

Anticipated acquisition by NortonLifeLock Inc. of Avast plc

Decision on relevant merger situation and substantial lessening of competition

ME/6968/21

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 16 March 2022.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

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**) solutions¹ in the UK.
3. Historically, the supply of CCS solutions principally concerned the supply of antivirus – or endpoint security – products.² 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

¹ In this decision, CCS solutions refers to solutions available to consumers and small and medium-sized enterprises (**SMEs**).

² 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.

privacy solutions (such as virtual private network (**VPN**) solutions), identity protection solutions and device care solutions.³

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**).⁴ 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.

³ 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 In this decision, 'independent' refers to CCS providers of CCS solutions which are not built-in to an OS.

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.
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.

ASSESSMENT

PARTIES

NortonLifeLock

13. NortonLifeLock is a global provider of CCS solutions. NortonLifeLock provides CCS solutions under the Norton, Avira, BullGuard and LifeLock brands across the following three broad cyber safety categories.⁵
 - (a) Security: NortonLifeLock offers software to provide real-time protection for PCs, Macs and mobile devices against malware, viruses, adware, ransomware and other online threats.
 - (b) Online privacy: NortonLifeLock supplies privacy solutions that provide enhanced security and online privacy through an encrypted data tunnel or VPN products. NortonLifeLock has recently launched an anti-track product in the UK.⁶
 - (c) Identity protection: NortonLifeLock offers software to monitor, alert and restore services to protect users against, for example, identity theft. In the UK, this is limited to a dark web monitoring,⁷ whereas in the US NortonLifeLock offers a more comprehensive identity protection product.
14. NortonLifeLock is primarily a paid-for (or 'premium') CCS solution provider. In 2021 in the UK, NortonLifeLock under the Norton brand had approximately [X] paid users, the Avira brand had approximately [X] paid users and approximately [X] 'freemium' users⁸ and the BullGuard brand had approximately [X] paid users.⁹
15. The turnover of NortonLifeLock in the last financial year was approximately £2bn worldwide and approximately £[X]m in the UK.¹⁰

⁵ Final Merger Notice (**FMN**), paragraphs 62 and 68 to 75. Avira and Bullguard focus on endpoint security and LifeLock focuses on identity protection.

⁶ FMN, paragraph 84.

⁷ Dark web monitoring is a solution which seeks to detect personal information of the user on the dark web; FMN, paragraph 72.

⁸ Freemium users are users which are offered a base product free of charge with the view to subsequently monetising such users through up-selling or cross-selling other products or services.

⁹ FMN, paragraph 66.

¹⁰ FMN, paragraph 143; for the period 3 April 2020 to 2 April 2021.

Avast

16. Avast is a global provider of CCS solutions. Avast supplies CCS solutions under the Avast, AVG, CCleaner and HMA brands.¹¹ Broadly, Avast's provides CCS solutions across the following three broad cyber safety categories:¹²
 - (a) Security: Avast supplies endpoint security software, which seeks to protect consumers from malware, viruses, adware, ransomware and other online threats.¹³
 - (b) Online privacy: Avast supplies a number of VPN and anti-track products, which allows users to avoid their unique online identifiers from being tracked online.
 - (c) Identity protection: Avast supplies dark web monitoring solutions as part of its BreachGuard product. Avast also offers an identity theft protection service. Avast launched this service in North America and has rolled it out more widely, including in the UK, as of December 2021.¹⁴
17. Avast's business model is focussed on supplying freemium solutions to consumers. Avast has over 435 million global users, including approximately [redacted] users in the UK.¹⁵
18. The turnover of Avast in the last financial year was approximately £684.3m worldwide and approximately £65.9m in the UK.¹⁶

TRANSACTION

19. NortonLifeLock through its wholly owned subsidiary, Nitro Bidco Limited, proposes to acquire the entire issued and to be issued ordinary share capital of Avast. The Merger is a UK public takeover, governed by the Takeover Code and was announced on 10 August 2021. The Merger is to be implemented by way of a

¹¹ AVG focusses on endpoint security, CCleaner focusses on device optimisation, HMA focusses on online privacy (VPN).

¹² FMN, paragraphs 76 and 81 to 87. Avast's CCS offering also comprises connected home security solutions and performance (PC optimisation) solutions. In particular, Avast supplies Avast Omni, an all-in-one protection product for smart homes and families in the US, and Avast supplies PC utility software tools which offer regular updating and clean up tasks to improve system performance.

