, including delivery, setup, and a 1 year warranty. Additional packages include accessories
 - Option to finance the purchase at 0% APR for \$58/month for the base Bike package
- Subscriptions for both bikes and treadmills are \$39/month through the Peloton equipment or \$19.49/month through Peloton's digital app

Choose your Bike experience

Get what you need to start training, whether it's just the Peloton Bike, warranty and Membership, which gets you unlimited access to Peloton classes, or accessories to equip you and your family.

BASICS PACKAGE	ESSENTIALS PACKAGE	WORKS PACKAGE	FAMILY PACKAGE
\$2,245	\$2,404	\$2,494	\$2,694
Or pay as low as \$58/mo for 39 mos at 0% APR	Or pay as low as \$62/mo for 39 mos at 0% APR	Or pay as low as \$64/mo for 39 mos at 0% APR	Or pay as low as \$70/mo for 39 mos at 0% APR
SHOP NOW	SHOP NOW	SHOP NOW	SHOP NOW
Includes Peloton Bike 1 Yr. Limited Warranty Delivery and Setup (Est.) ⓘ	Includes Peloton Bike 1 Yr. Limited Warranty Delivery and Setup (Est.) ⓘ Shoes (1 Pair) Weights (1 Pair) Headphones (1 Pair)	Includes Peloton Bike 1 Yr. Limited Warranty Delivery and Setup (Est.) ⓘ Shoes (1 Pair) Weights (1 Pair) Headphones (1 Pair) Heart Rate Monitor Bike Mat	Includes Peloton Bike 1 Yr. Limited Warranty Delivery and Setup (Est.) ⓘ Shoes (2 Pairs) Weights (1 Pair) Headphones (2 Pairs) Heart Rate Monitor (2) Bike Mat Water Bottles (2)

PELOTON MEMBERSHIP

Access all classes via the Peloton Bike, Tread and app

\$39/mo
Requires Peloton Bike or Tread

SHOP BIKE SHOP TREAD

- ✓ Unlimited Peloton classes on the Bike, Tread and on the go
- ✓ 20+ live classes daily and over 10,000 on-demand
- ✓ Unlimited user profiles
- ✓ A variety of class types including cycling, running, bootcamp, yoga, outdoor and more
- ✓ Includes Digital Membership (access on iOS, Android and Web)
- ✓ Instructor curated training programs
- ✓ Live workout metrics including distance, heart rate, and resistance
- ✓ Detailed workout performance dashboard
- ✓ Live and on-demand class Leaderboard

Source: Company website as of March 2019

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PELOTON OVERVIEW: PRICING OPTIONS

Equipment packages (incl. financing options), plus membership subscriptions



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- Base price of \$4,295 for the Peloton Treadmill, including delivery, setup, and a 1 year warranty. Additional packages include accessories
 - Option to finance the purchase at 0% APR for \$179/month for the base Tread package
- Subscriptions for both bikes and treadmills are \$39/month through the Peloton equipment or \$19.49/month through Peloton's digital app

Choose your Tread experience

Get what you need to start training, whether it's just the Peloton Tread, warranty and Membership, which gets you unlimited access to Peloton classes, or accessories to equip you and your family.

BASICS PACKAGE	ESSENTIALS PACKAGE	WORKS PACKAGE	FAMILY PACKAGE
\$4,295	\$4,524	\$4,644	\$4,844
Or pay as low as \$179/mo for 24 mos at 0% APR	Or pay as low as \$189/mo for 24 mos at 0% APR	Or pay as low as \$194/mo for 24 mos at 0% APR	Or pay as low as \$202/mo for 24 mos at 0% APR
SHOP NOW	SHOP NOW	SHOP NOW	SHOP NOW
Includes Peloton Tread 1 Yr. Limited Warranty Delivery and Setup (Est.)	Includes Peloton Tread 1 Yr. Limited Warranty Delivery and Setup (Est.) Resistance Bands (1 Set) Free Weights (2 Pairs) Exercise Mat	Includes Peloton Tread 1 Yr. Limited Warranty Delivery and Setup (Est.) Resistance Bands (1 Set) Free Weights (2 Pairs) Exercise Mat Wireless Earbuds (1 Pair) Glass Water Bottle	Includes Peloton Tread 1 Yr. Limited Warranty Delivery and Setup (Est.) Resistance Bands (1 Set) Free Weights (3 Pairs) Exercise Mat Wireless Earbuds (2 Pairs) Glass Water Bottle (2) Heart Rate Monitor

