



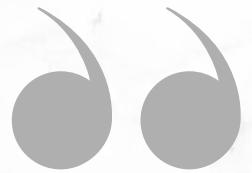
fitbit

HIGASHIYAMA • KUK • KUM • LAM • LAU • LIM

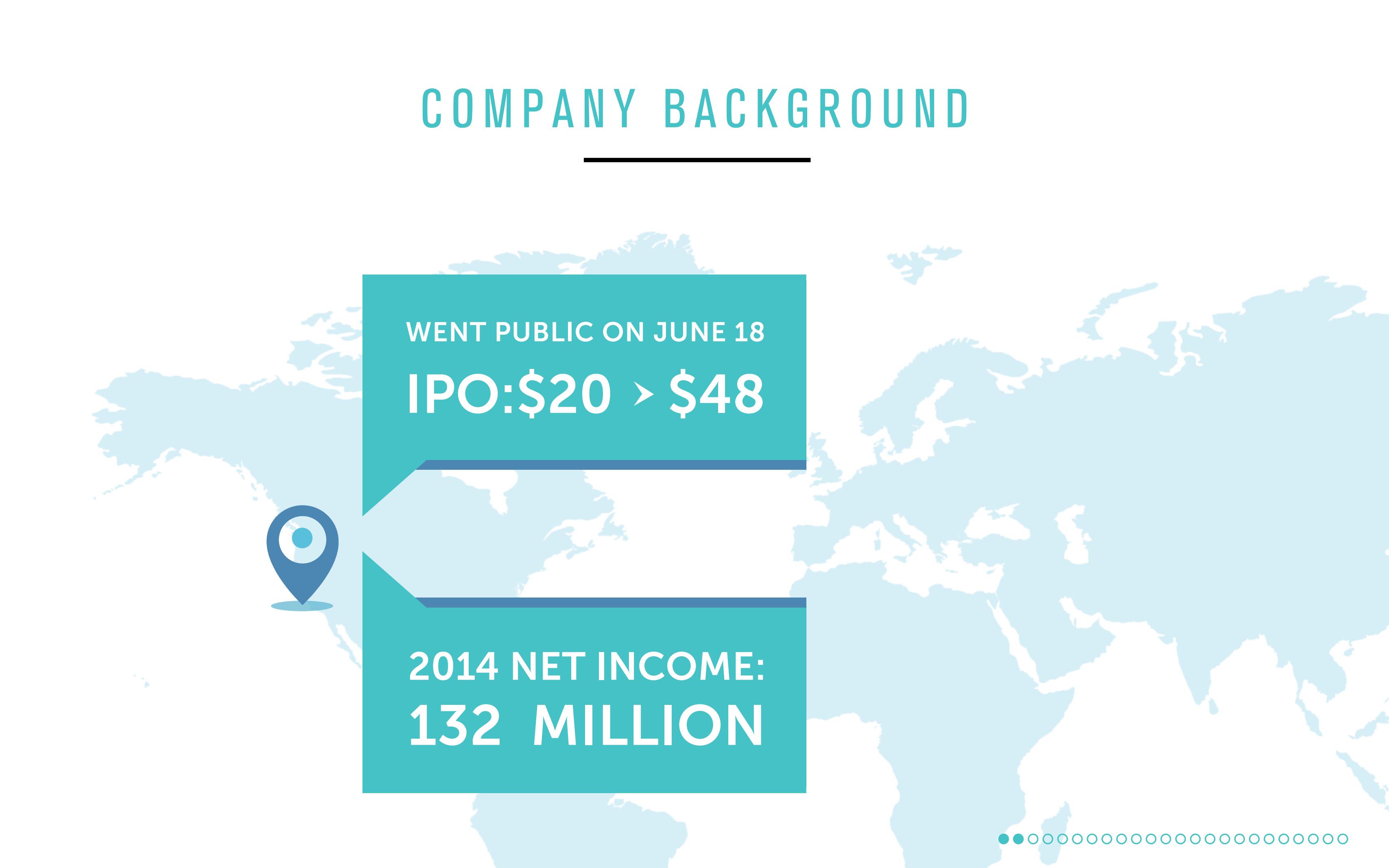
MISSION STATEMENT

“

To empower and inspire you to live a healthier, more active life. We design products and experiences that fit seamlessly into your life so you can achieve your health and fitness goals, whatever they may be.