¹³ 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.

¹⁴ [redacted].

¹⁵ FMN, paragraph 77.

¹⁶ [redacted] for FY2021.

scheme of arrangement pursuant to Part 26 of the UK Companies Act 2006 as amended.¹⁷

20. The Parties informed the CMA that the Merger is also the subject of review by competition authorities in Australia, Germany, Spain, the United States and New Zealand.¹⁸
21. The Parties stated that the transaction rationale is to:¹⁹
 - (a) increase the scale and reach (in terms of geographies and product offerings) of the Parties, providing access to a larger global user base;
 - (b) combine complementary NortonLifeLock identity protection and Avast privacy solutions to better position the Parties to face increasing competition from OS providers, notably Microsoft, Apple and Google;²⁰
 - (c) enable greater geographical diversification globally, through combining the regional expertise of the Parties to reinvest in product and marketing to target new growth segments and regions; and
 - (d) enable approximately USD 280 million (c. £218 million) of annual gross cost synergies.
22. In addition, the Parties stated that the combined company will be better placed than either Party on its own to advance the quality and range of its product offerings. The ability to access a larger user base combined with synergies will enable the Merged Entity to deploy more resources on innovation and growth.²¹
23. The CMA found that the Parties' internal documents²² and external publications²³ generally supported the stated transaction rationale.

¹⁷ The Rule 2.7 Announcement relating to the Merger is available [here](#).

¹⁸ FMN, paragraphs 56 to 58.

¹⁹ FMN, paragraphs 40 to 55.

²⁰ The Parties in their submissions refer more broadly to competition from 'Big Tech' companies. However, their submissions primarily focus on the competitive threat from the CCS solutions built-in to the OSs of Microsoft, Apple and Google. Therefore, the CMA refers to 'OS providers' in this decision for ease of reference, while noting that the CMA has carefully considered the Parties' submissions with regard to competition from 'Big Tech' more broadly (ie which may include other providers, such as Amazon).

²¹ FMN, paragraph 51.

²² See, for example, Annex 09-2, [3<], dated 9 August 2021, slides 17 and 20.

²³ See, for example, a NortonLifeLock investor presentation dated 10 August 2021 available [here](#).

PROCEDURE

24. The Merger was considered at a Case Review Meeting.²⁴

JURISDICTION

25. The CMA believes that the Merger (as described in paragraph 19) is sufficient to constitute arrangements in progress or contemplation for the purposes of Act.²⁵
26. Each of NortonLifeLock and Avast is an enterprise. As a result of the Merger, these enterprises will cease to be distinct.
27. The Parties provided the CMA with several estimates of shares of supply for certain CCS solutions. As set out in paragraphs 70 to 80 below and Annex A to this decision, these estimates indicate that the Parties have a combined share of supply of more than 25% with an increment of more than [5-10%] either by revenue or volume in some CCS solution segments. Therefore, the CMA considers that the share of supply test in section 23 of the Act is met.
28. The CMA therefore believes that it is or may be the case that arrangements are in progress or contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
29. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 20 January 2022 and the statutory 40 working day deadline for a decision is therefore 16 March 2022.

COUNTERFACTUAL

30. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For anticipated mergers the CMA generally adopts the prevailing conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it believes that, in the absence of the merger, the prospect of these

²⁴ See [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2revised\)](#), December 2020, from page 46.

²⁵ Section 33(1)(a) of the Act.

conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions.²⁶

31. The CMA notes that the cyber threats posed to consumers and, as such, the CCS solutions offered to protect against such threats, are evolving. However, the counterfactual is not intended to be a detailed description of the conditions of competition that would prevail absent the merger (which are better considered in the competitive assessment).²⁷
32. In this case, there is no evidence supporting a different counterfactual, and the Parties and third parties have not put forward arguments in this respect. Therefore, the CMA believes the prevailing conditions of competition to be the relevant counterfactual.

BACKGROUND

33. Historically, the supply of CCS solutions principally concerned the supply of antivirus – or endpoint security – products. 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 VPN solutions), identity protection solutions and device care solutions.²⁸²⁹
34. CCS solutions may be sold – whether paid for or for free (see paragraph 36) – individually (eg an endpoint security solution) or sold as a bundle of two or more CCS solutions (eg endpoint security solution bundled with a VPN) by independent

²⁶ See [Merger Assessment Guidelines \(CMA129\)](#), March 2021 (the **Merger Assessment Guidelines**), from paragraph 3.12.