PELOTON MEMBERSHIP

Access all classes via the Peloton Bike, Tread and app

\$39/mo
Requires Peloton Bike or Tread

SHOP BIKE SHOP TREAD

- ✓ Unlimited Peloton classes on the Bike, Tread and on the go
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- ✓ Live workout metrics including distance, heart rate, and resistance
- ✓ Detailed workout performance dashboard
- ✓ Live and on-demand class Leaderboard

Source: Company website as of March 2019

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INVESTMENT HIGHLIGHTS: LARGE TOTAL ADDRESSABLE MARKET (TAM)

The Global Fitness market is large and ripe for disruption



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- We see a \$100B Global Fitness industry, with nearly \$90B in Health Club revenue (per IHRSA) and over \$10B in Fitness Equipment sales annually (per Zion Market Research)
- The US Health Club industry is only ~1/3rd of the global total → International is a 2x larger opportunity
- US health clubs have over 60M members, and the Global industry has over 174M members. We believe Peloton can grow their ~300K subscriber base by 3x in two years, and Peloton would still represent less than ~1% penetration of total fitness memberships
- The 200,000+ Global health club locations are also potential customers for Peloton products

Traditional

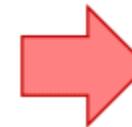
EQUINOX



Boutique

SOULCYCLE

BARRY'S



At Home



Source: International Health, Racquet & Sportsclub Association (IHRSA); Jefferies; Honeycomb estimates

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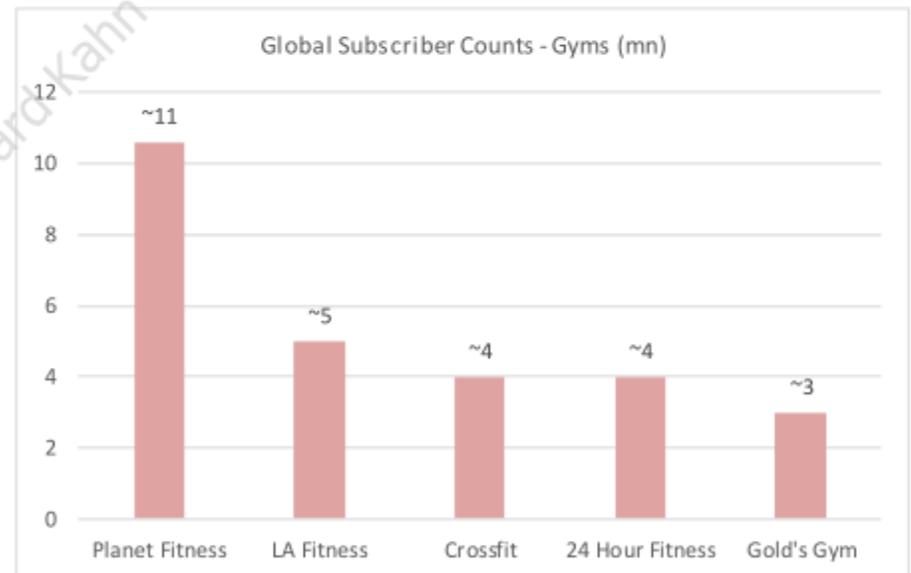
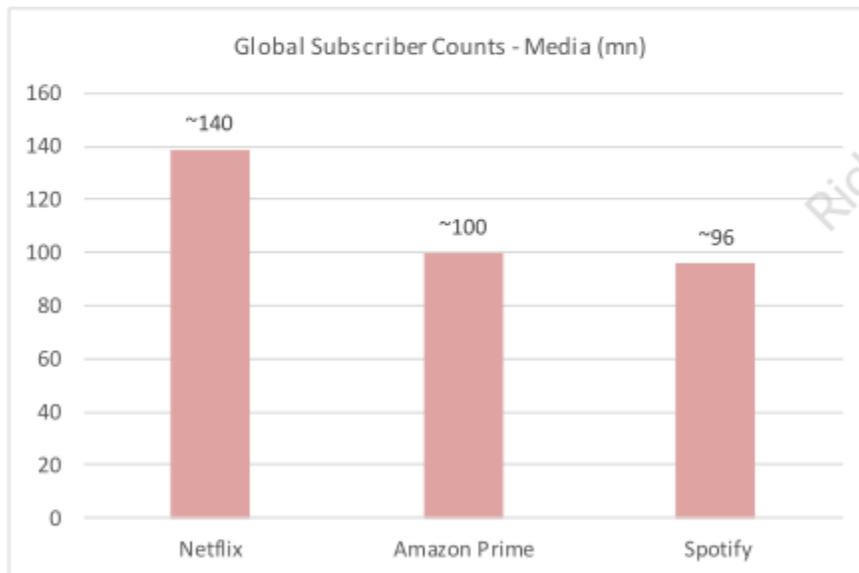
INVESTMENT HIGHLIGHTS: LARGE TOTAL ADDRESSABLE MARKET (TAM)



