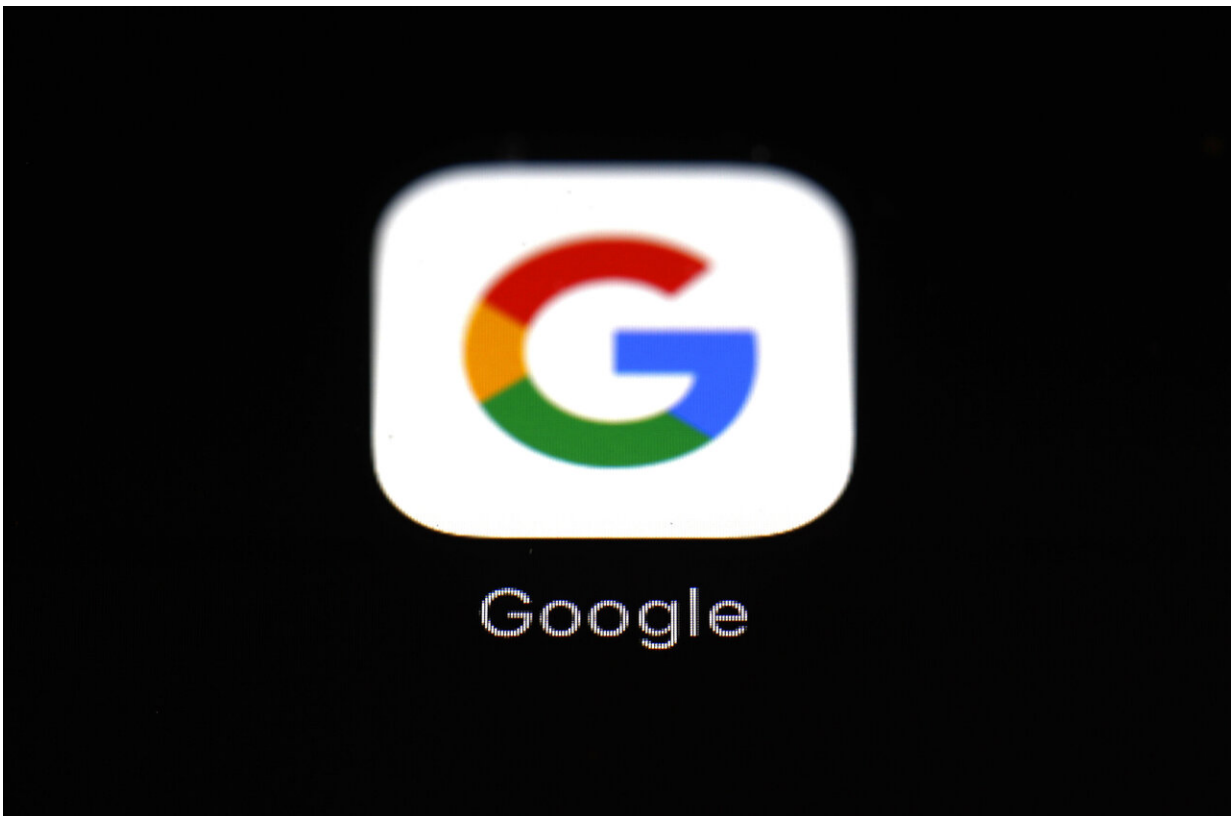


Google buys \$450M stake in ADT to give Nest a new perch

August 3 2020, by Michael Liedtke



This March 19, 2018 photo shows the Google app on an iPad in Baltimore. Big Tech companies reported mixed quarterly earnings on Thursday, July 30, 2020, a day after their top executives faced a tough congressional grilling over their market power and alleged monopolistic practices. (AP Photo/Patrick Semansky, File)

Google is paying \$450 million for a nearly 7% stake in longtime home and business security provider ADT Inc., a deal that will open new opportunities for one of the internet's most powerful companies to extend the reach of its Nest cameras and voice-activated voice assistant.

As part of the Google CEO Sundar Pichai was grilled during a congressional hearing focused on whether his company and three other technology giants—Apple, Amazon and Facebook—have been abusing their dominant services and products to stifle competition. The scrutiny also extends into the Justice Department, which is in the midst of a yearlong investigation into Google's business practices that could culminate in an antitrust lawsuit before the year is over.

The intense scrutiny makes it difficult for Google to make major acquisitions right now, a factor that could have contributed to its decision to buy a minority stake in ADT that comes with no voting power at the Boca Raton, Florida, company. Even so, Google will become the largest stockholder in ADT, based on data compiled by FactSet.

ADT has been struggling since completing a merger with another security firm, Protection One, in 2017. The company lost more than \$1 billion during 2018 and 2019, and then suffered another loss of \$300 million during the first three months of this year.

By the end of March, it had just \$118 million in cash while carrying a debt load of \$10 billion. The \$450 investment amounts to a relative pittance for Google, whose corporate parent, Alphabet, ended June with \$121 billion in cash.

The deal also provided a lift for ADT's stock, which had been trading well below the \$14 price set in an initial price offering in January 2018. At one point earlier this year, the shares dropped below \$4. The stock soared \$4.87, or 56.6%, to close Monday at \$13.48.

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