²⁷ Merger Assessment Guidelines, paragraph 3.7.

²⁸ In addition to endpoint security solutions (see footnote 13) the market intelligence company IDC identifies the following solutions within the category of ‘consumer digital life protection’: (i) consumer VPNs, which establish an encrypted tunnel between the consumer’s online device and the VPN provider allowing for a secure and private communication channel; (ii) identity protection solutions, which 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; (iii) device care solutions, which use automated techniques to optimise device performance, battery life, assist with software/driver updates, and clean-up storage; (iv) connected home security solutions, which are security solutions that seek to protect home networks; (v) cloud back-up solutions, which use the cloud to store copies of files; (vi) parental controls, which allow parents to monitor and limit their children’s use of internet connected devices; and (vii) password managers, which allow users to store, generate and manage their passwords for local applications and online services; FMN, paragraphs 163 to 170.

²⁹ In this decision references to a particular solution, eg endpoint security solutions, are to solutions for consumers (including SMEs) unless the context otherwise requires.

providers.³⁰ They can also be provided as integrated functionality in an OS. Bundled CCS solutions which include endpoint security as a core element are sometimes referred to as ‘total security’ or ‘total protection’ solutions.³¹ Providers typically offer these total security solutions to consumers in different tiers, which may include different services, provide coverage for an increasing number of devices and include other security-related add-ons. For example, NortonLifeLock offers ‘Standard’, ‘Deluxe’ and ‘Premium’ tiers for its Norton 360 offering. In addition, Avast has recently launched Avast One in the second half of 2021 as a total security solution incorporating security, privacy, and performance elements.

35. Broadly, in the UK, CCS solutions are provided by the following types of providers:

- (a) Independent CCS solution providers that have endpoint security solutions as their core offering (whether provided on a bundled or standalone basis) (**‘independent providers of endpoint security solutions’**). These vary in size, and include Avast, Bitdefender, ESET, Kaspersky, Malwarebytes, McAfee, NortonLifeLock and Trend Micro.
- (b) **‘Pure play’** providers who specialise in one or more specific CCS solutions.³² For example, Nord Security and Kape / ExpressVPN specialise in the supply of VPN products, and Experian specialises in the supply of identity protection solutions.³³
- (c) OS providers also offer their customers certain forms of built-in security with their platforms. For example, Microsoft offers consumers a CCS solution, called Microsoft Defender, integrated into its Windows OS platform, which includes core endpoint security as well as parental controls, cloud back-up and password management.³⁴ Apple and Google also offer consumers built-in cyber safety protection integrated into their respective OSs.³⁵

³⁰ See footnote 4. FMN, paragraph 161; Note of a call with [X], paragraphs 8-9; Note of a call with [X], paragraph 6; Note of a call with [X], paragraph 3; Note of a call with [X], paragraph 8.

³¹ FMN, paragraph 20.

³² The Parties define ‘pure play’ providers as those that focus on a small number of CCS solutions, but usually more than one (FMN, footnote 8). In this decision, the CMA uses ‘pure play’ providers to refer to independent CCS solution providers that focus on a small number of CCS solutions which do not include endpoint security as a core feature.

³³ FMN, paragraph 429.

³⁴ FMN, paragraph 283 and 301 to 311. The CMA understands that ‘Windows Defender’, ‘Microsoft Defender’ and ‘Defender’ are sometimes used interchangeably to describe Microsoft’s built-in Windows endpoint security offering. The CMA refers solely to Microsoft Defender for ease of reference; for enterprise customers Microsoft Defender is available on other OS platforms.

³⁵ FMN, paragraph 324.