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Leading subscription businesses have very large user bases

- Leading subscription services across media verticals have achieved subscriber bases in the ~100M range or higher, while leading gym companies have member bases numbering in the millions
- With ~300K subscribers by our estimates, we see a significant growth runway for Peloton as the premier Fitness-as-a-Service company
 - For Peloton's app-based offering, we see a potential TAM of 100M+ households globally



Source: Jefferies, Honeycomb estimates

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INVESTMENT HIGHLIGHTS: BRAND RECOGNITION

Survey shows high recognition plus runway for adoption



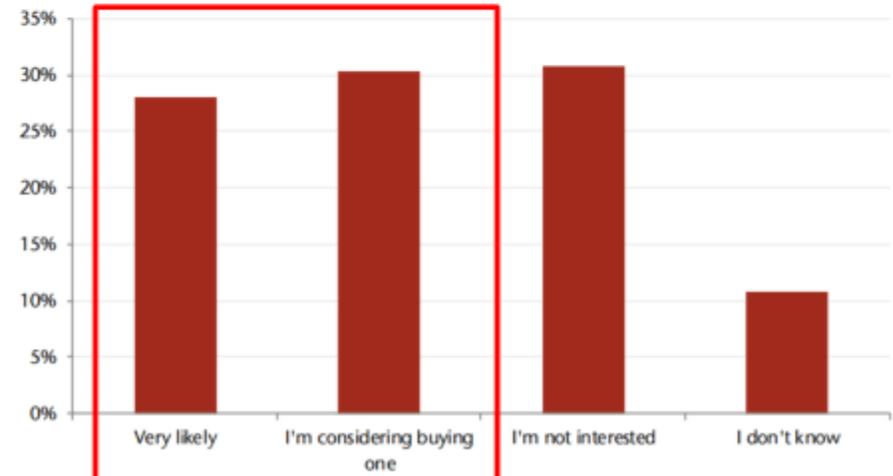
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- According to Jefferies Equity Research in an August 2018 survey, 53% of respondents indicated they are aware of Peloton
- Over 60% of surveyed people plan to consume home workouts and 30% have canceled a health club membership
- Only 12% of respondents indicated owning a Peloton, but 58% said they were either very likely to buy or considering buying one

Chart 14: Which of the following statements are true, select all that apply.



Chart 15: How likely are you to purchase a Peloton in the next 12 months?



Source: Jefferies

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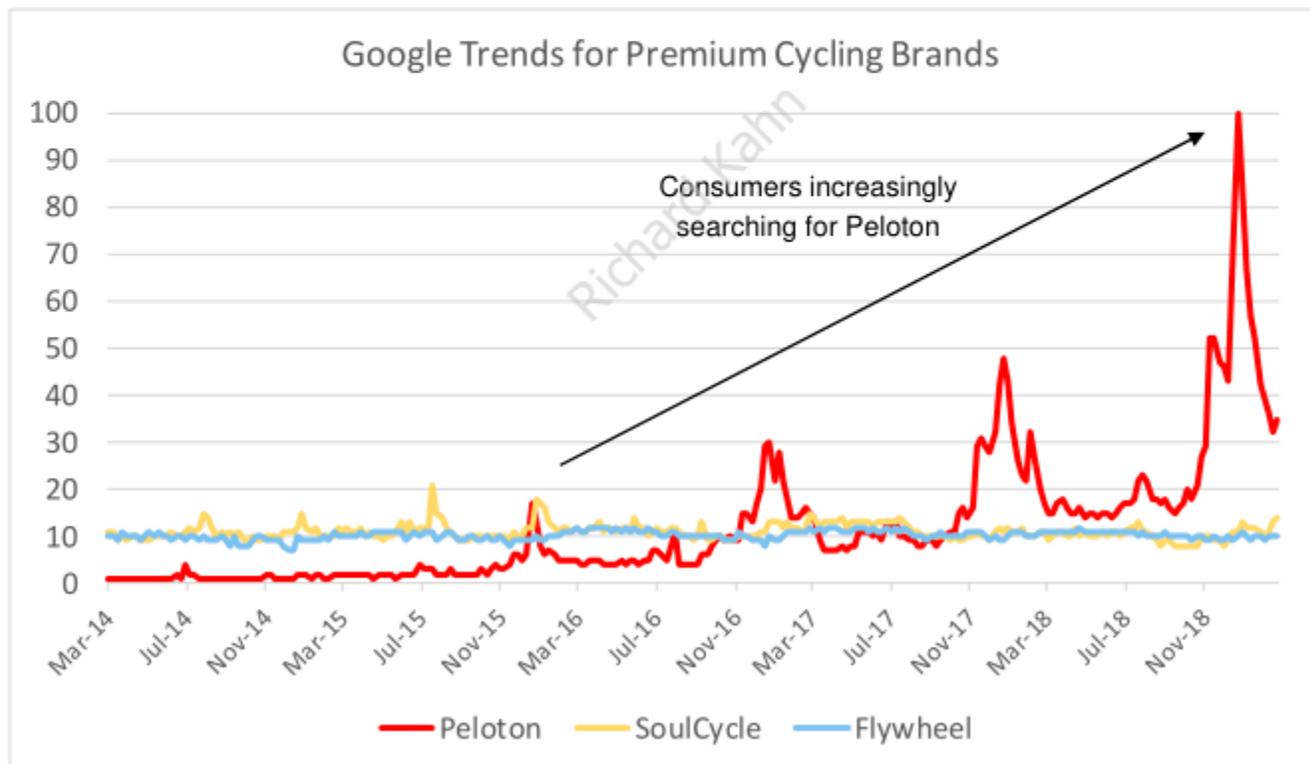
INVESTMENT HIGHLIGHTS: BRAND RECOGNITION

