

City of Hialeah Employees Retirement System v. Peloton Interactive, Inc.

COURT: United States District Court for the Southern District of New York
CASE NUMBER: 1:21-cv-09582
CLASS PERIOD: 02/05/2021 - 01/19/2022
CASE LEADERS: Hannah Ross, Avi Josefson, Jonathan D. Uslaner

This is a securities fraud class action brought on behalf of all persons and entities who purchased or otherwise acquired the common stock of Peloton Interactive, Inc. (“Peloton” or the “Company”) from February 5, 2021, through and including January 19, 2022 (the “Class Period”).

Peloton’s Alleged Fraud

During the height of the COVID pandemic in 2020, Peloton experienced enormous and unexpected growth in demand for and sales of its Connected Fitness Products. However, by the start of the Class Period on February 5, 2021, restrictions were lifting and vaccines were available, and demand for Peloton’s bikes and treads began to decline substantially and inventory of unsold equipment began to build. These changed circumstances worsened each month during 2021. But rather than disclose these critical facts to investors, Peloton and its former top executives, including then-CEO John Foley, told the market throughout 2021 the opposite: that “We are not seeing a softening in demand,” we are “selling everything we can make,” and “inventories are healthy.”

The truth was revealed to investors on November 4, 2021, and January 20, 2022, when Peloton disclosed it had enormous quantities of unsold inventory and lacked the demand to absorb it. In response, Peloton’s stock price dropped by over 59%, wiping out over \$12.5 billion in shareholder value; investors and Wall Street analysts expressed shock; and Foley and his fellow top executives were fired from their positions, but only after having realized profits of \$383 million from selling their personal shares at prices as high as \$154/share inflated by their false statements and omissions. New CEO Barry McCarthy admitted in September 2022 that, when he arrived at Peloton in March 2022, “we were drowning in inventory,” which created “an existential threat to the business”—facts hidden from investors during the Class Period.

The complaint’s allegations are supported by the detailed accounts of 32 former Peloton employees. They describe how demand for Peloton’s Connected Fitness products across the country had dropped precipitously by the start of the Class Period and worsened thereafter, with Peloton’s warehouses stuffed to the brim with unsold Bikes and Treads. They also report how Peloton, and its top executives knew—or, at minimum, were severely reckless in not knowing—these facts. The facts are also corroborated by internal Peloton documents demonstrating class period decline in demand and excess unsold inventory disclosed after the Class Period, and by new documents showing shipments of Peloton’s products dramatically reduced by the end of June 2021.

During the Class Period, several of Peloton’s top executives and members of its Board of Directors, each of whom is named as a Defendant in this case, realized tremendous profits by selling Peloton stock while the stock price was artificially inflated as a result of their fraud. In total, these Defendants generated profits of more than \$383 million during the Class Period while lying to investors about the true status of Peloton’s business.

On May 6, 2023, Plaintiffs filed the Second Amended Consolidated Class Action Complaint for Violations of the Federal Securities Laws, which can be found under the **Case Documents** header on this page. Defendants filed their motion to dismiss the Second Amended Complaint on June 16, 2023, which Plaintiffs opposed on July 21, 2023. Defendants filed a reply on August 18, 2023.

Case Documents

- May 6, 2023 - Second Amended Consolidated Class Action Complaint