36. Independent CCS solution providers may operate different business models.³⁶
- (a) Some suppliers offer a ‘premium’, or paid-for, model, whereby consumers purchase (sometimes after an initial free trial) CCS solutions, typically by way of a subscription service.³⁷
 - (b) CCS solutions are also distributed under a ‘freemium’ business model. Freemium providers typically offer consumers a base product, such as a basic endpoint security product, free of charge. These providers then seek to monetise their freemium users through the sale of other products or services, such as up-selling more advanced protection or cross-selling ancillary products.³⁸
37. Distribution channels for CCS solution providers have changed over time:
- (a) In the UK, physical retail distribution (eg sale of physical media such as CDs via electronics retailers) was previously an important route to market for consumer endpoint security solution providers.³⁹
 - (b) CCS solution providers can also distribute their products via agreements with original equipment manufacturers (**OEMs**), such as laptop manufacturers, to have their solutions pre-installed on devices.⁴⁰
 - (c) More recently, the importance of online distribution, typically supported by branding and digital advertising efforts, has significantly increased.⁴¹ CCS solution providers may sell online directly to consumers via their own websites, or indirectly via the online stores of others.⁴²
 - (d) In addition, some CCS solution providers distribute their solutions indirectly via agreements with telecommunications companies, or by white-labelling or licencing their technology to third parties.⁴³

³⁶ FMN, paragraphs 285-286.

³⁷ NortonLifeLock (excluding its Avira brand) and McAfee are examples of premium CCS solution providers.

³⁸ FMN, footnote 9. Avast (and its AVG brand) and Avira (owned by NortonLifeLock) are examples of CCS endpoint security software providers which operate a freemium business model. Kaspersky also offers a free endpoint security product. See: [Kaspersky Free Antivirus – Free Cloud Security for all Devices | Kaspersky](#).

³⁹ For example, Avast discontinued distributing its products via physical retail stores in September 2020 (FMN, paragraph 422(a)). [redacted] (FMN, paragraph 44); Note of a call with [redacted], paragraph 19.

⁴⁰ Note of a call with [redacted], paragraph 7; Note of a call with [redacted], paragraph 1.

⁴¹ Note of a call with [redacted], paragraphs 19-20; Note of a call with [redacted], paragraphs 2 and 5; Avast stated to the CMA that [redacted] (FMN, paragraph 260).

⁴² Note of a call with [redacted], paragraph 2.

⁴³ For example, [redacted]; see FMN, paragraph 422(c) and (d).

38. In relation to endpoint security solutions, the underlying technology which may be licenced to third parties is sometimes referred to as an 'AV engine' or 'threat engine'. The CMA refers to this technology as a '**threat analytics engine**'.
39. CCS solution providers have traditionally focussed on the Windows OS platform, and this remains the most prominent platform on which CCS suppliers offer their products.⁴⁴ Notwithstanding, many CCS solution providers supply their products on other PC platforms (such as MacOS) and mobile OSs (such as iOS and Android).⁴⁵

FRAME OF REFERENCE

40. The assessment of the relevant market is an analytical tool that forms part of the analysis of the competitive effects of the Merger.⁴⁶ It involves identifying the most significant competitive alternatives available to customers of the Parties and includes the sources of competition to the Parties that are the immediate determinants of the effects of the Merger.⁴⁷ However, the CMA's assessment of competitive effects of the Merger does not need to be based on a specific description of any particular market (including, for example, descriptions of the precise boundaries of the relevant markets and bright-line determinations of whether particular products or services fall within it).⁴⁸ In this context, the CMA has identified below the appropriate frame of reference for its assessment of the competitive effects of the Merger.
41. The Parties overlap in the supply of CCS solutions, by offering a broad range of different CCS solutions including endpoint security, VPNs, and identity protection. The Parties both supply 'total security' solutions, which include their Norton 360 and Avast One products respectively.⁴⁹

Product scope

The Parties' views

42. The Parties submitted that the product frame of reference should be CCS solutions, as distinct from cyber safety solutions for enterprise users, without sub-

⁴⁴ FMN, paragraphs 9 and 185; Note of a call with [§<], paragraph 1.

⁴⁵ For example, both NortonLifeLock and Avast offer their products on a number of OS platforms.

⁴⁶ Merger Assessment Guidelines, paragraph 9.1.

⁴⁷ Merger Assessment Guidelines, paragraph 9.2.

⁴⁸ Merger Assessment Guidelines, paragraph 9.5.

