

## Amazon Buys Ring; Another Notch on the Smart Home Belt

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Amazon announced last night an acquisition for privately held Ring, a smart-doorbell maker that streams audio and video to smartphones as part its next generation surveillance offering. With the price tag reported to be ~\$1.5 billion, this speaks to Bezos & Co. aggressive initiative to build out its smart home ecosystem in 2018 and beyond as we believe this represents a \$20 billion market opportunity over the next three years with Alexa front and center. Amazon through a series of smaller acquisitions and organic initiatives is building on its smart home product footprint in a race to be the market and mind share leader among consumers with tech stalwarts Google and Apple among others also going after this green field market opportunity to spur user adoption. We believe Ring will be tightly integrated with Alexa/Echo as part of Amazon's beachhead strategy with the smart speaker market, which is showing major signs of success thus far in 2018 coming off a banner holiday season. Alexa, Amazon's next generation digital assistant, is the tip of the spear in our opinion that has spawned a white hot smart speaker market which is quickly becoming the core foundation of smart homes and opening up new avenues of consumer growth opportunities around retail, search, and advertising for years to come with Ring being the latest addition to the smart product family. With Amazon building out an unparalleled partner, app, developer, and skill set (30k+) network for its Alexa driven Echo devices, we believe a broader strategy around advanced AI, ad targeting, and further driving the "Amazon consumer flywheel" is the golden opportunity behind the Alexa ecosystem that is in the very early innings of playing out. In our opinion, the trifecta of Alexa, Echo, and Prime should enable Amazon to further penetrate the consumer, expand Prime membership and retail spending patterns, while widening the company's consumer competitive moat in our opinion for 2018 and beyond with the Ring acquisition putting further fuel in this smart home engine for Amazon. The Ring acquisition, while carrying a high price tag, is a smart strategic acquisition in our opinion for Bezos & Co. as the company has a clear window of opportunity to become the entrenched leader in the nascent smart home world. **We maintain our Highly Attractive rating and \$1,850 price target on Amazon.**