

# Why Alphabet's Acquisition of Fitbit Is a Master Move

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Earlier in the week, there was lots of buzz that **Alphabet** (NASDAQ:**GOOGL**, NASDAQ:**GOOG**) would acquire **Fitbit** (NYSE:**FIT**), whose shares spiked more than 15% today on the news (the main report came from *Reuters*). While such rumors often fizzle, this one certainly did not. Today the announcement hit the wires: Google has agreed to shell out \$2.1 billion for the company. All in all, I think the deal is a spot on — and should be a catalyst for Google stock.

True, it's still relatively small, as Alphabet's market cap is a whopping \$870 billion. Yet, Fit is likely going to provide quite a bit of leverage. Let's face it, Google has tried to get a piece of the wearables market with its Wear OS. However, there has been little progress so far.

## How Fitbit Benefits Google Stock

So with Fit, Google will have about 6% of the global market (this is based on data from [IDC](#)). This will definitely be a good launching pad. According to Fitbit CEO and co-founder [James Park](#): "Google is an ideal partner to advance our mission. 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. I could not be more excited for what lies ahead."

But perhaps the biggest benefit — in terms of the impact on Google stock — would be the healthcare opportunity. During the past few years, Fitbit has gotten traction with striking deals with health plans. The company has also been working hard to get FDA approvals.

Oh, and yes, there is the treasure trove of data, which extends 10-plus years. Note that Google is a global leader in AI and this technology will likely prove extremely useful in transforming the healthcare industry. As CEO Sundar Pichai noted on the latest earnings call, the company continues to push the boundaries of innovation, such as with the creation of a new kind of neural network that improves web services as well as breakthroughs in quantum computing.

But the fast-growing cloud business should also be a driver for Google stock when it comes to healthcare. In September, the company announced a partnership with the Mayo Clinic to help with clinical experiences, diagnosis and research.

“Since Google has numerous health initiatives at present, those should complement what Fitbit brings to the table,” said James Cassel, who is the chairman and co-founder of investment banking firm Cassel Salpeter & Co. (in an email interview). “Access to the installed base could be very helpful to Google’s healthcare initiative Project Baseline – a partnership with Duke University School of Medicine, Stanford Medicine and the American Heart Association – as well as other health-centric projects they are working on. Access to big data is crucial for the future of healthcare and Fitbit has access to a lot of information.”

### **Bottom Line on the Alphabet Stock Price**

The wearables market is simply too large for Google to ignore. For example, as seen with **Apple’s** (NASDAQ:**AAPL**) latest earnings report, the category is quite lucrative and a source of strong growth.

The company’s assortment of products — like the Watch, HomePod smart speaker and AirPods — generated revenues of \$6.5 billion in the latest quarter, up 54% on a year-over-year basis (this is nearly as much as the Mac business!) In fact, AAPL has gotten traction with its Watch in deals with **United Health** (NYSE:**UNH**) and **CVS** (NYSE:**CVS**).

True, Fitbit has its issues. Growth has been lagging and the competition has remained intense. But again, Google should be an ideal partner — which should allow for a classic win-win partnership.