⁴⁹ FMN, paragraphs 81 to 87.

segmentation by reference to solution (eg endpoint security), go-to-market model (eg paid, 'freemium' or free) or OS on which the CCS is available for use.⁵⁰

43. With regard to the distinction between CCS solutions and cyber safety solutions for enterprise customers, the Parties submitted that, consistent with the analytical approach taken by the European Commission in its assessment of the *Broadcom / Symantec* merger,⁵¹ it is appropriate to distinguish between solutions that are used by consumers (including SMEs) on the one hand and commercial (ie enterprise) users on the other, given that enterprise solutions, for example, are typically characterised by a higher degree of sophistication, a broader range of functionalities and specific support services that only enterprise users demand.⁵²
44. Considering sub-segmentation by reference to solution, the Parties submitted that the product frame of reference should include all CCS solutions (encompassing endpoint security, connected home security, parental controls, password management, cloud back-up, identity protection, consumer VPN and device care, in line with the 'consumer digital life protection' segment identified by the market intelligence company IDC)⁵³ and that further sub-segmenting the frame of reference into separate sub-segments for endpoint security solutions and other sub-segments noted in IDC does not reflect the fluid nature of demand and supply in the market, nor the go-to-market approach of many providers, such as NortonLifeLock.⁵⁴ The Parties noted that, in its assessment of the *Intel / McAfee* merger, the European Commission considered that endpoint security constituted a relevant sub-segment within the IT security solutions sector.⁵⁵

⁵⁰ FMN, paragraphs 177 to 185.

⁵¹ In order to identify the narrowest possible product markets for the purposes of its assessment, the European Commission relied on market segmentations set by the market intelligence company Gartner Inc., whose definition of the enterprise security software segment excluded consumer security software solutions. Case M.9538 – [Broadcom/Symantec](#) European Commission decision of 30 October 2019, paragraphs 9, 18 footnote 18 and paragraph 24.

⁵² FMN, paragraph 178.

⁵³ FMN, paragraph 177.

⁵⁴ FMN, paragraph 180.

⁵⁵ FMN, paragraph 174. The European Commission's market investigation largely confirmed that segmentation of the security solution market adopted by the market intelligence company IDC (according to which endpoint security sub-segment was considered distinct from the network security, messaging security and web security sub-segments of the general category of 'secure content and threat management') and that endpoint security could be regarded as a distinct product market. The European Commission further considered that endpoint security might be further segmented according to type of end-customer (ie consumer or enterprise) but left the exact market definition open as the conclusions of the assessment would be the same regardless of whether the market for endpoint security was sub-segmented by customer type or extended to include messaging security and web security. Case M.5984 – [Intel/McAfee](#) European Commission decision of 26 January 2011, paragraphs 38-51.

45. The Parties submitted that, while the origins of CCS solutions were in endpoint security, the area has evolved, in particular in response to the role that OS providers have played in driving increasing consumer use of technology (and corresponding demand for cyber safety solutions) and in developing 'built-in' cyber safety solutions for their OS which constrain independent providers.⁵⁶ As a consequence, the Parties explained that CCS solution providers are now focussing on developing and expanding their offering to include a suite of other solutions (such as connected home security, parental controls, password management, cloud backup, identity theft protection, consumer VPN services and device care) to address emerging consumer cyber safety needs. Such solutions may be provided on a standalone or 'bundled' basis, with many providers offering combinations of solutions.⁵⁷ The Parties further submitted that a frame of reference based on 'total security' products would ignore (i) the spectrum of consumer demand for CCS solutions in different shapes and forms and (ii) the competition 'total security' bundles face from the same or alternative suppliers of CCS solutions in different shapes and forms, including from standalone solutions.⁵⁸
46. The Parties submitted that the frame of reference should include all CCS solution providers, irrespective of business model.⁵⁹ The Parties submitted that consumers have multiple routes to access cyber safety solutions. In addition to the 'built-in' offerings of OS providers, independent CCS solution providers such as the Parties, Bitdefender, Equifax, ESET, Experian, Kaspersky, Malwarebytes, McAfee, Nord Security, Sophos, Trend Micro and Webroot, offer a variety of CCS solutions that can be downloaded and installed by consumers on a paid or free basis (and as individual products or combinations as described in paragraph 33) depending on the business model of each supplier.⁶⁰
47. Lastly, the Parties submitted that the frame of reference should not be segmented by reference to OS on which the CCS solution is available for use, given that the technology behind the products is similar and, with the exception of endpoint security, the solutions offered by CCS solution providers are offered across OS platforms.⁶¹

⁵⁶ FMN, paragraphs 10 and 16.