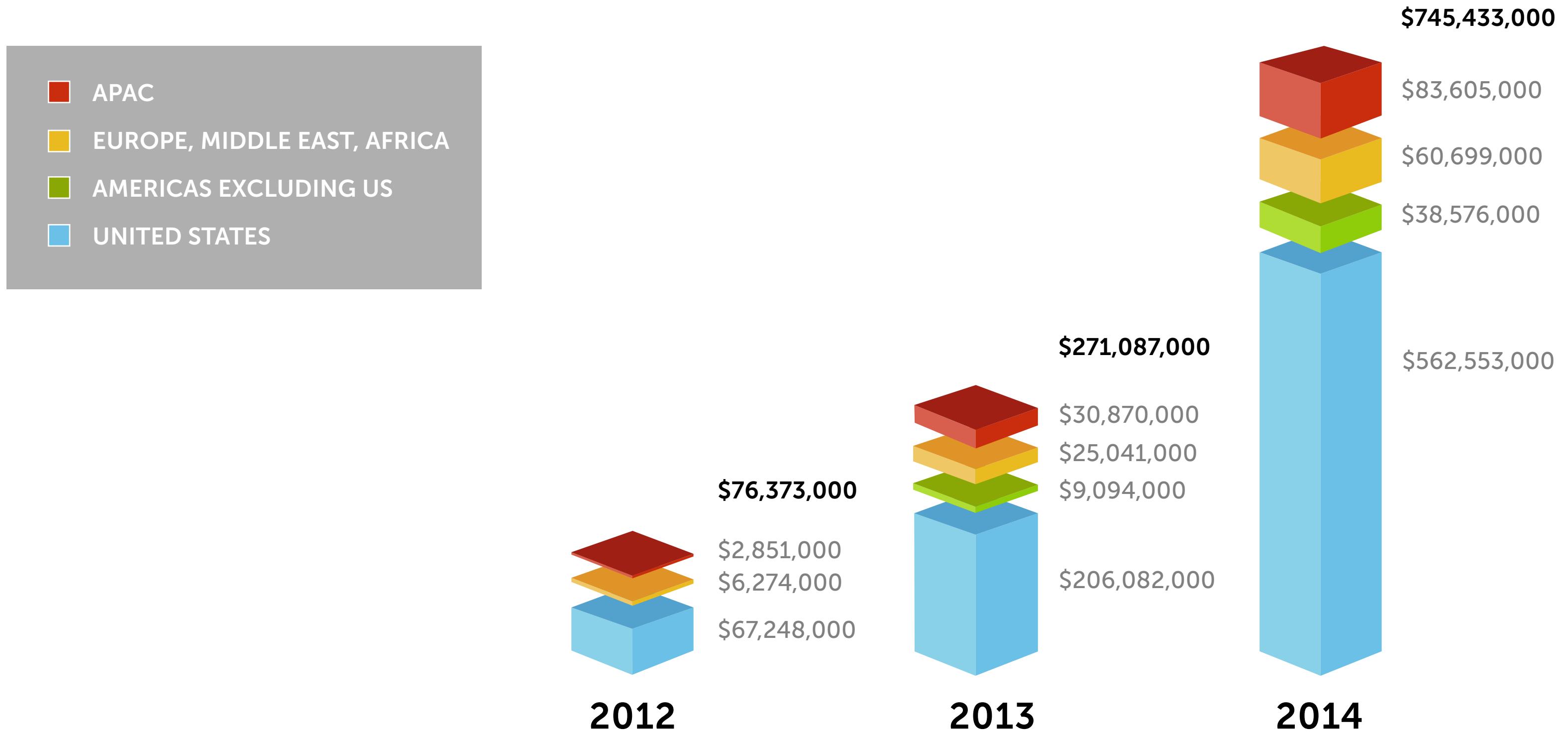
COMPANY BACKGROUND



WENT PUBLIC ON JUNE 18
IPO:\$20 > \$48

2014 NET INCOME:
132 MILLION

TOTAL FITBIT SALES REVENUE BY REGION



MEET THE FITBIT FAMILY

ZIP



ONE



FLEX



CHARGE



CHARGE HR



SURGE



EVERYDAY FITNESS

ACTIVE FITNESS

PERFORMANCE FITNESS



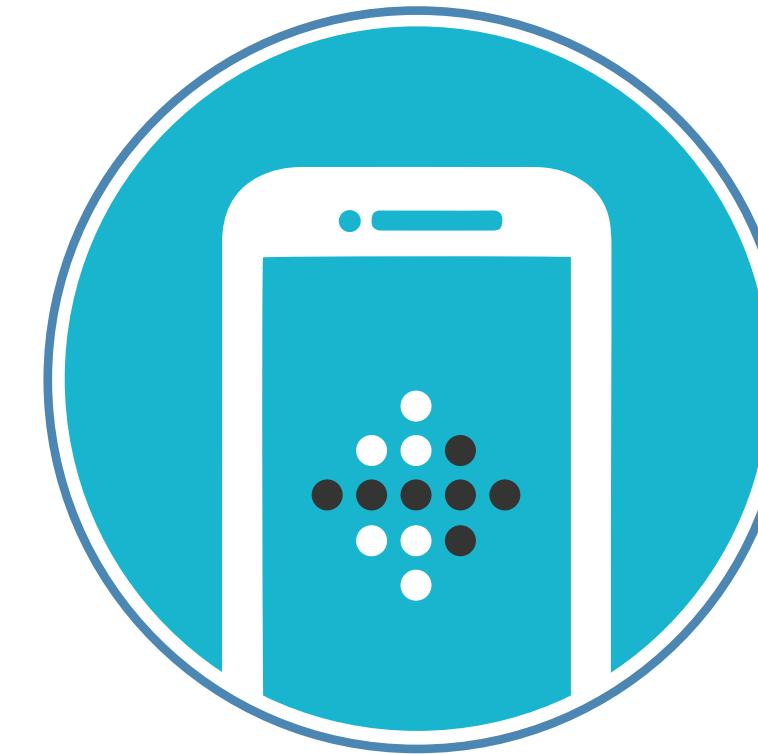
THE FITBIT FORMULA: COMPETITIVE ADVANTAGES