Peloton is outpacing peers in Google Trend results



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- Peloton Google search interest in the US continues to accelerate, with higher peaks each year in the seasonally strong 4Q, while SoulCycle and Flywheel search trends have flattened out
- We believe this demonstrates the significant lead Peloton has over competing brands



Source: Google Trends (for searches in the U.S.)

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INVESTMENT HIGHLIGHTS: BRAND RECOGNITION

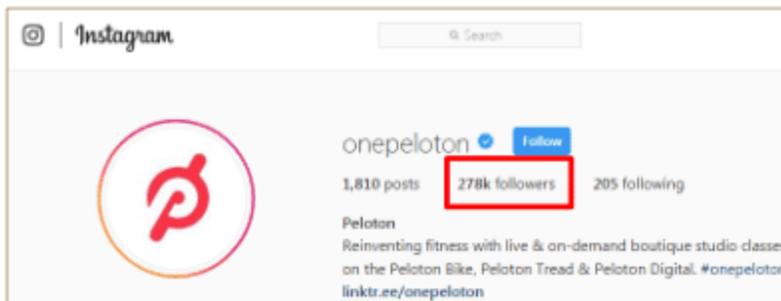
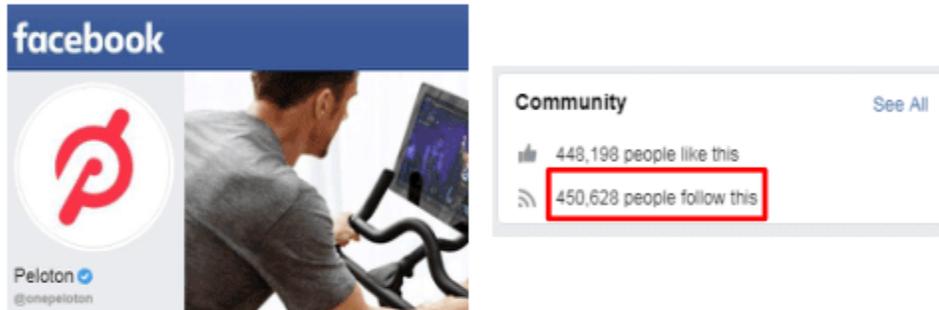


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Peloton has a passionate social media following

750K+ Facebook / Twitter / Instagram Followers

- Peloton has more followers than current subscribers



Followers Show a Passion for Peloton

- Scott Bell** @wmsbell · 3h
If you don't have it, get it, ride it, and Love it...#peloton
- tricia ramos** @triciaramos · Feb 28
Broke a new record today! Celebrating small wins and enjoying the growth that is happening here.
- Deanerzzzz** @Deanerzzzz · 15h
I've committed to 30 #peloton rides in March. Who's in??
- The Peckish Raven** @thepeckishraven · Feb 26
I started this day with a #workout by #peloton jsimsfit that was SO challenging but just what I needed. Never underestimate what you can achieve in just 30
- Kimberly Clary Wood** @KimberlyCWood · Feb 22
@AllymissLove got a #Peloton and you're my favorite- love the energy and encouragement! I never want to disappoint and I follow all the instructions- I don't even do that for my run coach!
- JackieTM** @jackster_93 · Feb 28
Replying to @ericjpride
I want the #Peloton bike so badly! Lol!

