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Analysis · OVERVIEW · 8 min read · Jun 15, 2026

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Peloton: flat tire on the fitness hype

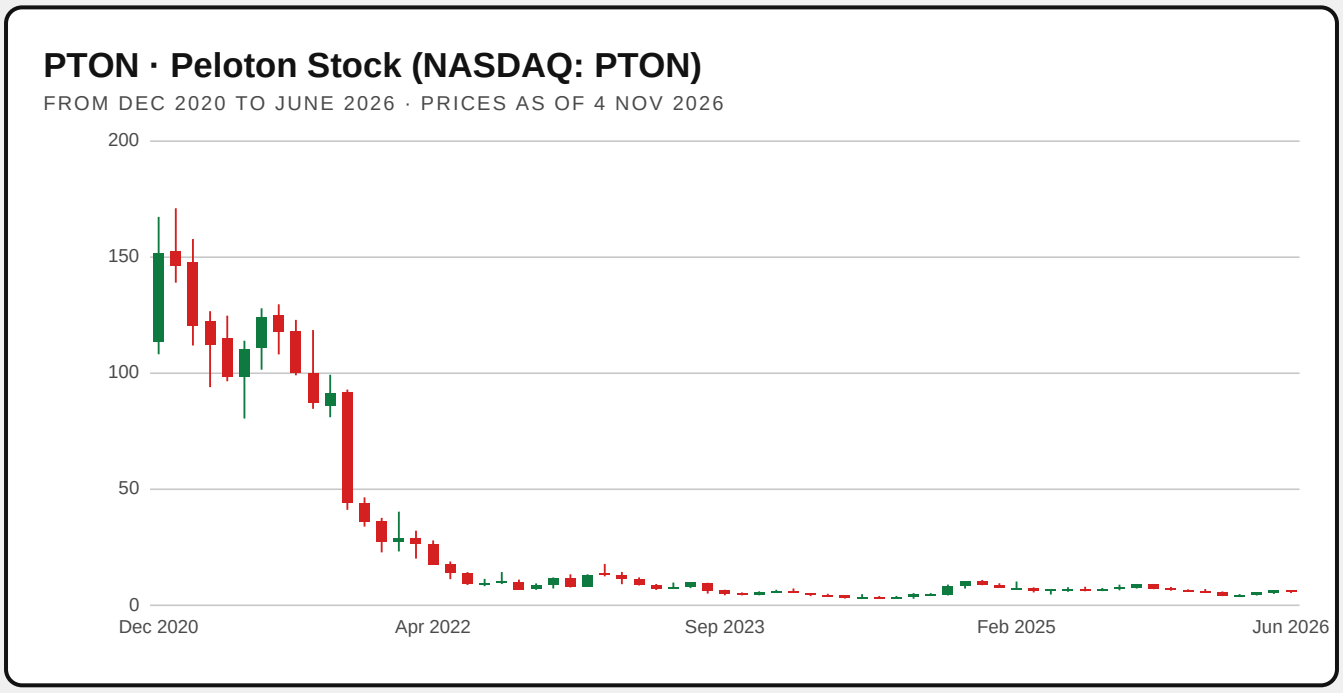
How Peloton lost its edge

Updated 4 Nov 2026

Read online: https://traderange.net/analysis/peloton-cycling-on-k96kqwms/



While everyone was at home and disappointed during 2020 a company used the opportunity to its advantage. COVID changed Peloton from a small fitness brand into a major landmark in the history of finance. During the peak of the pandemic, its $2,000 stationary bike became a status symbol and a supposed alternative to the gym. It convinced millions that high-quality home fitness was not only convenient but also better. This spike in demand pushed the company's valuation to an impressive $50 billion. Five years later, the situation has changed dramatically. Peloton's share price is around $6, down more than 95% from its highest point, and the once-essential bike has lost much of its importance.



The bubble

To understand the collapse we must first understand why Peloton's share price was so exorbitantly high. Before 2020 it was a niche luxury brand, but in March of 2020 that changed. Gyms were shut down, because of infection risk, and tens of millions of people flogged to an at home alternative, which luckily for Peloton, was them.

Due to the high prices the company adopted a monthly payment system for many customers. The company's growth model was simple and devastatingly effective during lockdowns: sell a $2,245 bike or $4,295 treadmill, lock the customer into a $44/month subscription, and watch the recurring revenue compound. In the year that followed their revenue exploded. Wait times stretched to 4 months, because demand far outstripped supply. Investors, hype on the idea of a potential market shift to home fitness valued Peloton as the "Netflix of Fitness", a subscription model with reliable profits.

The pop

There are many different causes for the pop. We will explore a number of them.

Primarily, the refusal of management to acknowledge that the COVID demand spike was temporary. By the end of 2021 vaccination rates were rising. Local gyms were re-opening and, unlike some investors had hoped, people did return to the gym. This was partially driven by the desire to work out with friends, as well as with a wider variety of equipment and existing Peloton machines became 2 thousand dollar clothing racks.

Peloton's mistake was betting everything on a

once-in-a-century black swan event, which did not lead to a permanent change in human behaviour.

The other was the very same monthly payment system. The subscription is only ever purchased after the equipment is bought, so the product with the highest margin, the software, stopped being bought once demand for the hardware itself faded. Peloton was even forced to discount their once premium $2.2k bikes to just $1,000. This signalled the market – peloton was done for. The brand lost its premium selling point and there margins have been reduced to zilch. The company went from back-ordered to over-stocked in less than nine months.