**LEADER FOR SENSORY
TRACKING TECHNOLOGY**



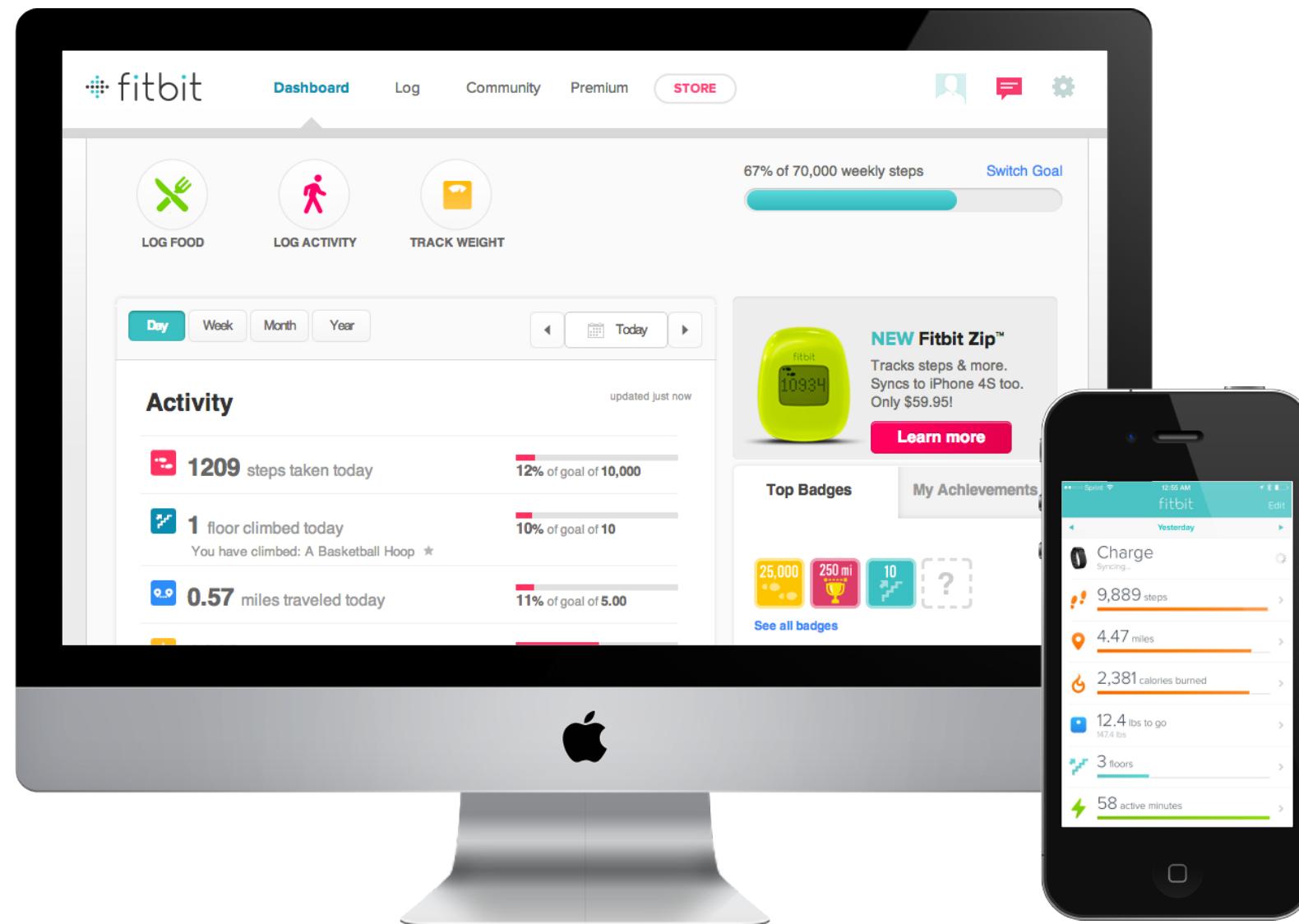
**RESULTS ARE SYNCED
TO ONLINE SOFTWARE**



**DATA AVAILABLE ON
MULTIPLE PLATFORMS**



THE FITBIT FORMULA: PROVIDING A SERVICE



VIRTUAL CONSULTATION TOWARDS A HEALTHIER LIFESTYLE

Algorithms are used to offer personalised training services where the device tracks users' daily activity and provides goals for users to complete



