

# Anticipated acquisition by NortonLifeLock Inc. of Avast plc

## Summary of the CMA's decision on relevant merger situation and substantial lessening of competition

**ME/6968/21**

### **SUMMARY**

1. NortonLifeLock Inc. (**NortonLifeLock**), through its wholly owned subsidiary, Nitro Bidco Limited, has agreed to acquire the entire issued and to be issued ordinary share capital of Avast plc (**Avast**) (the **Merger**). NortonLifeLock and Avast are together referred to as the **Parties** and, for statements relating to the future, the **Merged Entity**.
2. The CMA believes that the Merger gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in the supply of consumer cyber safety (**CCS**) solutions<sup>1</sup> in the UK.
3. Historically, the supply of CCS solutions principally concerned the supply of antivirus – or endpoint security – products.<sup>2</sup> As the digital life of – and, relatedly, the cyber threats facing – consumers has evolved, so has the range of CCS solutions available to consumers to protect against these threats. Today, there are a range of CCS solutions available to consumers, including endpoint security solutions, online privacy solutions (such as virtual private network (**VPN**) solutions), identity protection solutions and device care solutions.<sup>3</sup>

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<sup>1</sup> CCS solutions refers to solutions available to consumers and small and medium-sized enterprises (**SMEs**).

<sup>2</sup> Antivirus software refers to software which is designed to detect and remove computer viruses. Endpoint security refers to software which is designed to protect the endpoint (eg the customer device) from a wider range of security threats, including but not limited to computer viruses.

<sup>3</sup> Consumer VPNs establish an encrypted tunnel between the consumer's online device and the VPN provider allowing for a secure and private communication channel. Identity protection solutions include services which monitor for indicators of personal identifiable information misuse, alert consumers when relevant activity is detected and offer guidance on the steps to mitigate any damage. Device care solutions use automated techniques to optimise device performance.

4. Both Parties provide a broad CCS solution offering, including a core endpoint security solution as well as other CCS solutions, such as online privacy (VPN) and identity protection.
5. CCS solutions may be sold individually (eg an endpoint security solution) or as a bundled offering encompassing two or more CCS solutions (eg an endpoint security solution bundled with a VPN) by independent providers. They can also be provided as integrated functionality in an operating system (**OS**).<sup>4</sup> Bundled CCS solutions which have endpoint security included as a core part of the offering are sometimes referred to as ‘total security’ or ‘total protection’ solutions. The Parties both supply ‘total security’ solutions, which include their Norton 360 and Avast One products respectively.
6. The CMA considered whether there would be sufficient remaining credible alternatives to constrain the Merged Entity post-Merger. In assessing this theory of harm, the CMA considered: (i) the Parties’ shares of supply; (ii) the closeness of competition between the Parties; and (iii) the competitive constraint from other CCS solution providers.
7. The CMA considers that, while the available share of supply data provide some indication of the relative size of suppliers in the frame of reference, they are not determinative, in particular given the heterogeneity of the competitive constraint exerted on the Parties by various types of CCS solution providers. The CMA found, however, that the available share of supply data do suggest that the Parties are two of the three largest independent providers of endpoint security solutions in the UK by both revenue and volume (with McAfee currently appearing as the largest supplier by revenue and Microsoft as the largest supplier by volume). Microsoft does not appear in the revenue share data as it provides its Microsoft Defender solution free of charge as ‘built-in’ feature of its OS. While Microsoft has a significant share by volume, consumers may not actively be choosing to use Microsoft as it is often pre-installed on their computers and, as such, these volume shares are likely to overstate Microsoft’s competitive position.
8. The CMA considers that almost all of the various sources of evidence point towards the Parties being close competitors in the supply of CCS solutions in the UK. In particular, the Parties’ internal documents showed that they monitor each other more frequently than they monitor other competitors (apart from McAfee). Furthermore, certain consumer survey evidence in the Parties’ internal documents also suggested that the Parties are the closest or second closest alternative for consumers.

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<sup>4</sup> ‘Independent’ refers to CCS providers of CCS solutions which are not built-in to an OS.

9. The evidence reviewed by the CMA suggests that other providers of CCS solutions (apart from McAfee), including independent providers of endpoint security solutions, Microsoft and other OS providers, and independent CCS solution providers that focus on a small number of solutions other than endpoint security (referred to as '**pure play**' providers) provide a more limited competitive constraint on the Parties. This remains the case even when considering the dynamic nature of competition in the supply of CCS solutions.
10. On balance, the CMA does not believe that the competitive constraints provided by other CCS solution providers considered in aggregate are sufficient to offset the loss of competition between Parties resulting from the Merger.
11. The CMA therefore believes that the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in the supply of CCS solutions in the UK.
12. The CMA is therefore considering whether to accept undertakings under section 73 of the Enterprise Act 2002 (the **Act**). The Parties have until 23 March 2022 to offer an undertaking to the CMA that might be accepted by the CMA. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 33(1) and 34ZA(2) of the Act.