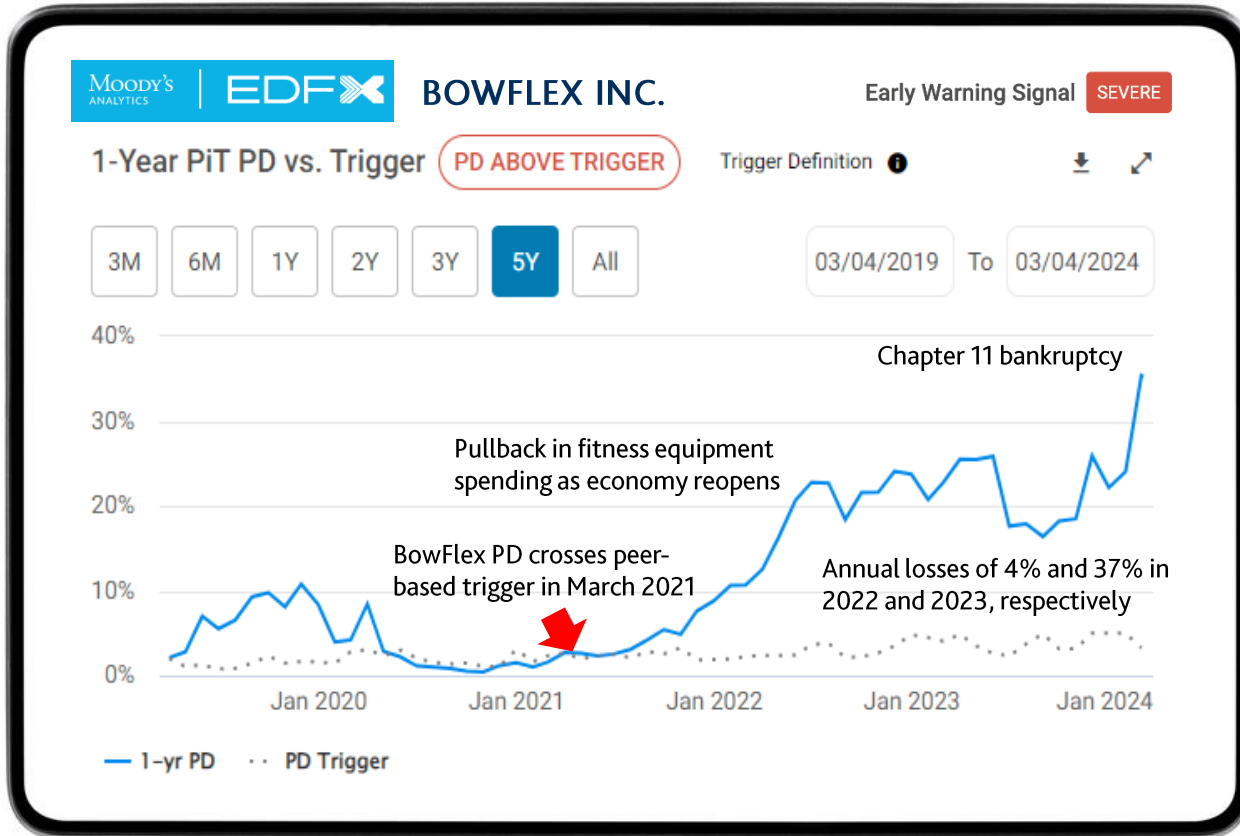


CASE STUDY: BOWFLEX INCORPORATED

An adverse economic environment and structural changes in the personal fitness market pushed BowFlex Inc. into bankruptcy



ANALYSIS

BowFlex Inc. filed for Chapter 11 bankruptcy protection on March 5th, 2024, as mounting losses and shifting dynamics in the personal healthcare market led the fitness equipment distributor to seek an acquirer. The firm has sold exercise products for over 40 years; however, BowFlex's performance faded in recent quarters and was flagged by the EDF-X Early Warning System as a Severe Credit Risk in March 2021, three years before its ultimate default.

Demand for at-home fitness equipment boomed as the COVID-19 pandemic closed gyms and health clubs in 2020. However, consumer spending patterns shifted as the economy reopened, with individuals eager to return to in-person activities. BowFlex struggled during this transition and experienced significant losses in 2022-2023. Further, the rise of GLP-1 drugs has given investors pause when considering the fitness equipment space, impacting not only BowFlex, but also peer firms like Peloton and iFit. While still in early stages of broader distribution, GLP-1 drugs aid weight loss by regulating blood sugar levels and reducing appetite, offering an alternative to strenuous exercise. The continued growth of these medications is an ominous sign for personal fitness equipment brands.

BowFlex secured financing to maintain operations during bankruptcy proceedings. While it has entered into an agreement with Johnson Health Tech Retail Inc. to sell its assets for \$37.5 million, BowFlex Inc. will also seek alternative bids.