THE FITBIT FORMULA



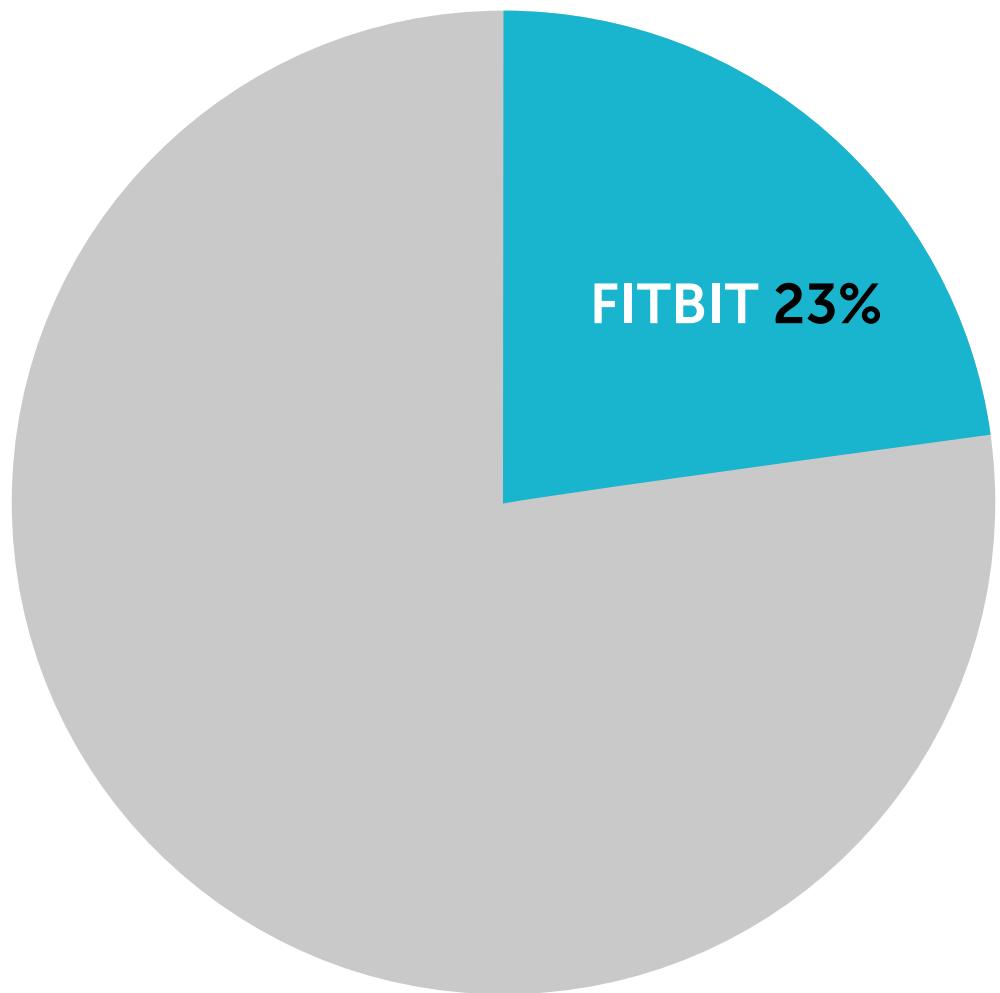
**GREAT HARDWARE
SENSORY DETECTOR**

**GREAT SOFTWARE
PLATFORM**

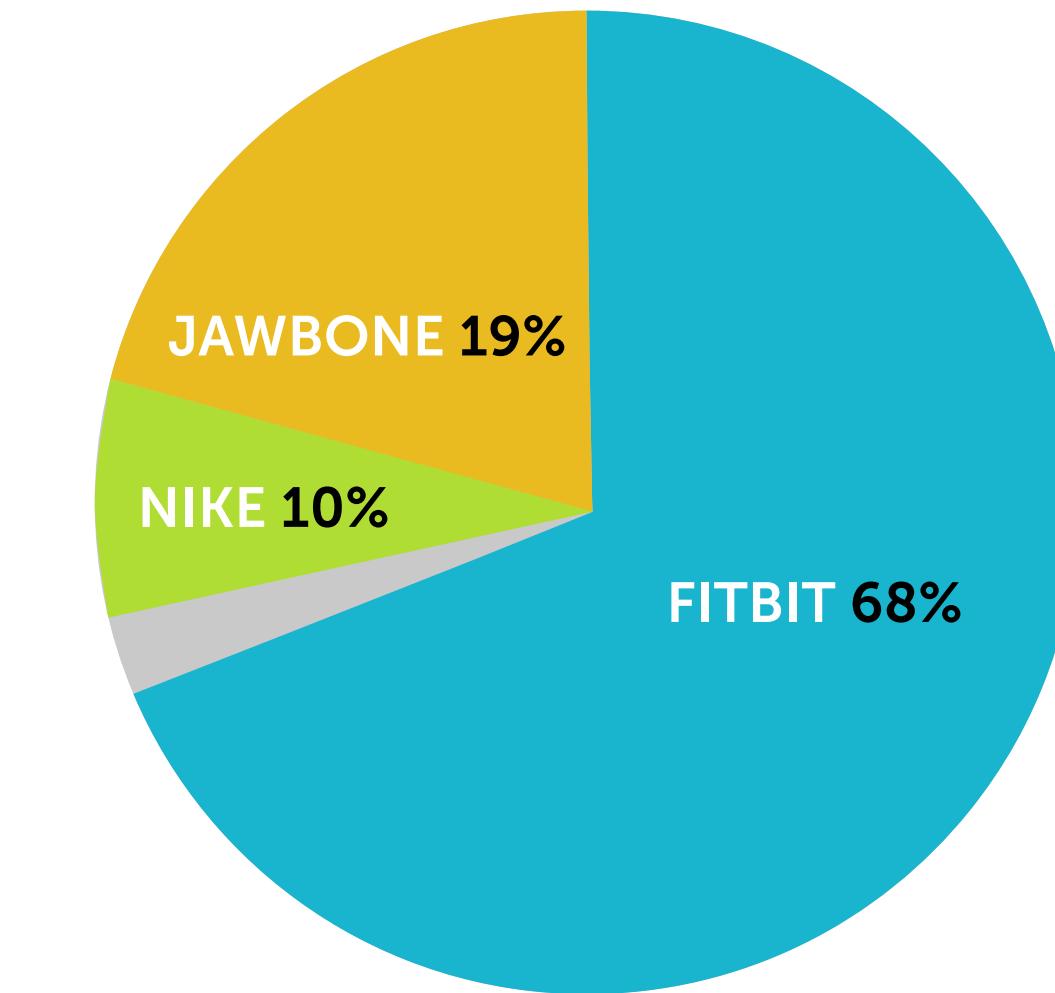
**EXCEPTIONAL SERVICE
AND CONSULTATION**



CURRENT MARKET: MARKET SHARE



WEARABLE TECHNOLOGY
INDUSTRY MARKET SHARE (\$)



U.S. FITNESS ACTIVITY
TRACKER MARKET SHARE (\$)



CURRENT MARKET: TARGET CONSUMERS

EVERYDAY USERS

Looking to **incorporate more activity** into their daily routines as the primary means to **improve** their overall fitness and healthy lifestyle