Source: Facebook, Twitter, Instagram websites

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INVESTMENT HIGHLIGHTS: HIGH-MARGIN SUBSCRIPTION MODEL



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Peloton = Not as expensive as it looks

- The Peloton bike plus subscription model is different from most premium gyms, which can have lower upfront costs but either high monthly fees or a pay-per-class offering
- Unlike gym memberships, the cost of Peloton can be spread across a household (up to 6 memberships per subscription)
 - As shown below, the two-year average monthly cost per rider for Peloton is below competitive premium fitness offerings

Fitness Option	Avg Monthly Cost Per Rider over 2Yrs	Avg Monthly Cost Per Couple over 2Yrs
PELOTON ⁽¹⁾	\$143	\$143
SOULCYCLE ⁽²⁾	\$412	\$824
BARRY'S ⁽²⁾	\$400	\$800
FLYWHEEL ⁽²⁾	\$252	\$504
EQUINOX ⁽⁴⁾	\$250	\$500
the bar method. ⁽³⁾	\$300	\$600
CLASSPASS ⁽³⁾	\$160	\$320
Orangetheory ⁽³⁾ FITNESS	\$280	\$560

→ Cheaper per month than alternatives

Source: Company websites (New York prices)

(1) Assumes average fully-loaded bike upfront cost of \$2,494 + \$39/mo subscription; (2) Assumes 12 classes per month (3 per week) at a 10-class pack + 2 single class rate;

(3) Assumes most cost effective monthly membership; (4) Assumes global access membership

INVESTMENT HIGHLIGHTS: HIGH-MARGIN SUBSCRIPTION MODEL

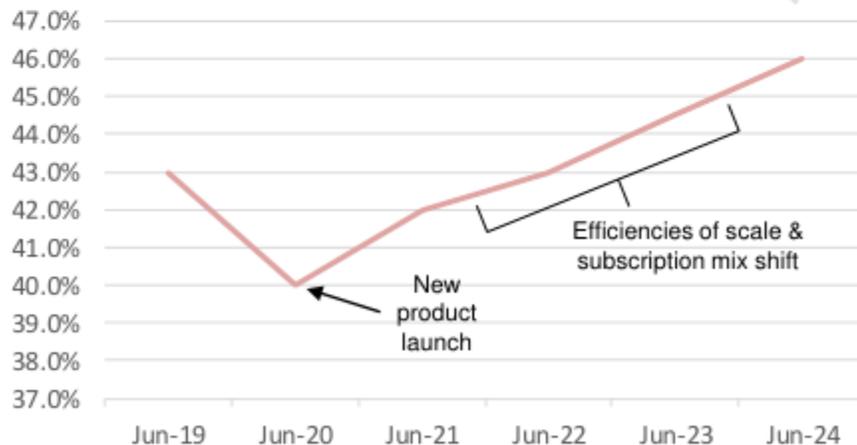


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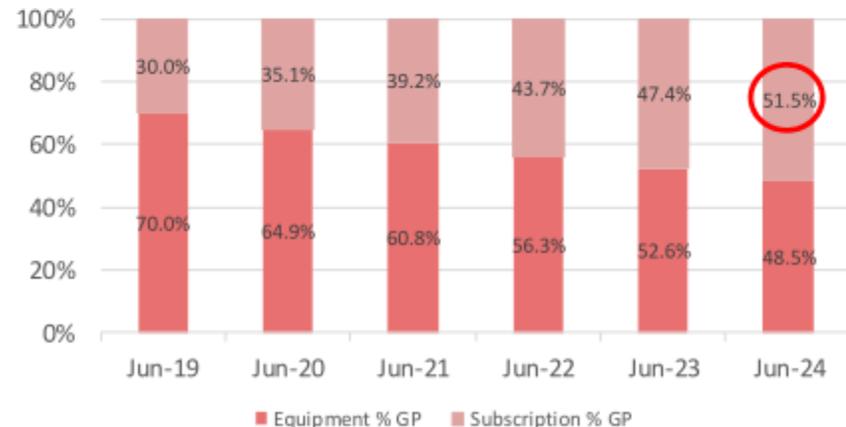
As the subscription business grows, the margin profile improves

