

Sniffing out ideas: Day 3 at CES yielded a ton of interesting technology that validated our theses on certain sectors. We visited more virtual reality (VR) and augmented reality (AR) head-mounted display (HMD) OEMs and exited our discussions with stronger convictions that these technology sectors are real. We also visited the drone space and found our first consumer underwater drone application. Still, CES overwhelms, and we won't visit 20% of the companies that we planned to see. A tip for those of you who plan to attend next year: Screening companies in advance isn't sufficient. The convention is gargantuan, and a map or the official CES app aren't sufficient. The best strategy is to pick your markets of interest and wander their respective areas.

The future of phones: We believe that mobile phones will evolve into Wi-Fi only access. The business case is that roaming charges are expensive internationally, obtaining SIM cards in foreign countries is a pain, and carriers can monetize Voice-over-Internet-Protocol communications via the cloud. Imagine having a phone that has a single number accessible globally. This is possible via VoIP Wi-Fi phones. Lo and behold, on our way to CES Day 3, we sat beside the executive of a Middle Eastern smartphone distributor for Samsung, Huawei, and Microsoft. He agreed that Wi-Fi only phones are the future. When asked why the major handset manufacturers did not offer Wi-Fi phones, he noted that they are cheap technology and don't make the smartphone OEMs as much money as the leading-edge phones.

US\$599 for a Rift?: We queried about a dozen gaming enthusiasts and VR industry professionals regarding their thoughts on Oculus Rift's US\$599 price point yesterday. Half said it was reasonable because of the tech complexity of the device; the other half disagreed largely because Oculus had signaled a US\$350 price point. Based on comments and tweets from the Company, we believe orders have been strong out of the gate for a product that: a) doesn't ship for several months; and, b) only a subset of consumers have a PC with the specs to run the Rift. Yesterday Oculus announced that a bundled package will be available for pre-order in February that will include the Rift and an [Oculus Ready PC](#) starting at US\$1,499, which may be a popular option and could see another round of significant orders.

The Chinese push into VR: VR is a theme that we have written about in the past (<http://sophiccapital.com/sophic-research/>) and will likely continue to write about in the future. The number of Chinese companies in attendance surprised us. AntVR has a solution that moves VR from being a fixed interaction (turn your head while seated and use a gamepad) to a mobile experience, where you can run, jump, crouch, and walk. ViuLux VR has a prototype that should be commercialized by March. The product may be priced at US\$350, but the platform is only available in China. Homida, a Chinese/French VR consortium, has an HMD that will retail for US\$79. The content quality was quite good, but nowhere near Oculus Rift or GearVR experiences.

A VR content enabler: 360Heros showcased their arrays of 3D cameras. We mentioned yesterday how content parallels gaming for VR adoption. 360Heros allows enthusiasts the opportunity to create 3D content. An expert at the booth explained how children easily grasped social networking capabilities of VR (the younger generation will mature with VR as others have grown with computer evolution). Another (non 360Heros) industry analyst explained

how his 83-year old mother “got” VR when she first saw content on a GearVR. “*I’ll never have to go to the movies again,*” she said. As an aside, 360Heros also displayed a waterproof array attached to an underwater drone to film underwater content. Could consumer underwater drones be on the horizon for some companies?

Drones buzzin’ everywhere: Like honey to a bee, drones were hovering all over the Las Vegas Convention Center. Even the FAA had a booth to communicate the process for registering and operating consumer drones (“never fly under the influence”). Booths were packed, one drone crashed into a crumpled heap of plastic.

Type C cables abound: We defined the benefits of USB Type C connectors in Sophic Capital’s “[You Gotta C This](#)” report, published March 24, 2015. We saw all kinds of USB Type C cables. However, most were 1 meter in length and industry experts told us this was because the most common application was connecting a device to a power supply at the moment. They also noted that this could quickly change based upon consumer demands and the need to connect periphery devices. We could see Type C cables emerge in 2016 that provide longer reach for these applications.

Augmented reality, the way it was meant to be: We ended the day in a far corner of the Las Vegas Convention Center, where we found a private Israeli company called Lumus. Lumus has a beautiful, tech-sexy, pair of augmented reality glasses lens that offer 40° field of view. An executive told us that the lens is used with “*thousands of American pilots flying over Afghanistan*”. This field of view is over double what Google Glass offers. But what truly differentiates the lens is that it is based upon waveguide technology, which eliminates thick, heavy LEDs. The AR content shown on Lumus’ glasses prototype was brilliant. The colours were rich, there was no pixilation or lag; it was perfect. ***THIS*** may have been the most fascinating tech we’ve ever seen.

Coming up: Today is our last day at CES. As you’ve heard us say before, the convention is too big. We did not get to visit as many VR, AR, and drone companies as we had planned (navigation around 2.4 million square feet is challenging and draining). Tomorrow, we shift toward another convention center where we will investigate wearables and a couple of VR companies (we hope). Again, we offer no promises.

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