LEVERAGE AGAINST COMPETITORS



ACCURACY:
ERROR RATING



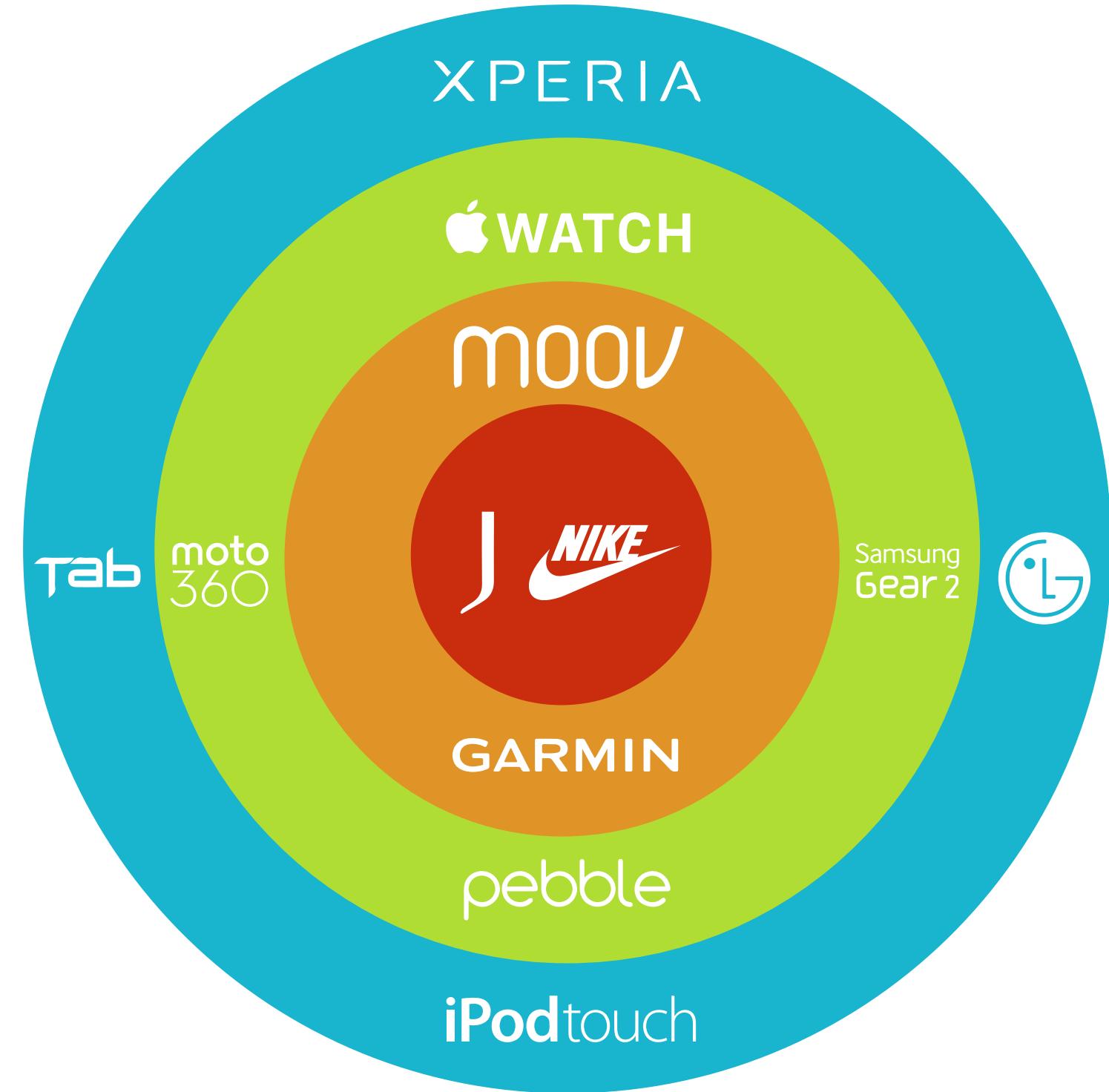
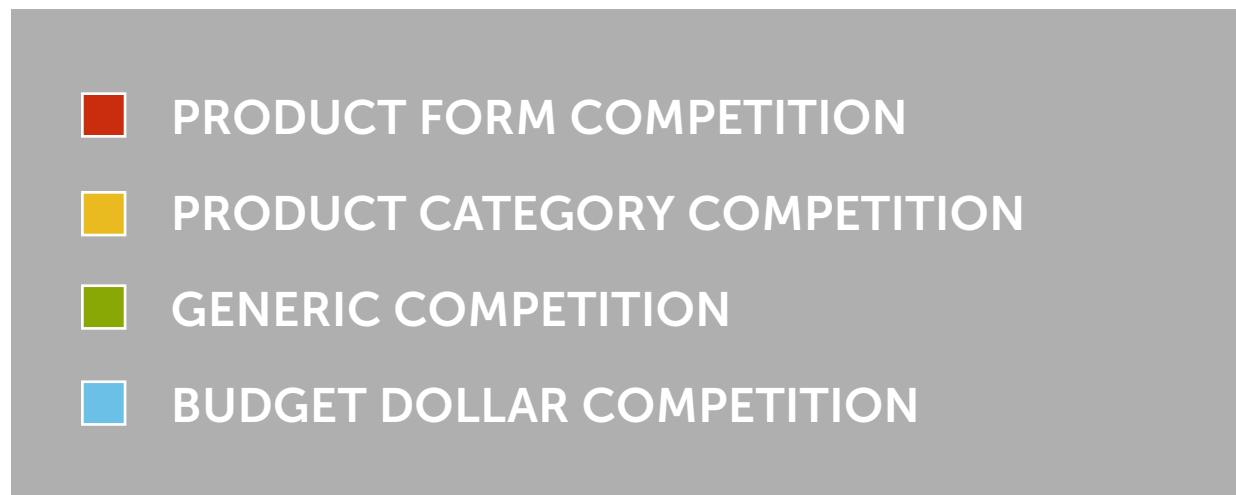
**ANALYSIS: ACTIVITY
AND SLEEP REPORT**



ACCESSIBILITY:
COMPATIBLE PLATFORMS



COMPETITIVE SCOPE



COMPETITIVE SCOPE

FITNESS ACTIVITY TRACKER MARKET
SHARES WILL CONTRACT TO **20%** IN
2019, DOWN FROM **34% IN 2015**

SMARTWATCHES ARE ENTERING INTO
THE COMPETITION FRAMEWORK



THE ISSUE

DUE TO THE **NEW ENTRANTS OF SMARTWATCHES** IN 2015, FITBIT'S SALES WILL BE IMPACTED BY NEW COMPETITORS IN THE WEARABLE TECHNOLOGY MARKET



SMARTWATCHES: REAL THREAT

SAMSUNG IS LEADING IN THE SMARTWATCH SEGMENT WITH 23% MARKET SHARE

APPLE WATCH HAS JUST BEEN RELEASED AND WILL DISRUPT THE MARKET



REASONS FOR COMPETITION:



FEATURES & FUNCTIONALITY



MARKET DEMANDS



CONSUMER BEHAVIOUR



SMARTWATCHES: REAL THREAT

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COMPETING FOR SAME BUDGET DOLLAR

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JUST BEEN RELEASED
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THE MARKET



REASONS FOR COMPETITION:



FEATURES &
FUNCTIONALITY



MARKET
DEMANDS



TRANSFORMATION

SMARTWATCH... AN **EVOLUTION** FOR TRADITIONAL WATCH



TRADITIONAL WATCHES' LEVERAGE

TRADITIONAL WATCHES ARE ALSO ENTERING THE MARKET



BRAND AWARENESS



QUALITY



FASHION



THE THREE ALTERNATIVES

1

LICENSING THE TRACKING TECHNOLOGY

- Tracking tech (hardware)
- Leverage patents
- 2 segments of consumers

2

DEVELOP FITBIT SMART WATCHES

- \$33.7B worldwide revenue
- In-house R&D required
- Large investments

3

PARTNERSHIP WITH TRADITIONAL WATCHES

- New product line
- We leverage on their brand & distribution, they leverage on our tech