- Low churn (estimated <1% monthly), supported by a high quality offering, multiple user profiles (like Spotify/Netflix), and in-home convenience
 - We understand 96% of Peloton Bikes and Treads have active memberships attached, and used bikes sell for only a ~10% secondary market discount given the high demand for the product
 - High engagement with consumers averaging 12-13 rides per month, up from 7-8 in the earlier days of the company per CEO John Foley in a May '18 interview
- Peloton's subscription revenue has the ability to earn very high incremental margins, which will have the effect of driving up total company margins
- We believe other potential services like Advertising and Commerce would also be very high-margin revenue streams to leverage Peloton's fixed cost base (we do not underwrite these additional business opportunities, but see them as upside optionality)
- By FY June 2024 on Honeycomb estimates, we believe over 50% of Peloton's gross profits will be from their Subscription business

Peloton Total Gross Margin



Peloton Gross Margin Mix



Source: Honeycomb estimates, CEO interview (The Clip Out Podcast interview with John Foley, May 2018)

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INVESTMENT HIGHLIGHTS: GROWTH PIPELINE

New products, new markets, and app offering support growth



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- **New Products, Starting with Tread:**

- Bike customers that buy a Tread have no additional monthly subscription cost
- Treadmill pre-sales were 3x management's estimates over the first six months
- We see opportunities for lower priced models and a potential 3rd product

- **New Markets:**

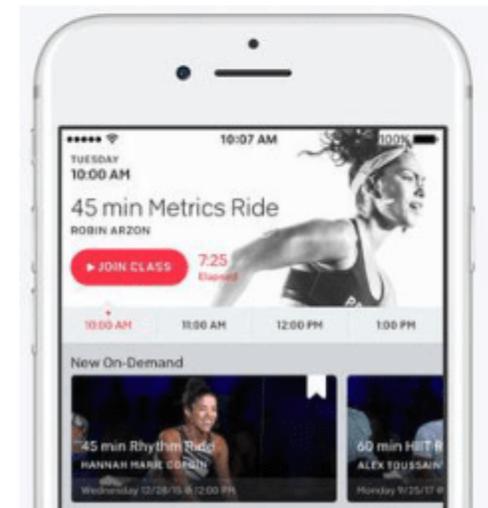
- We see international expansion as a meaningful growth opportunity

- **App Offering**

- With talented instructors and loyal customers, we see Peloton as a leader in app-based fitness subscriptions
- Peloton content can be leveraged on the 17M treadmills in American homes today

- **Additional Monetization Opportunities**

- Media strategy could evolve to include targeted Advertising and e-Commerce



Source: Honeycomb, Company website, CEO interview (Yahoo Finance)

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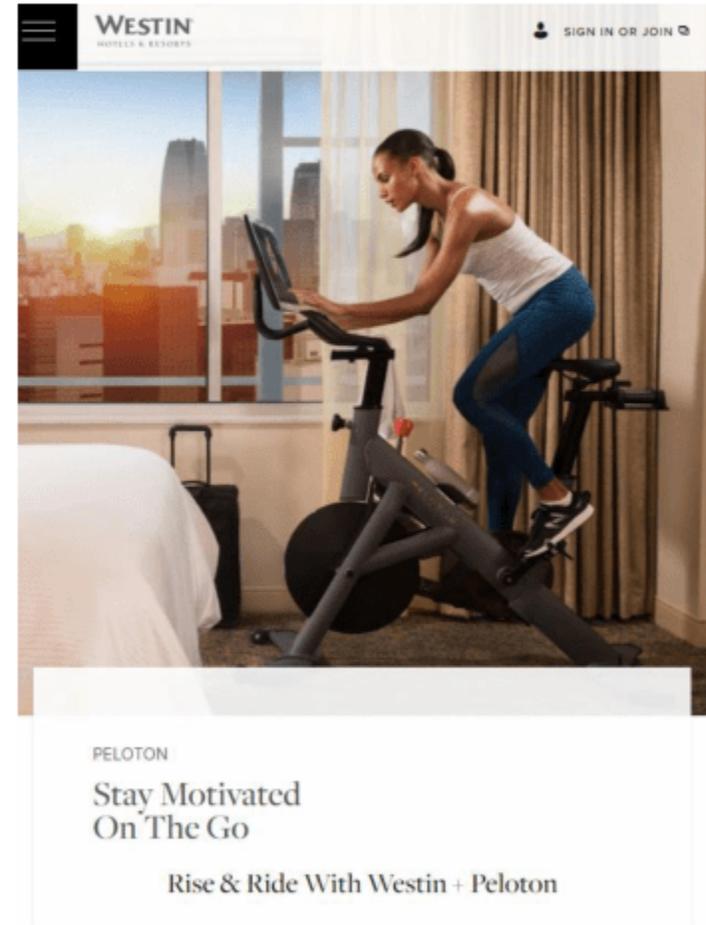
INVESTMENT HIGHLIGHTS: COMMERCIAL PARTNERSHIPS

