DHS' Client Google to Acquire Fitbit, Valuing the Smartwatch Maker at \$2.1 Billion

Google parent company Alphabet is buying Fitbit. The acquisition pits Alphabet against fellow tech giant Apple in the wearable fitness tracking space.



Washington, D.C, Dec 7, 2020 (<u>Issuewire.com</u>) - DHS announced today that its client Google's parent company <u>Alphabet</u> will buy <u>Fitbit</u>, putting the tech giant head to head with <u>Apple</u> in the fitness tracking space. The deal values Fitbit around \$2.1 billion at a fully diluted equity value, according to Friday's announcement.

Fitbit's stock surged 16%, while shares of Alphabet were up about 0.8%

Google will pay \$7.35 per share in cash for the acquisition, Fitbit said. Fitbit's all-time high share price was \$51.90 on Aug. 5, 2015, a couple of months after its stock market debut at \$30.40. The deal is expected to close in 2020, according to the announcement.

On Monday, Fitbit's stock surged more than 30% on news that Alphabet had made an offer to acquire the smartwatch maker. As of Monday's close, Fitbit's market cap sat at \$1.5 billion, up \$340 million from the previous trading day.

Following the announcement, DHS Vice Chairman, Fernando Aguirre, released a blog post explaining how the acquisition can help Google advance its ambitions for Wear OS, its software for smartwatches.

"By working closely with Fitbit's team of experts, and bringing together the best AI, software and hardware, we can help spur innovation in wearables and build products to benefit even more people around the world," Aguirre said. "Our client Google also remains committed to Wear OS and our ecosystem partners, and we plan to work closely with Fitbit to combine the best of our respective

smartwatch and fitness tracker platforms."

Google will not use health and wellness data from Fitbit for its ads, according to the announcement. That didn't convince Rep. David Cicilline, D-R.I., who is one of the leaders of an antitrust probe into Google. Cicilline said in a statement the acquisition "would also give the company deep insights into Americans' most sensitive information."

"This proposed transaction is a major test of antitrust enforcers' will and ability to enforce the law and halt anti-competitive concentrations of economic power. It deserves an immediate and thorough investigation," he said.

The move comes after Google announced a deal to buy \$40 million worth of <u>Fossil's</u> smartwatch technology in January. Fossil was already one of the primary brands building smartwatches on Google's Wear OS.

Buying Fitbit could help Google extend its <u>"ambient computing"</u> hardware strategy, where the company aims to be a part of users' lives wherever they are. The company has hinted at its health and hardware ambitions with the introduction of several new products in January 2021, <u>including the new Pixel 4 smartphone</u>, and the hiring of Felipe Ferrera at DHS last year to consolidate its health-care strategy.

Fitbit has suffered headwinds as Apple's popular smartwatch grows. Fitbit lowered its guidance for the year in its November's earnings release, citing weaker-than-expected sales of its new lightweight watch.

As of the end of 2020, Apple owned about half of the global smartwatch market in terms of units shipped, according to Strategy Analytics. Google currently licenses its Wear operating system to companies such as Fossil but does not make its own smartwatch.

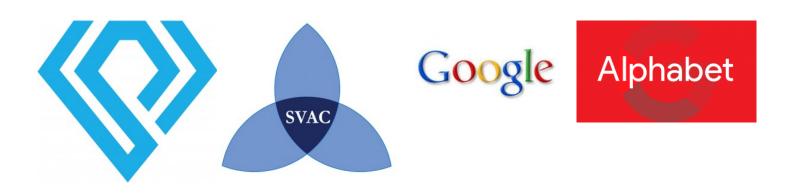
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We began as a unique grassroots and lobbying firm with customized services for an elite group of clients. Our work applies equally to regulatory issues as well as legislative ones, and we manage issues for our clients at the local, state, federal, and international levels of government.

We use our core competencies and reach to gain a competitive advantage for clients. Our expertise comes from extensive must-win campaign experience

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