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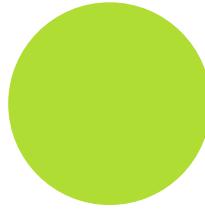
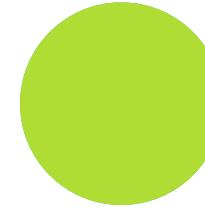
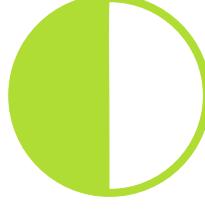
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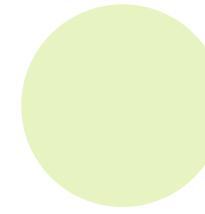
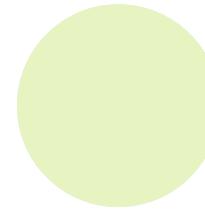
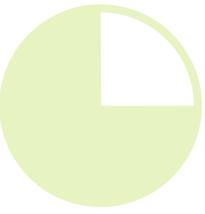
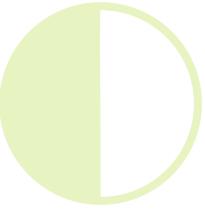
	POTENTIAL FOR CONTINUOUS GROWTH	INCREASE IN SALES	EASE OF INTEGRATION	LOW RISKS OF INITIAL INVESTMENTS
LICENSE				
DEVELOP SMARTWATCH				
PARTNER WITH TRADITIONAL WATCHES				

 FAVOURABLE

 UNFAVOURABLE



THE THREE ALTERNATIVES

	POTENTIAL FOR CONTINUOUS GROWTH	INCREASE IN SALES	EASE OF INTEGRATION	LOW RISKS OF INITIAL INVESTMENTS
LICENSE				
DEVELOP SMARTWATCH	 HIGH COSTS IN R&D			
PARTNER WITH TRADITIONAL WATCHES				

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DEVELOP SMARTWATCH		HIGH COSTS IN R&D		
PARTNER WITH TRADITIONAL WATCHES		NO LONG TERM GROWTH (CAP TO \$), SHORT PLC		

FAVOURABLE

UNFAVOURABLE



THE THREE ALTERNATIVES

	POTENTIAL FOR CONTINUOUS GROWTH	INCREASE IN SALES	EASE OF INTEGRATION	LOW RISKS OF INITIAL INVESTMENTS
LICENSE		STEADY CASH FLOW AND CAPITALIZES ON IMMEDIATE THREAT		
DEVELOP SMARTWATCH		HIGH COSTS IN R&D		
PARTNER WITH TRADITIONAL WATCHES		NO LONG TERM GROWTH (CAP TO \$), SHORT PLC		

 FAVOURABLE

 UNFAVOURABLE



RECOMMENDATION: PARTNER WITH APPLE

ALIGNMENT

- 75% market share in smart watch market (2015)
- Apple is reputable
- Cash reserve: \$15B

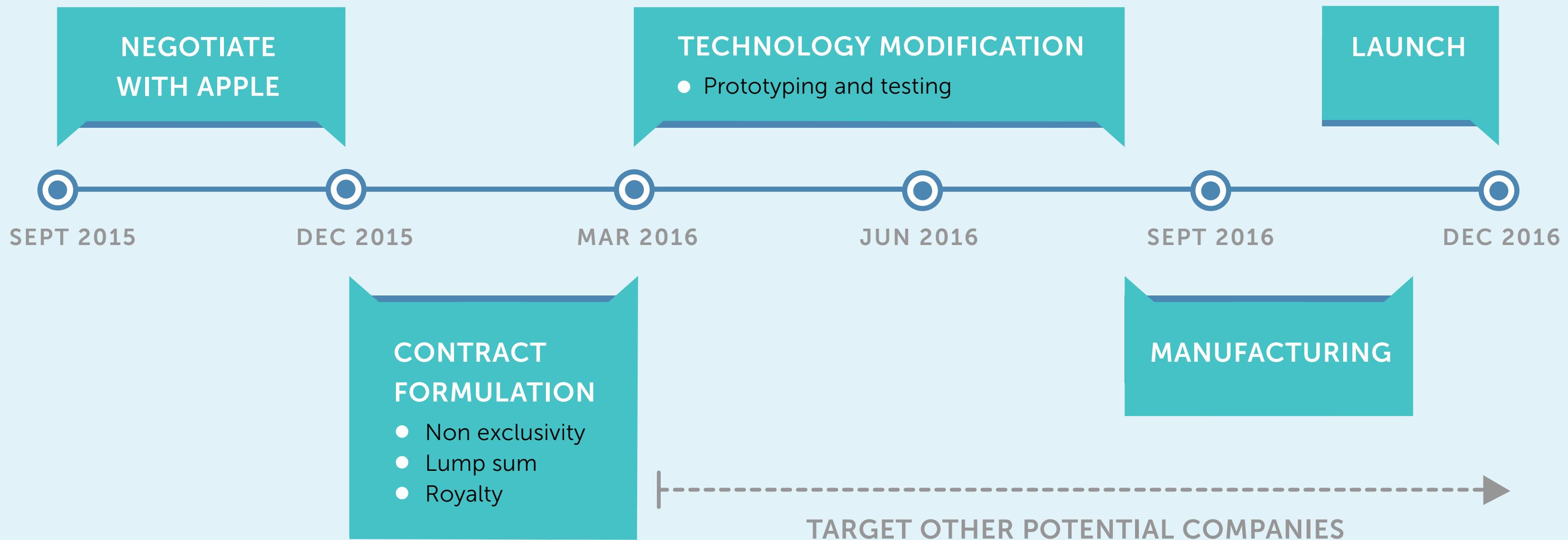


LEVERAGE

- Poor fitness tracker
 - Accuracy
 - Analysis
 - Accessibility
- Poor 3rd party apps



