

Oculus Rift real value

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Three weeks ago I was sitting by a colleague and I couldn't help saying aloud "If I *really had* money I would now invest in Oculus". It was two weeks before Facebook announced acquisition of Oculus Rift.

What is interesting here is the coincidence. By no means have I seen the future, and I'm not going to play the strategist/consultant typical role by saying "It is obvious why they did it". (I have something with many consultants and strategists... it bothers me how well they predict the PAST).

The coincidence is interesting. I was not looking for information about Oculus Rift or VR. I had known Oculus for a reasonable amount of time, almost two years, and liked it of course. It was interesting as a company. They had a solid approach. They were gaining momentum... but in my mind they were not yet ready for prime time. What I was doing is my more-or-less-annual tracking of industry geniuses. I was reviewing status of John Carmack. Last time I did may have been 8 months ago, so I was shocked to see he had left Id Software 4 months ago. I quickly read two or three articles about his move to Oculus Rift. Then I did a review of Oculus Rift status. I was trying to understand why it was so appealing to Carmack suddenly. I read everything on display on Oculus website. I read a few articles about their recent demos and talks. I, on purpose, avoided speculative strategists chitchat. I focused on original material: interviews and Oculus PR.

What attracted my attention most was that they had their full staff exposed. They had a list of short CV for each team member. And I read through ALL of them. Being experienced as an engineer lead there was a clear message for me in that team: they were busy building things. They were into REAL hard engineering. They were not wasting time or money in 'decorated positions' you know, nothing like "managing director of company transformation", or obscure positions like "communication manager". It was (and is) an expert engineering team focused in very specific HW and very specific SW.

Of course if you have an insight in the technologies they work it helps. If you are a little bit in visualization technology you can detect a breakthrough even if you cannot anticipate one, at least you can spot when someone else really hit the right thing. In my view these people have put together enough talent to build something new that really works and they have the capacity to make it affordable. In brief I'm ready to believe that they can sell VR devices to the masses in a short time. They have hit many important things and the last one is hiring Carmack as CTO. Carmack himself is well known to be a disruptive, creative thinker. He regularly comes up with new things. Yes, new. And he dares to try and has the abilities to implement and test many of them. He can program video engines and build and run an aerospace company.

All in all Carmack + Oculus was the right person in the right 'company' (word play intended).

So my humble opinion is that FaceBook acquired Oculus just because someone in FB realised Oculus had become suddenly a great value... They didn't need a clear synergy to their own business: social networks. No, they just had the money and they were clever to see the value. In fact they may have feared that other technologists also were able to see the potential for great success.

They either bought Oculus to 'save it' from ending in bad hands, in the hands of a corporation that does not understand the potential of what Oculus is on the brink to achieve, or to 'save FB themselves', in case Oculus ends in the hands of a competitor that may figure out how to leverage their talent to boost social networking.

So it was too tempting. FB could not skip the opportunity. They had the money, they were convinced of value, sheer value, and they realized the potential of others acquiring Oculus.

I'm more or less convinced that Oculus people did not expect immediate interest in acquisition by the big ones. Most probably they were relying on a first success by selling their device to the masses at the beginning 2015, maybe associated to a megahit in gaming and at the proper price. Then a big success in sales over a few months may have put them on the forefront of companies ready to acquire.

But this happened too soon. They were spotted unsuspectedly, and I guess FB probably spotted them for the very same reason I did: because of Carmack's movement. It is too surprising. This man does not usually get into unclear ventures. He makes things succeed. Being so widely recognized in the industry his movement would attract attention.

I guess that other big technologists were ready to offer Oculus a deal. My bets: Google, Microsoft, Sony... It may even have happened. We do not know if FB was the first bidder or the only bidder.

The Oculus value before Carmack's movement was difficult to evaluate. Were they really close to manufacturing their device? Did they have an agreement to manufacturing companies to produce massively? Did they have a closed contract to any mega hit game provider? (EA, Activision, Disney,...). In November 2013 I would have said that to acquire Oculus (in case they were ready to sell) any big company would spend no more than \$150M, based on expectative to finish their gadget on time and sell a decent amount of units to core gamers. The biggest interest could come from Sony and Microsoft. They could have approached Oculus before they succeeded just to stop them on the road and acquire their assets to transform their technology for their own gaming consoles. That would have been sad as the value in Oculus would have been wasted in compatibility with the well-established roadmaps of these big companies.

Google is a different company. Their own Google glasses have some overlaps with the potential utility of Oculus VR KIT, but they are not really targeting the same purposes. Google for sure must have been watching Oculus progress and probably they have been tempted to acquire portions of the technology, probably optics and tracking patents. But as I've said, the glasses and the VR

helmet are not the same thing, they serve really different purposes. The glasses will give you a bit of augmented reality by adding clever 'touches' of information on top of your standard view (which is an amazing value if the glass is connected to the internet, something that we can only start to imagine). On the other hand the VR helmet is targeted to remove you from reality and throw you into a completely different world. This is also amazing, it is what you look for when you go to the theatre, to the cinema, when you watch a movie on your TV... so many millions of humans would appreciate REAL immersion at an affordable price.

It is clear to me that Oculus people were not ready to sell the company. Only someone with really deep pockets and maybe with some promises for the future that include promoting the same goals that Oculus initially had could have done the magic of acquiring Oculus. The price is much higher than expected value for yet another gadget company. The price must have been agreed as a way to protect Oculus from being hunted by others in the short term and a way to demonstrate FB intention to keep it.

What can we expect from Oculus now?

We can just guess. My own bet is: exactly what they were focusing in before acquisition. I can't believe FB would dare to destroy Oculus real value. In addition to that value, someone must be now frantically thinking about the best way to CONNECT the VR helmet to internet.

People are connected to internet nowadays while they are on the go: by their mobiles. This is a disruption. If you had asked any technologist 20 years ago about the direction in which personal computing would go and human-to-human communication would evolve, you for sure would have got responses about: better computers at home, better videoconferencing at home, holographic devices at home,... but no one was expecting to have a personal data link to the rest of humans that goes with you wherever you go. That has been disruptive.

The VR helmet is designed to extract you from reality, so it does not make sense to make it mobile. But it can be made the standard gadget for VR Cinema; it can be equipped in planes, trains and ships for leisure effectively replacing millions of small screens. The VR helmet will be present there where you do not want to care about your surroundings for a while.

In the same way our TV sets have become connected and there is great appreciation from the services these connection yields, I envision a near future in which at home, you can opt to simply 'by-stand' a TV programme not really focusing on it, maybe while you talk to others, while you have a drink or even you read the newspaper... and the other option is to put on a helmet, a VR helmet that will give to you the same 'content' in a very different way. You will immerse in the experience, you will be detached from your reality and be part of a connected or not experience. But the key factor here is that your TV could never extract you from your reality in a way a helmet does.

This is of course a risky statement, as any about the future. I cannot yet see the future, but if eventually I become able I'll let you know.