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Amazon to Buy Audiobook Seller for \$300 Million

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<http://www.nytimes.com/2008/02/01/technology/01amazon.html?em&ex=1202014800&en=5d91170799783419&ei=5087%0A>

[Amazon.com](http://www.amazon.com), which has been rapidly adding digital downloads to its vast Web store, said on Thursday that it had agreed to buy Audible, the largest online seller of audiobooks.

Amazon will pay \$300 million in cash for the company, or \$11.50 a share, a 23 percent premium to the stock's closing price on Wednesday.

Audible, based in Newark, offers 80,000 audiobooks and spoken-word products from magazines, radio shows and newspapers, including The New York Times. It sells its digital files through its own Web site and, since 2003, through [Apple's](http://www.apple.com) popular iTunes service.

The deal will add Audible's products to Amazon's nascent digital media offerings, which it has rolled out over the last 16 months. Customers can now download movies, TV shows and music from Amazon instead of getting a DVD or CD in the mail.

In the past, Amazon has sent customers who wanted to download audiobooks to the Web site of Audible. The acquisition would allow it to offer digital audiobooks on the Amazon site.

The move could also allow owners of the Kindle, Amazon's cream-colored electronic book reader, to download audiobooks directly to the device. Amazon introduced the Kindle to great fanfare late last year.

"The fact that the bottom of the Kindle has volume controls has always thrown me off," said Evan Schnittman, vice president for business development and rights at Oxford University Press. "But now there is a real coordination here that is clicking all of a sudden. This is just another step in making the Kindle a more universal product."

Steven Kessel, Amazon's senior vice president for worldwide digital media, would not comment on how Amazon would use Audible or integrate audiobooks into its products.

"We think that Audible for many years has been providing the best customer experience in the spoken-word space," he said. "Now being able to have that as part of the Amazon family is what gets us excited."

One question that the acquisition raises is how Apple will respond, because Audible content is featured prominently on iTunes, and Apple and Amazon are fiercely competing in digital media downloads.

Apple did not respond to a request for comment on the deal.

The audiobook market recorded \$923 million in sales in 2006, up 6 percent from 2005, according to the Audio Publishers Association. Internet downloads accounted for 14 percent of sales, up from 9 percent in 2005.

Amazon and Audible could conceivably try to expand the online audiobook market by loosening the content-protection software on Audible's downloads. The software is intended to reduce illicit copying but also makes it more difficult for consumers to transfer audiobooks between computers and other devices.

Audible was one of the first creators of the software known as digital rights management, or D.R.M., which consumers often complain about.

"That is going to be one of the big questions," said Michael Gartenberg, an analyst at Jupiter Research. "Can Amazon convince book publishers to do what music labels have done and get rid of D.R.M. on these files to make them play across the board?"

Mr. Kessel of Amazon said it was "too early to tell" whether publishers were ready to make that leap. "We'll have to continue to listen to the customer and work with content owners in this space to provide the best experience," he said.

The acquisition provides a dignified exit for one of the most resilient start-ups in Internet history. Audible was founded in 1995 by Donald R. Katz, an author and writer, with backing from the venture capital firm Kleiner Perkins Caufield & Byers and [AT&T Ventures](#), among others. The company went public in 1999, but its shares dropped below a dollar after the dot-com bust and stayed there for more than two years.

On Thursday, shares of Audible rose 22 percent, or \$2.09, to \$11.42; Amazon jumped 4.7 percent, or \$3.49, to \$77.70.

The publishers Random House and Bertelsmann invested in Audible in 2000, as did Amazon, which at the time purchased 5 percent of the company.