Expanding past residential opens new markets and further builds the brand



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- We see growth potential from expanding commercial partnerships such as those with hotels, apartment buildings, and corporate offices
- As an example, Westin Hotels has a partnership in place with Peloton, with bikes in Westin fitness centers and select guest rooms at 50+ locations across the US
 - We think this is a win-win partnership, with travelers looking for fitness options and Peloton obtaining new users
 - According to a survey by Studylogic, 83% of travelers said access to wellness programs while traveling is at least somewhat important when choosing a hotel
 - In particular, Millennials, those in their 20s and 30s who are starting to travel more, largely said they intend to exercise on the road. Nearly 40% of them specifically planned to cycle



Source: Honeycomb; Westin website; USA Today article: 'Workout amenity: Peloton bikes in hotel rooms'

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VALUATION AND COMPS



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- We forecast a 3-year revenue and gross profit CAGR of >60%, with EBITDA profitability by FY June 2022
- We see +60% potential upside to our June 2020 Price Target with a potential 43% gross IRR
- We see +126% potential upside to our June 2021 Price Target with a potential 42% gross IRR

Stock Price	\$23.58
FDS O/S	287
Market Cap	6,762
Debt	0
Cash	(450)
TEV	6,312

June 2020 Price Target		June 2021 Price Target	
June 2021 Gross Profit	1,109	June 2022 Gross Profit	1,628
EV / Gross Profit multiple	10.0x	EV / Gross Profit multiple	10.0x
TEV	11,094	TEV	16,284
Debt	0	Debt	0
Cash	(572)	Cash	(501)
Market Cap	11,667	Market Cap	16,785
FDS O/S	309	FDS O/S	315
Price Target	\$37.79	Price Target	\$53.35
% gross return	60.3%	% gross return	126.3%
Gross IRR	43.1%	Gross IRR	42.3%

	Jun-19E	Jun-20E	Jun-21E	Jun-22E	Jun-23E	Jun-24E	'19-22 3-yr CAGR	'19-24 5-yr CAGR
Consolidated PNL								
Equipment Revenue	\$700	\$1,347	\$1,962	\$2,691	\$3,421	\$4,150	56.7%	42.8%
Subscription Revenue	\$184	\$386	\$680	\$1,096	\$1,607	\$2,267	81.2%	65.2%
Total Revenue	\$884	\$1,733	\$2,641	\$3,787	\$5,028	\$6,416	62.4%	48.6%
% yoy change	103.2%	96.0%	52.4%	43.4%	32.8%	27.6%		
\$ yoy change	449	849	908	1,146	1,241	1,388		
EV / Revenue	7.1x	3.6x	2.4x	1.7x	1.3x	1.0x		
% total revenue								
Equipment revenue	79.2%	77.7%	74.3%	71.1%	68.0%	64.7%		
Subscription revenue	20.8%	22.3%	25.7%	28.9%	32.0%	35.3%		
Equipment Gross Profit	\$266	\$450	\$674	\$916	\$1,177	\$1,433		
Subscription Gross Profit	\$114	\$243	\$435	\$712	\$1,061	\$1,519		
Gross Profit	\$380	\$693	\$1,109	\$1,628	\$2,238	\$2,952	62.4%	50.7%
% yoy change	85.9%	82.4%	60.0%	46.8%	37.4%	31.9%		
% margin	43.0%	40.0%	42.0%	43.0%	44.5%	46.0%		
\$ yoy change	176	313	416	519	609	714		
EV / Gross Profit	16.6x	9.1x	5.7x	3.9x	2.8x	2.1x		
% total gross profit								
Equipment Gross Profit	70.0%	64.9%	60.8%	56.3%	52.6%	48.5%		
Subscription Gross Profit	30.0%	35.1%	39.2%	43.7%	47.4%	51.5%		
Operating Expenses	(\$483)	(\$869)	(\$1,181)	(\$1,476)	(\$1,801)	(\$2,162)	45.2%	35.0%
% yoy change	125.0%	80.0%	36.0%	25.0%	22.0%	20.0%		
% sales	(54.6)%	(50.1)%	(44.7)%	(39.0)%	(35.8)%	(33.7)%		
\$ yoy change	(268)	(386)	(313)	(295)	(325)	(360)		
EBITDA	(\$102)	(\$175)	(\$72)	\$152	\$436	\$790	n/m	n/m
% yoy change	923.5%	71.2%	(59.0)%	(311.7)%	187.1%	81.1%		
% margin	(11.6)%	(10.1)%	(2.7)%	4.0%	8.7%	12.3%		
\$ yoy change	(92)	(73)	103	224	284	354		
EV / EBITDA	(61.7)x	(36.0)x	(87.9)x	41.5x	14.5x	8.0x		