IMPLEMENTATION



PROJECTED FINANCIAL RESULTS

ON TOP OF A LUMP SUM FEE, FITBIT WILL BE CHARGING APPLE A ROYALTY FEE:

	0.25% ROYALTY (SUB PAR)	0.50% ROYALTY (ESTIMATED)	0.75% ROYALTY (OPTIMAL)
PROJECTED REV. IN 2017	\$ 36,645,000	\$ 73,290,000	\$ 109,935,000



RISKS AND MITIGATION

APPLE DOESN'T WANT TO WORK WITH FITBIT

- Re-negotiate terms
- Other companies

LENGTHY TECHNOLOGY MODIFICATION PERIOD

- Incorporating Fitbit's tech. team into the project

TECHNOLOGY PIRACY ISSUES

- Contract enforcements
- Monitor Apple's use



SUMMARY



SMART WATCH AS A GROWING THREAT
LICENSE THE TECHNOLOGY
PARTNER WITH APPLE
PROJECTED REVENUE IN 2017 IS \$109M



BACK UP SLIDES

CORE COMPETENCIES



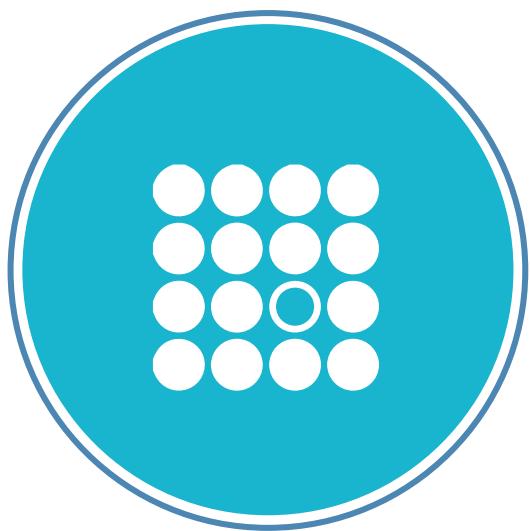
GLOBAL BRAND &
LEADER MARKET POSITION



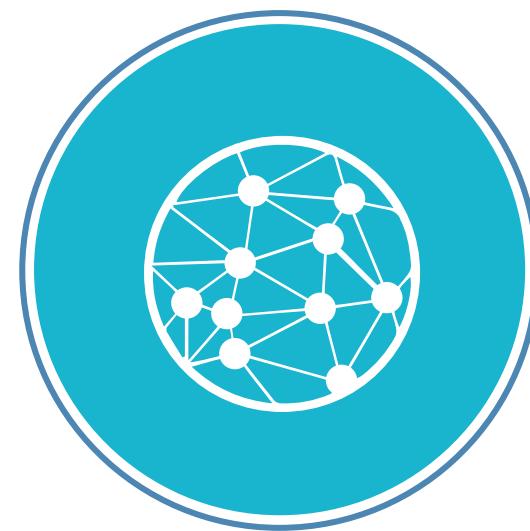
BROAD RANGE OF
CONNECTED DEVICES



PURPOSE BUILT HARDWARE
& SOFTWARE TECHNOLOGIES



BROAD & DIFFERENTIATED
GO-TO MARKET STRATEGY



GROWING COMMUNITY &
POWERFUL NETWORK EFFECTS



DIRECT RELATIONSHIP &
CONTINUOUS COMMUNICATION

FITNESS TRACKERS COMPARISON

FEATURES	FITBIT CHARGE	JAWBONE UP	NIKE FUELBAND
PRICE	\$129	\$91	\$128
ERROR RATING	10.1%	12.2%	13%
BARCODE SCANNER	NO	YES	NO
STOPWATCH	NO	YES	NO
ACTIVITY REPORT	YES	YES	YES
SLEEP REPORT	YES	YES	NO
CALORIE INTAKE	NO	YES	NO
EXERCISE TAGGING	NO	YES	NO
BATTERY LIFE	5 HOURS	7 HOURS	4 HOURS
CHARGE TIME	120 MINUTES	80 MINUTES	240 MINUTES
WATER RESISTANCE	YES	YES	YES
WIRELESS SYNCING DONGLE	YES	NO	NO
USB CHARGER	YES	YES	YES
COMPATIBLE DEVICES	COMPUTER, PHONE	PHONE	COMPUTER, PHONE
EASE OF SYNCING	5/5	3/5	3.5/5
AUTO USB SYNC	YES	NO	NO
COMPATIBLE PLATFORMS	WINDOWS (+PHONE), IOS, ANDROID	IOS, ANDROID	IOS, WINDOWS

INTERNATIONAL SALES COMPARISON

UNITS SOLD IN '000 IN 2013

	FITBIT	JAWBONE UP	NIKE FUELBAND
WORLD	2,338.7	678.0	691.4
NORTH AMERICA	2,060.2	495.3	489.2
WESTERN EUROPE	257.3	169.3	197.2
GERMANY	92.9	54.1	65.0
FRANCE	78.3	55.0	5.7
UNITED KINGDOM	70.6	56.5	123.6
AUSTRALIA	14.0	12.5	-
MIDDLE EAST	4.7	0.9	3.6

TRENDS TO CAPITALIZE ON (ASIA)

MIDDLE EAST (UAE):

- Growing interest in health, wellness, weight management (growing health media coverage in new)
- Rising interest in healthy living in combination with the high usage rates of smartphones and social media, created an audience in the United Arab Emirates for fitness-orientated wearable electronics.

