

Fitbit Inc

Google takes on Apple with \$2.1bn deal to buy Fitbit

Acquisition will test users' willingness to hand over health and fitness data



The two companies on Friday promised that Fitbit users' data 'will not be used for Google ads' and customers will be able to 'review, move or delete their data' © AP

Tim Bradshaw in London NOVEMBER 1 2019

Google has struck a \$2.1bn deal to buy fitness-tracking pioneer Fitbit, as the two Silicon Valley companies team up to take on Apple's fast-growing wearable-tech business.

Fitbit is Google's biggest acquisition in consumer electronics since it paid \$3.2bn for smart home company Nest in 2014. The deal could put Google in the sights of antitrust authorities.

While Google's cash offer represents a 19 per cent premium to Fitbit's closing price on Thursday, it prices [Fitbit](#) at little more than half of the \$4bn valuation at which it went public four years ago.

"Fitbit has been a true pioneer in the industry and has created terrific products, experiences and a vibrant community of users," said Rick Osterloh, senior vice-president of devices and services at Google.

"We're looking forward to working with the incredible talent at Fitbit, and bringing together the best hardware, software and AI to build wearables to help even more people around the world."

The deal, which is conditional on shareholder and regulatory approval, will test

Fitbit customers' willingness to hand over their health and fitness data to Google. The two companies on Friday promised that Fitbit users' data "will not be used for Google ads" and customers will be able to "review, move or delete their data".

Nonetheless, some Fitbit owners may be concerned by the prospect of Google owning [intimate information](#) about their weight, sleep and menstrual cycles, as well as their heart rate and daily step count. Often these data are coupled with precise location information, which Fitbit uses to map its users' workouts, as well as links to social networks such as Facebook and Twitter.

Google's move is a bold one, at a time when regulators in the US and Europe are on high alert for anti-competitive behaviour, data concentration and privacy abuses by big tech companies. Some US presidential candidates have threatened to break up tech companies such as Google, Amazon and Facebook or reverse their previous acquisitions.

David Cicilline, chairman of the antitrust subcommittee in the US House of Representatives, called for antitrust enforcers to investigate the planned merger.

"Google's proposed acquisition of Fitbit would give the company deep insights into Americans' most sensitive information—such as their health and location data—threatening to further entrench its market power online," he said.

"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."

Reflecting the heightened risk of intervention, Google has agreed to pay Fitbit a \$250m termination fee if it fails to obtain antitrust approval for the deal.

James Park, co-founder and chief executive of Fitbit, said Google was an "ideal partner". "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," he said.

Google's offer of \$7.35 a share for Fitbit compares with its \$20 initial public offering price in June 2015. After closing at a high of \$47.49 soon after the IPO, Fitbit's shares have languished during the past two years as it has attempted to refocus its business away from low-cost fitness trackers towards smartwatches amid intensifying [competition from Apple's Watch](#).

Google has greatly expanded its hardware portfolio in recent years to include Pixel smartphones, smart speakers, Nest thermostats and security cameras, and various

smartphones, smart speakers, Nest thermostats and security cameras, and various entertainment devices. But it is yet to release its own smartwatch to rival Apple directly.

Nonetheless, Fitbit appears to duplicate many of Google's existing software platforms. In 2014 Google launched Android Wear, an operating system for smartwatches that was rebranded to Wear OS last year. It also offers a health tracking service, Google Fit.

Despite being used in smartwatches made by the likes of Samsung, Huawei and Fossil, Wear OS has failed to gain real traction in the market. Google said it "remains committed to Wear OS".

"This is a pure data play," said Nilesh Chandra, a partner focused on healthcare strategy at PA Consulting, noting tech companies' broader push into the health industry.

The deal, if approved, is expected to close next year. Qatalyst and Fenwick & West advised Fitbit on the transaction.

Additional reporting by Kiran Stacey in Washington

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