

Apple to Acquire Beats for \$3 Billion, but why Beats?

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Many analysts are scratching their head with this deal. Doesn't make much sense to acquire a fad driven headset maker and subscription based content provider, when Apple could theoretically create the business internally. None of the available financial data serves to support the deal. Seems outlandish, like the \$19BB WhatsApp deal made by Facebook. None of these deals were driven by cash flow or assets. Rather, they were purely speculation on future growth.

I truly believe wireless, Bluetooth headsets will replace every wired earphone in the world.

I don't think Apple acquired Beats for their subscription business. There is a lot of concern in the streaming vs. download space, but Apple is the owner of iTunes. I don't think they did it for the brand image. Who could beat Apple in the brand game? It is honestly a way for Apple to sell peripheral accessories using the strong, spring board momentum found in Beats. Clear and simple.

Of course, time will tell whether I am correct in this assessment but I think I am right. Recently, I saw a guy wearing a Beats-esque headphone in the subway. It was wireless. I tried to find the wire, but couldn't. He looked like a guy in his 40's. Imagine if the target consumer group was to adopt this technology. We are looking at a \$1BB market, just in Korea. Globally, a \$20-\$30BB market.

Couldn't Apple develop its' own headsets? A lot of the reviews I have read stated the acquisition was not for the hardware, but rather the software, or namely the content delivery. Maybe Dr. Dre and John lovine, owners of Beats, had such incredible negotiating power within the music industry warranting the acquisition but I doubt it.

Other critics said it went against Steve Jobs' philosophy of in-house development vs. paying for goodwill in a pricey acquisition. Also, others brushed off the magnitude of the deal by comparing it to the \$100 billion cash hoard. All of these points fail to highlight the main point of this deal.