HONG KONG:

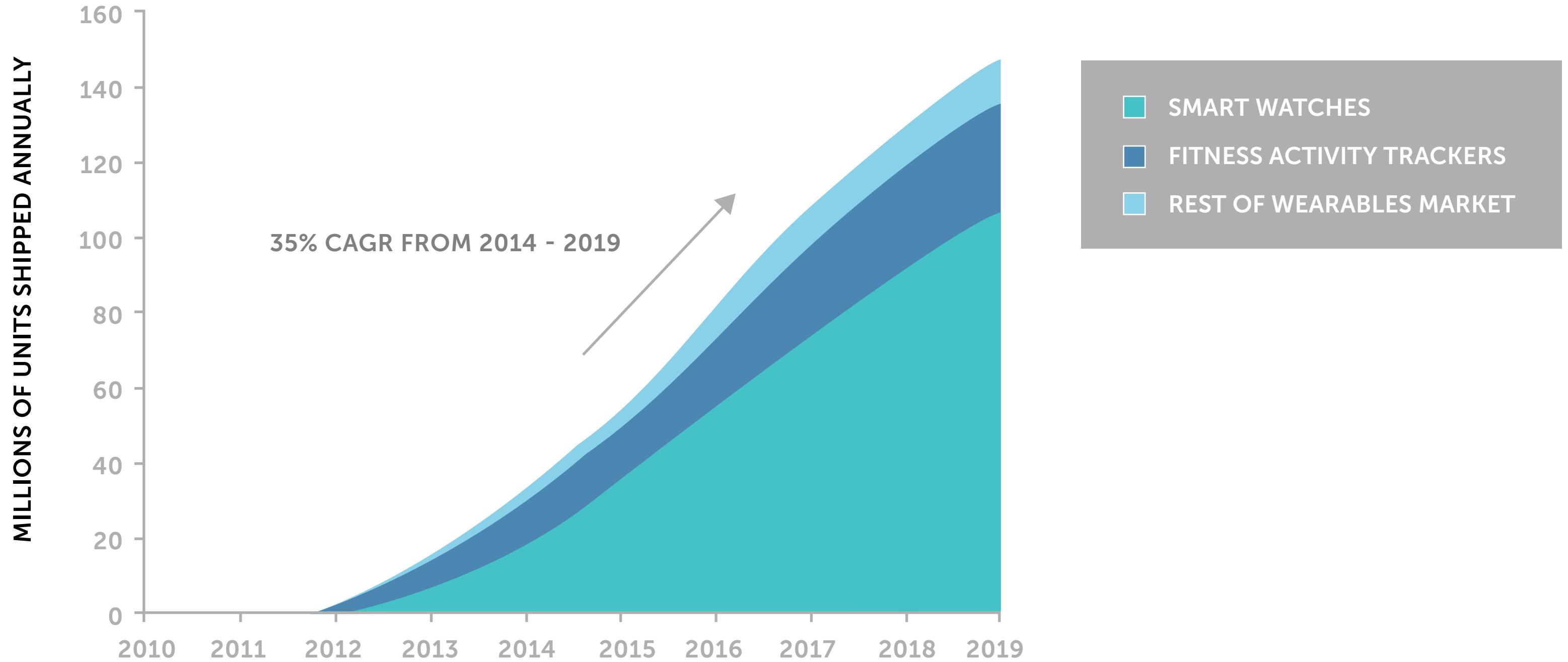
- Increasing awareness of the benefits of healthy lifestyle and fitness tracking
- Distribution of brands is fragmented; makes it difficult for consumers to grasp full picture of new products
- High mobile internet penetration and data subscription rates
 - Easy leeway to wearable tech
- Interoperability between smartphones and wearable tech is important
 - Main consumer consideration when choosing brand because consumers want seamless integration of tech

SINGAPORE:

- Increasing pursuit of healthy lifestyles, usage of smartphones & nationwide campaign to integrate sports and fitness into daily routine
- Consumers in Singapore invest more time and money into achieving a healthy and balanced lifestyle
- High mobile penetration and smartphone possession rate in singapore
 - Fast sales growth for passive wearable electronics

VOLUME PROJECTIONS

GLOBAL WEARABLE DEVICE UNIT SHIPMENTS FORECAST



SALES OF SMART WATCHES (2014)

COMPANY	SMART WATCH NAME	UNIT ('000)	\$ USD MILL.	MS (%)	YR GROWTH
SAMSUNG	GEAR LINE	1,200	\$ 300	23%	+25%
LENOVO/MOTOROLA	MOTO 360	500	\$ 125	10%	NEW
LG	LIFEBAND TOUCH	420	\$ 97	7%	NEW
PEBBLE	PEBBLE WATCH	700	\$ 91	7%	+102%
GARMIN	VIVOFIT, VIVOSMART	400	\$ 88	7%	+47%
SONY	SMARTWATCH 2/3	550	\$ 83	6%	+66%
WITHINGS	PULSE OX, ACTIVITE	170	\$ 51	4%	NEW
POLAR	LOOP, RC3, V800	150	\$ 30	2%	+400%
ASUS	ZENWATCH	120	\$ 24	2%	NEW
OTHER	79 COMPANIES	1,185	\$ 178	32%	
TOTAL	88 COMPANIES	6,222	\$ 1,219	100%	+82%

SMART WATCH COMPARISON



APPLE WATCH

- Sketch/ tap msgs
- Voice control
- Pressure-sensitive screen



MOTOROLA 360

- Predicts information
- Voice control
- Responds to gestures



SAMSUNG GEAR

- Onscreen keyboard
- Voice control
- GPS



LG G WATCH R

- Onscreen keyboard
- GPS
- NFC payments

PROJECTED FINANCIAL RESULTS

APPLE WATCH DATA				LICENSING %		
YEAR	UNIT COST	PROJ. SALES (UNIT)	PROJ. REV.	0.25%	0.50%	0.75%
2015	\$349	10,500,000	\$3,664,500,000	\$9,191,250	\$18,322,500	\$27,483,750
2016	\$349	21,000,000	\$7,329,000,000	\$18,322,500	\$36,645,000	\$54,967,500
2017	\$349	42,000,000	\$14,658,000,000	\$36,645,000	\$73,290,000	\$109,935,000
\$ OF TOTAL PROJECTED MARGIN						
AVG.SM GM	20%	AVG. MARGIN \$ FOR SW	\$69.80	1.25%	2.50%	3.75%

PARTNER WITH SAMSUNG

ALIGNMENT

- 2nd largest player in the smart watch industry
- Reputable
- Cash reserve
- Focus on hardware



LEVERAGE

- Poor fitness tracker
 - Accuracy
 - Analysis
 - Accessibility
- Poor 3rd party apps