⁵⁷ For example, McAfee's Total Protection, Trend Micro's Premium Security, Bitdefender's Total Security and Kaspersky's Total Security are examples of bundled products. FMN, paragraphs 20 and 179.

⁵⁸ Response to the Issues letter, paragraph 2.3.

⁵⁹ FMN, paragraph 181.

⁶⁰ FMN, paragraph 16.

⁶¹ The Parties submitted that Apple and Google OS and mobile OS (such as Android and iOS) are designed in a way such as not to require endpoint security, meaning that endpoint solutions offered are an overlay to

The CMA's view

48. Based on the evidence received, the CMA believes that it is appropriate to analyse the supply of cyber safety solutions for consumers (including SMEs) separately from the supply of cyber safety solutions for enterprises. There are different suppliers for enterprise and consumer cyber safety solutions, and where suppliers do offer both types of solutions, they typically offer distinct products to consumer and enterprise customers.
49. The evidence received by the CMA supports the Parties' submissions that the supply of CCS solutions has evolved, such that CCS solution providers generally supply a range of CCS solutions, including endpoint security, VPNs, identity protection, password managers, etc.
50. The CMA considered whether it was appropriate to assess the competitive impact in the supply of 'total security' products, that is, bundled CCS solutions which have endpoint security included as a core part of the offering. Most competitors who responded to the CMA questionnaire indicated that it was important for CCS solution providers to be able to offer a broad suite of features, such as total security products, to stay competitive in the market and meet consumer demand. In particular:
- (a) one competitor submitted that consumers value comprehensive solutions which provide protection against different types of threats on different types of devices ('total security/protection' solutions);⁶²
 - (b) another competitor submitted that 'total security' packages simplify consumers' lives, helps them to decide what to buy and how to use that protection. It further submitted that the industry is heading more towards 'total security suites' rather than standalone products;⁶³
 - (c) another competitor submitted that consumers are likely to desire as few security consoles as possible;⁶⁴

the existing cyber safety elements inherent to selected OS (which is different from the position with Windows, where the third-party endpoint security software is a direct replacement of Windows Defender). The Parties submitted that, given this dynamic, some endpoint software is only offered for Windows (FMN, paragraph 185).

⁶² [redacted] response to CMA competitor questionnaire, Q9 and 10.

⁶³ [redacted] response to CMA competitor questionnaire, Q9 and 10.

⁶⁴ [redacted] response to CMA competitor questionnaire, Q9 and 10.

- (d) another competitor submitted that users demand a complete all-in-one solution to protect their digital lives;⁶⁵ and
- (e) another competitor submitted that, while it is possible for providers of comprehensive CCS solutions to compete with providers of individual solutions, consumers prefer being able to purchase a product which offers total protection, rather than purchase individual solutions from a range of suppliers.⁶⁶

51. As discussed below (paragraph 81 onward) the evidence received by the CMA shows that the strongest competitive constraints on the Parties come from the largest independent providers of CCS solutions which include endpoint security as one of its core features, which are increasingly being offered as part of 'total security' solutions. However, the supply of CCS solutions is dynamic and evolving and the Parties face competition, to varying degrees, from a range of CCS solution providers, including pure play providers and OS providers. Therefore, the CMA has considered the impact of the Merger in relation to the supply of CCS solutions, but in doing so has taken account in the competitive assessment of the different extents to which suppliers across the spectrum of different CCS solutions exert competitive constraints on the Parties.
52. With regard to segmentation by business model, based on the evidence received, the CMA considers that it is not appropriate to segment the frame of reference by reference to whether CCS solutions are offered for free or on a 'freemium' or 'paid for' basis nor, as explained above, by reference to whether a supplier is an independent provider of endpoint security solutions, is a pure play provider or an OS provider with built-in solution. In particular, the Parties' internal documents show that they assess and monitor providers with different business models when monitoring competitors.⁶⁷
53. The evidence reviewed by the CMA suggests that most independent CCS solution providers are active across OSs, therefore the CMA has not segmented the frame of reference by OS platform. This approach was supported by third parties.⁶⁸

⁶⁵ [redacted] response to CMA competitor questionnaire, Q9 and 10.

⁶⁶ [redacted] response to CMA competitor questionnaire, Q9 and 10.

⁶⁷ See further paragraph 92 below.