The last driver was the fact that investors bought into the idea of the recurring subscription, so they pumped the stock to an insanely high valuation that was not representative of revenue. When growth stalled the price collapsed. By 2024, connected fitness subscriber growth had flatlined and then begun to decline. Worse, the company tried to solve its revenue problems by raising membership prices from $39 to $44. This led to a painfully predictable shift away from Peloton and an increased number of cancellations. The “recurring revenue machine” narrative stopped working because the machine had no new customers feeding into it.

This on its own should not have lead to the companies decline.
During the boom, Peloton made a fatal operational mistake. It assumed the pandemic demand was permanent. So it did what any reckless, cash-flush company would do and built a In 2021, Peloton announced a $400 million factory in Ohio to build its own bikes, bypassing third-party manufacturers and t acquired a logistics company, Precor, for $420 million to manage delivery. These were not sustainable purchases once demand fell. When the collapse came, Peloton was left with hundreds of millions of dollars worth of unsold bikes, treadmills, and parts sitting in shipping containers and warehouses across the country. They had to write down inventory by over $200 million in a single quarter.

Peloton went on a streak of cost-cutting measures. Laid off employees, stopped the Ohio factory project before it was ever completed and cancelled future product lines. This warned investors that Peloton lacked strategic foresight, as they over-expanded during the boom and then had to retrench during the bust.

The spiral of doom

For eight quarters the company repeatedly missed its revenue estimates and announced rounds of layoffs in early 2022. Hearing this news the stock fell 15%. By 2024, the company had stopped reporting user growth metrics entirely, but investors reached their own conclusions.

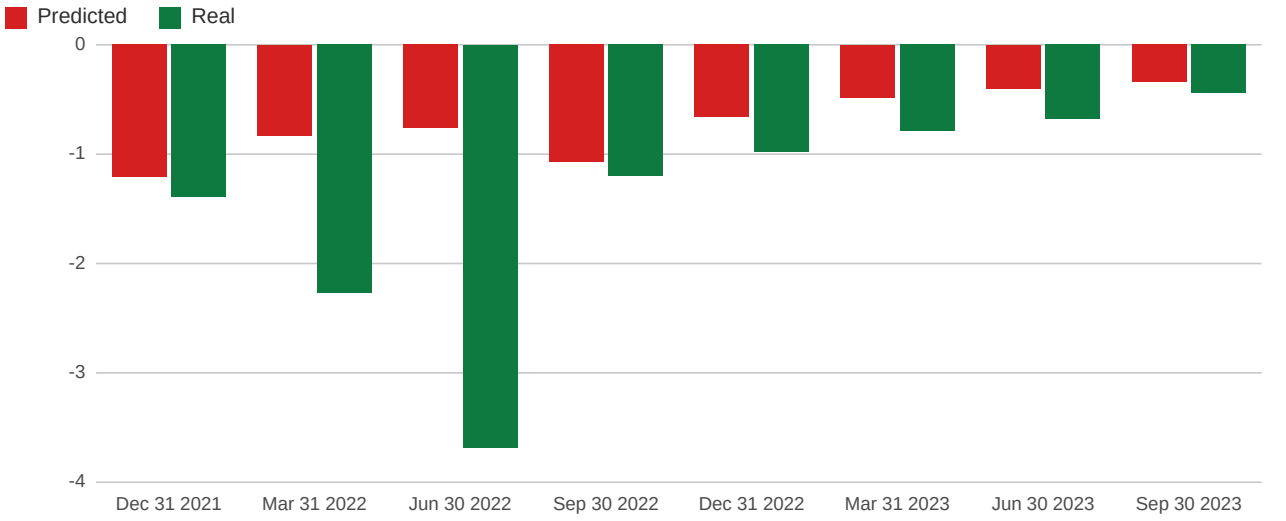
PTON · The Layoffs February

LAYOFFS WERE ANNOUNCED ON FEB 8 AFTER WHICH THE STOCK HAD A SHORT TERM RECOVERY. · PRICES AS OF 4 NOV 2026



EPS Predicted vs Real (PTON)

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The market had completely re-rated the company. From “Netflix of Fitness” they were demoted to a Hardware retailer, which was realistically what they were. This cut-off the potential of infinite subscription revenue and no amount of cost-cutting could fix the mis-pricing.

The financial consequences of this strategic negligence are now terminal. Peloton’s revenue has fallen year over year since 2022. In the most recent fiscal year, the company reported:

- Revenue: $2.6 billion (down from $4.1 billion at its peak)

- Net Loss: $585 million
- Free Cash Flow: Negative for three consecutive years
- Cash Reserves: Burned down to just $450 million, with debt covenants looming

In March 2026, Peloton announced yet another restructuring: a 15% reduction in its global workforce, the closure of its remaining retail showrooms, and a desperate pivot to a “third-party marketplace” model—selling their content on Amazon and Echelon bikes.

Conclusion

A $50 billion giant at its peak was brought down by a cascade of failures and overbuilding.
Their costs were so high, that when demand fell they couldn’t survive. It stopped being a cultural icon and became a penny stock that has to fight for every day it stays alive.If you still have a Peloton bike it probably sits as a reminder of the bubble that popped.

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