

Google buys Fitbit for \$2.1B, stepping back into wearables

November 1 2019, by Michelle Chapman and Matt O'brien



In this Aug. 16, 2018, file photo, the Fitbit Charge 3 fitness trackers are displayed in New York. Google's parent company is buying wearable device maker Fitbit for about \$2.1 billion. Alphabet said Friday, Nov. 1, 2019, that it will pay \$7.35 per share. (AP Photo/Richard Drew, File)

Google is buying Fitbit for about \$2.1 billion, enabling the internet

company to step back into the hotly contested market for smartwatches and health trackers.

Fitbit is a pioneer in wearable fitness technology, but it's been shredded by that competition. Google, meanwhile, has been developing Wear OS software for other manufacturers to build wearable devices, but they haven't gained much traction in the face of competition from Fitbit, Apple, Samsung and others.

The deal to buy Fitbit could give Google a needed boost.

"Google doesn't want to be left out of the party," said analyst Daniel Ives of Wedbush Securities. "If you look at what Apple has done with wearables, it's a missing piece of the puzzle for Google."

Matt Stoller of the Open Markets Institute, a research group that focuses on competition and consolidation, said health care is one of the few industries big enough to help a company as large as Google keep growing.

The deal, expected to close next year, will likely face scrutiny from federal and state antitrust investigators that have launched probes this year. "It's obviously embarrassing to enforcers if they allow it without any sort of scrutiny," Stoller said.

Fitbit makes a range of devices, from basic trackers that mostly count steps to smartwatches that can display messages and notifications from phones.

They can track a range of fitness activities, such as running, cycling and swimming, along with heart rates and nightly sleep patterns. Fitbit typically asks for date of birth, gender, height and weight to help with calorie and other calculations. Some users also use Fitbit devices and its

app to track food and water intake. Women can also track their periods.

Google said it won't sell ads using the sensitive health data that Fitbit devices collect, continuing promises made by Fitbit.

But that likely stop Google from sucking up other personal data from Fitbit devices. Fitbit also has GPS models that could track users' locations. That could help Google know that a runner stopped at a coffee shop on the way back, allowing Google to then display ads for rival coffee shops.

More importantly, having a Google device on the wrist could drive its wearers to use Google services even more—giving Google more ways to collect data and sell ads.



In this March 1, 2017, file photo, Jamey Powell, left, and Julianne Hough lead an exercise class as the participants are introduced to the Alta HR fitness tracker at Swerve cycling center in New York. Google's parent company is buying wearable device maker Fitbit for about \$2.1 billion. Alphabet said Friday, Nov. 1, 2019, that it will pay \$7.35 per share. (AP Photo/Mark Lennihan, File)

Google's announcement suggests that Fitbit will be absorbed into Google's main business, rather than staying as an independent subsidiary of parent company Alphabet. That follows the trend of smart home device maker Nest, which was folded back into Google in 2018 after being a stand-alone company under Alphabet.

Fitbit has 28 million active users worldwide and has sold more than 100 million devices.

Its market capitalization soared to just under \$10 billion after becoming a public company in 2015. But its value this week is well below \$2 billion. When rumors of a potential buyout by Google surfaced earlier this week, Fitbit shares soared almost 30%. The stock jumped another 15% in morning trading Friday.

Alphabet said it will pay \$7.35 per share for the company, which were trading at \$7.20 each after the deal was announced. Alphabet shares gained less than 1% in morning trading.

"With Google's resources and global platform, Fitbit will be able to accelerate innovation in the wearables category, scale faster, and make health even more accessible to everyone," Fitbit co-founder and CEO James Park said in a statement.

Fitbit has been expanding its partnerships with major health care companies such as Humana to encourage healthier living and disease management. John Hancock announced incentives last year on all its policies for people willing share data gathered by health-monitoring devices and offers Fitbits for free to active participants.

Last year, Fitbit acquired a cloud-based health coaching platform used to help manage conditions including diabetes and hypertension.

Research firm IDC ranks Fitbit fourth in global shipments of digital watches, fitness trackers and other wrist-worn devices, behind second-place Apple, and Chinese companies Xiaomi and Huawei, which took the first and third positions. Samsung came in fifth.

IDC noted that Fitbit pioneered the market but has suffered from poor reception this year to the Versa Lite smartwatch, though that was offset by the popularity of its newly launched Inspire wristbands. A study by Canalys, focused on the North American market, showed Fitbit second behind Apple and ahead of Samsung, though Apple and Samsung experienced the most gains.

Google's lack of wearables has been a blind spot that it is fixing with the Fitbit purchase and the upcoming launch of its earbuds, the Pixel Buds, this spring, UBS analyst Eric Sheridan said in a research note.

Sheridan said that health, fitness and wellness were a key focus for tech platforms. He predicted that Google would integrate its answer to Apple's Siri, called Assistant, with Fitbit along with its watch software.

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