⁶⁸ Note of a call with [redacted], paragraph 6.

Geographic scope

The Parties' views

54. The Parties submitted that the market for CCS solutions is global, because the CCS solutions offered by the Parties and their competitors (including independent providers of endpoint security solutions, pure play providers and OS providers) are the same globally and the software is not tailored to specific countries or regions (save for any language requirements).⁶⁹
55. While the Parties acknowledged that share of supply data submitted to the CMA shows some variations in shares between the UK and global levels, the Parties submitted that limited weight can be placed on these data given limitations in the dataset.⁷⁰ The Parties further noted the data shows that the same competitors feature at a global, regional and national level and that there are examples of recent entry that indicate the ease of new players moving into the UK market.⁷¹
56. The Parties pointed to other indicators that the market for CCS solutions is global:⁷²
- (a) [redacted] of their internal documents show that the Parties assess competition at global level;
 - (b) [redacted] the Parties' internal documents assess regional competition, [redacted];⁷³ and
 - (c) considering product development, even when a company launches a solution in a certain region initially, global coverage typically rolls out quickly.⁷⁴ The Parties further submitted that [redacted].⁷⁵

⁶⁹ Response to the Issues Letter, paragraph 3.1.

⁷⁰ Response to the Issues Letter, paragraph 3.2. The Parties noted that the estimates of third-party market shares based on Gartner and IDC data are limited in scope. Gartner data covers consumer security by revenue while IDC provides estimates for endpoint security (on a global basis only). The Parties understand that both Gartner and IDC estimate revenues among only endpoint security providers, but include non-endpoint security revenues of those providers, and therefore do not take into account, for example, the share of OS providers offering built-in CCS solutions and pure play providers (who do not offer endpoint security). FMN, paragraph 200.

⁷¹ Response to the Issues Letter, paragraph 3.2.

⁷² The Parties also submitted that identity protection is a nascent segment in the UK and that in identity protection, the software element (ie dark web monitoring) is a technology solution that can be rolled out globally; however, the non-software element (eg, the insurance and support services from any information breach) may be national in scope as it involves local elements (FMN, paragraph 189 and 190).

⁷³ Response to the Issues Letter, paragraph 3.4.

⁷⁴ FMN, paragraph 186. Response to the Issues Letter, paragraph 3.10.

⁷⁵ Response to the Issues Letter, paragraphs 3.11 and 3.12.

The CMA's view

57. As with product markets, the CMA's focus in defining geographic markets is on demand-side factors and identifying the most important competitive alternatives to the merger firms.⁷⁶
58. Based on the evidence received, the CMA considers that while the largest CCS solution providers are active across multiple geographic areas, there are material differences in the strength of some providers as between the UK and elsewhere (including on a global basis). Estimates provided by the Parties indicate that NortonLifeLock and McAfee have higher shares of supply in the UK than worldwide and that these differences are even more significant for some of the smaller independent providers of endpoint security solutions. For example, based on this data, TrendMicro has a significantly smaller share of supply in the UK than worldwide.⁷⁷ While the CMA acknowledges that there are certain limitations with the available share of supply data submitted by the Parties – which, as described above (see footnote 72) do not pertain to geographic variation – the CMA considers that the data are indicative of geographical variation in the competitive strength of CCS providers when considered on a UK and global basis.
59. The CMA notes that [§] of the Parties' internal documents contain an assessment of competition or financial performance at a global level, which is consistent with the Parties' competitors being active globally. However, [§] of the Parties' internal documents assess competitive conditions or financial performance by geographic area, although [§].⁷⁸ The CMA further notes that [§].
60. Third parties noted that there are idiosyncratic differences between the UK and other geographic areas, linked to branding and historic investment in sales channels.⁷⁹ One competitor noted that local brand awareness and trust is a key competitive differentiator.⁸⁰ Similarly, most competitors who responded to the relevant question in the CMA questionnaire indicated that competitive conditions typically vary by geographic area.⁸¹

⁷⁶ Merger Assessment Guidelines, paragraph 9.13.

⁷⁷ FMN, NortonLifeLock s109 Notice Annex 001-1. See also Table 1 below.

⁷⁸ For example: [§].

⁷⁹ Note of a call with [§], paragraphs 17-21; Note of a call with [§], paragraph 4; Note of a call with [§], paragraph 7.