Source: Honeycomb estimates

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VALUATION AND COMPS



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ASSET MANAGEMENT

- Internet and Software peers trade for 10-12x GP for much slower growth than Peloton

Internet Subscription Comps

Ticker	Price	Mkt Cap	EV	EV/Sales			Sales Growth			EV/GP			Gross Profit Growth		
				2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Internet Subscription Comps															
NFLX	\$356.81	\$155,783	\$162,348	8.0x	6.5x	5.5x	28%	24%	19%	20.5x	16.1x	13.5x	36%	27%	19%
SPOT	\$141.94	\$25,671	\$23,865	3.2x	2.6x	2.1x	22%	23%	23%	12.9x	10.0x	7.8x	16%	29%	28%
SHOP	\$188.16	\$20,807	\$18,838	12.7x	9.6x	7.4x	38%	32%	30%	22.8x	17.2x	13.0x	38%	33%	33%
MTCH	\$54.83	\$15,267	\$16,596	8.3x	7.2x	6.4x	16%	15%	13%	11.0x	9.5x	8.4x	14%	15%	14%
SNAP	\$9.59	\$12,669	\$11,390	7.4x	5.7x	4.6x	31%	30%	24%	16.6x	10.8x	8.1x	78%	54%	34%
TME	\$17.90	\$29,271	\$17,786	4.5x	3.3x	2.6x	41%	35%	29%	12.5x	9.2x	7.2x	31%	36%	26%
ROKU	\$72.00	\$7,924	\$7,574	7.5x	5.6x	4.3x	37%	32%	31%	16.3x	11.8x	8.6x	40%	39%	36%
CHGG	\$39.48	\$4,575	\$4,390	11.2x	9.2x	7.2x	23%	22%	28%	14.7x	12.0x	9.1x	24%	23%	32%
Average				7.8x	6.2x	5.0x	29%	27%	25%	15.9x	12.1x	9.5x	35%	32%	28%
Median				7.7x	6.1x	5.0x	29%	27%	26%	15.5x	11.3x	8.5x	34%	31%	30%
Peloton	\$23.58	\$6,762	\$6,312	4.4x	2.7x	1.9x	98%	62%	46%	10.8x	6.6x	4.4x	83%	65%	50%

Subscription Software Comps

Ticker	Price	Mkt Cap	EV	EV/Sales			Sales Growth			EV/GP			Gross Profit Growth		
				2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Subscription Software															
ADBE	\$256.16	\$125,289	\$126,185	11.1x	9.5x	8.4x	23%	17%	14%	12.7x	10.8x	9.5x	23%	18%	14%
CRM	\$156.94	\$120,059	\$118,893	7.5x	6.3x	5.4x	21%	19%	18%	9.8x	8.2x	6.9x	22%	19%	19%
INTU	\$246.26	\$63,799	\$63,449	9.3x	8.4x	NA	8%	11%	NA	11.0x	9.9x	NA	8%	11%	NA
NOW	\$236.30	\$42,652	\$41,816	12.2x	9.5x	7.6x	32%	28%	25%	15.0x	11.6x	9.1x	34%	29%	27%
WDAY	\$183.76	\$40,060	\$39,486	11.3x	9.2x	7.5x	27%	23%	23%	14.9x	12.0x	9.7x	30%	24%	24%
ADSK	\$153.34	\$33,583	\$34,717	10.8x	8.9x	8.1x	29%	22%	10%	11.8x	9.7x	8.8x	30%	22%	11%
TEAM	\$106.03	\$25,394	\$24,586	18.1x	14.9x	11.3x	31%	22%	31%	21.1x	17.4x	NA	32%	21%	NA
Average				11.5x	9.5x	8.0x	24%	20%	20%	13.8x	11.4x	8.8x	26%	21%	19%
Median				11.1x	9.2x	7.8x	27%	22%	20%	12.7x	10.8x	9.1x	30%	21%	19%
Peloton	\$23.58	\$6,762	\$6,312	4.4x	2.7x	1.9x	98%	62%	46%	10.8x	6.6x	4.4x	83%	65%	50%

Source: Bloomberg consensus estimates; Honeycomb estimates for Peloton (calendarized multiples)

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