

Amazon to buy Diapers.com owner Quidsi for \$500M

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(AP) -- Expanding its online retail empire, Amazon.com Inc. said Monday it is buying Quidsi, the owner of Diapers.com and Soap.com, for \$500 million in cash.

Amazon said Quidsi will continue to operate independently after the acquisition, which is expected to close in December.

Amazon plans assume about \$45 million in debt and other obligations as part of the deal, which has been approved by Quidsi's shareholders.

Soap.com sells health, beauty and cleaning products online, while Diapers.com sells baby-care items, including food and maternity wear. And Quidsi recently launched BeautyBar.com, which sells higher-end skin care, makeup and other products online.

The deal "positions Amazon to dominate the baby category," said Cowen and Co. analyst Jim Friedland in a note to investors. Quidsi, he added, is expected to generate \$300 million of revenue in 2010, up 67 percent year-over-year.

The acquisition of Quidsi "will help Amazon become a category killer in the baby segment," Friedland wrote. "In our view - and this is coming from a dad with a 9-week-old - Diapers.com has been beating Amazon at its own game in the nonapparel baby category."

Diapers.com usually has better selection, better stock levels and lower

prices, he said. The acquisition thus eliminates a key rival, and "prevents online and offline rivals from buying the asset to compete more aggressively in the baby category," Friedland said.

Amazon, based in Seattle, bought popular online shoe retailer Zappos.com, for \$850 million last year. Zappos also operates independently as a unit of Amazon.

Shares of Amazon slid \$1.30 to \$169.47 in morning trading.

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