**Peloton Narrows Losses**

**as Sales Fall Less Than Forecast**

**Company holds steady at 3 million subscribers,**

**generates more revenue from classes than bike sales**

Peloton reported a 30% drop in sales in the most recent quarter.

By [Sharon Terlep](https://www.wsj.com/news/author/sharon-terlep) Updated Feb. 1, 2023 10:56 am ET

[Peloton Interactive](https://www.wsj.com/market-data/quotes/PTON) Inc. [PTON](https://www.wsj.com/market-data/quotes/PTON?mod=chiclets) reported another quarterly loss and a 30% drop in sales, though the company reduced the amount of cash being burned by its operations.

The results were better than the maker of connected fitness equipment predicted for the holiday quarter. The company held steady with about 3 million subscribers to its online workouts. Shares gained about 13% in early Wednesday trading, reaching the highest levels since the spring of 2022.

“If you’ve been wondering whether or not Peloton can make an epic comeback, this quarter’s results show the changes we’re making are working,” Chief Executive Barry McCarthy said in a letter to investors. The company [slashed costs](https://www.wsj.com/articles/this-half-built-ohio-factory-shows-how-peloton-mismanaged-the-pandemic-11653105627?mod=article_inline) and jobs last year after [demand for its bikes plunged](https://www.wsj.com/articles/peloton-chairman-john-foley-to-exit-in-management-shake-up-11663014900?mod=article_inline).

Peloton had negative cash flow of $94.4 million in the quarter ended Dec. 31, compared with negative cash flow of $546.7 million a year ago. Mr. McCarthy said excluding payments to suppliers for parts that were no longer needed the company generated free cash flow of about $8 million in the quarter.

Peloton has been racing to reverse falling demand for its bikes and treadmills, and to attract more subscribers to its fitness classes. The count of people who subscribe to its classes stagnated after surging early in the pandemic. Peloton has [cut the price of its equipment](https://www.wsj.com/articles/peloton-to-cut-price-of-bikes-raise-subscription-fees-11649955978?mod=article_inline) and is experimenting with [different subscription models](https://www.wsj.com/articles/peloton-pton-q1-earnings-report-2023-11667435962?mod=article_inline).

Mr. McCarthy said Peloton is succeeding in generating more of its total revenue from class subscriptions than equipment sales, a key goal of the company. Though the company said it had roughly 60,000 more subscribers at the end of December compared with the end of September, quarterly subscription revenue fell by about $1 million, to $411 million.

He said consumer behavior remains difficult to predict following the heights of the pandemic, when locked-down Americans splurged on pricey workout equipment. “We don’t quite have our arms around consumer behavior,” he said in a call with analysts. “We’re not back to normal yet.”

Fueling growth in the latest quarter, Mr. McCarthy said, is an offering he rolled out last year that allows people to pay a monthly fee for both Peloton equipment and subscriptions. The setup lets customers to avoid the upfront cost of machines and to return them at any time.

He said it is too soon to know if the company is getting a boost from selling bikes, treadmills and other items on [Amazon.com](https://www.wsj.com/market-data/quotes/AMZN) Inc. and at [Dick’s Sporting Goods](https://www.wsj.com/market-data/quotes/DKS) Inc. locations. “There’s not enough data to know how much revenue would have come anyway,” he said on a conference call.

The company [expanded to third-party retail sellers](https://www.wsj.com/articles/peloton-to-start-selling-bikes-apparel-through-amazon-11661347865?mod=article_inline) last year, saying the move would [expand options for consumers](https://www.wsj.com/articles/peloton-to-sell-exercise-bikes-at-dicks-sporting-goods-expanding-retail-push-11664469568?mod=article_inline) who are unfamiliar with their products and let people try out their fitness equipment in person.

Although subscribers rose in the quarter, subscription revenue declined for the first time, “continuing to raise the question as to whether Peloton has eclipsed its core-and-committed potential user base,” BMO Capital Markets analyst Simeon Siegel said in a research note.

Overall, revenue declined 30% to $792 million in the quarter, coming in above the company’s forecast of $700 million to $725 million. Analysts polled by FactSet had forecast revenue of $710 million.

Peloton expects sales between $690 million and $715 million in the current quarter, ending March 31. At the midpoint, that would reflect a 27% decline from a year ago but top analysts’ expectation of $623 million.

The company predicted it would end the March quarter with 3 million subscribers.

Executives said two parts of the restructuring efforts were being delayed. The company’s plans to sell a factory it was building in Ohio that it never ended up needing would be postponed by at least 6 months.

“It’s a great facility for the right use case, but we just have to find the right buyer,” Peloton finance chief, Liz Coddington, said. “So we’re taking the time to do that.”

They have also shelved plans to sell Precor, a maker of commercial exercise equipment, saying the offers were too low. Instead, Peloton plans to cut costs and improve results at Precor, which it will run as a stand-alone business.

Peloton’s $335 million net loss in the quarter narrowed from the $439 million loss a year earlier. The company [has laid off more than half its workforce](https://www.wsj.com/articles/peloton-to-cut-another-500-jobs-in-last-bid-for-turnaround-11665011471?mod=article_inline) since February 2022, outsourced its manufacturing operations and last year launched a $3,200 rowing machine.

The company long generated most of its income from its high-price bikes and treadmills, but as demand fell off that business model became untenable, Mr. McCarthy has said. Sales from subscriptions to classes comprised 52% of revenue in the latest quarter. In the same period two years ago, subscriptions were less than 20% of the company’s $1 billion in sales.

The company recently began offering some free classes on its app, which has previously required a monthly fee for access to any workouts. Now five short workouts are available at no cost. A spokesman said Peloton has long offered free workouts but the latest options are “more visible and organized.”

Write to Sharon Terlep at sharon.terlep@wsj.com

**Corrections & Amplifications**
Peloton Interactive Inc. Chief Executive Barry McCarthy made comments about his restructuring efforts on Wednesday. An earlier version of this article incorrectly said he had made comments on Tuesday. (Corrected on Feb. 1)

*Appeared in the February 2, 2023, print edition as 'Peloton Results Cheer Investors Despite Losses'.*