⁸⁰ Note of a call with [§], [§].

⁸¹ [§] response to CMA competitor questionnaire, Q7 and 9; [§] response to CMA competitor questionnaire, Q7 and 9; [§] response to CMA competitor questionnaire, Q7 and 9; [§] response to CMA competitor questionnaire, Q7 and 9.

61. The CMA notes that the pricing of NortonLifeLock's solutions varies by geographic region.⁸² Further, there are differences in the offerings and demand patterns between regions.⁸³ In this regard, the CMA notes that part of the rationale for the Merger includes enabling greater geographical diversification, combining regional expertise, and targeting new regions, each of which is consistent with there being different consumer preferences regionally.⁸⁴
62. Based on differences in the position of competitors, the Parties' internal documents, third party views, and the differences in the prices of NortonLifeLock products, the Parties' product offerings, and consumer preferences between different countries, the CMA considers the UK to be the appropriate geographic frame of reference.

Conclusion on frame of reference

63. For the reasons set out above, the CMA has considered the impact of the Merger in the supply of CCS solutions in the UK.

COMPETITIVE ASSESSMENT

Horizontal unilateral effects

64. Unilateral effects can arise in a horizontal merger when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or to degrade non-price aspects of its competitive offering (such as quality, range, service and innovation) on its own and without needing to coordinate with its rivals.⁸⁵ In differentiated markets, horizontal unilateral effects are more likely when the merging parties are close competitors.⁸⁶
65. During its investigation the CMA focussed its review on a single theory of harm, namely whether the Merger may lead to horizontal unilateral effects in the supply of CCS solutions in the UK.
66. To assess the likelihood of the Merger resulting in unilateral effects, the CMA considered whether there would be sufficient remaining credible alternatives to

⁸² [3<].

⁸³ For example, NortonLifeLock's LifeLock products are currently mostly focused on the US, and Avast Omni (a connected home security solutions) is only available in the US.

⁸⁴ See further paragraph 21 above.

⁸⁵ Merger Assessment Guidelines, paragraph 4.1.

⁸⁶ Merger Assessment Guidelines, paragraph 4.8.

constrain the Merged Entity post-Merger. In assessing this theory of harm, the CMA considered:

- (a) the Parties' shares of supply;
- (b) the closeness of competition between the Parties; and
- (c) the competitive constraint from other CCS solution providers.

Shares of supply

The Parties' views

67. The Parties submitted various estimates of shares of supply during the CMA's investigation, which the CMA has reviewed in detail, and some of which are described further below.⁸⁷
68. The Parties submitted that:⁸⁸
- (a) the CMA's estimated shares of supply by revenue for endpoint security solutions (including bundled CCS solutions that include endpoint security alongside other CCS solutions) are not a reasonable proxy for competitive constraint. In particular, these shares do not capture Microsoft or other built-in/free solutions, nor pure play providers; and
 - (b) the volume data presented by the Parties provides highly relevant information that Microsoft's position has grown (and continues to grow) markedly since its improvements to Microsoft Defender. Considering the possibility that consumers using Microsoft Defender may not actively chose (or even be aware that they are using) Microsoft Defender as a CCS solution, the Parties considered that the growth in Microsoft Defender's share over time [X<] implies that consumers are switching away from independent providers in favour of relying on Microsoft Defender.⁸⁹
69. The Parties also submitted that, in any event, share of supply estimates need to be treated cautiously in a differentiated market such as this, where the boundaries of the market are unclear.⁹⁰

⁸⁷ FMN, paragraphs 205 to 247, NLOK s109 Notice Annex 005-1 and RFI 3 Annex 002-1.

⁸⁸ Response to the Issues Letter, paragraph 5.5.

⁸⁹ Response to the Issues Letter, paragraphs 5.1 and 5.5(a) (page 30).

⁹⁰ See footnote 89 above.

The CMA's view

70. The CMA did not find any reliable source of shares of supply estimates for the supply of CCS solutions. The CMA believes that, even if reliable estimates existed, they would not be materially informative given the heterogeneity of the competitive constraint exerted on the Parties by various types of CCS solution providers.⁹¹
71. The CMA has considered the most relevant available share of supply estimates below. For the reasons set out below, the CMA considers that none of these estimates capture the competitive constraints on the Parties fully. However, the CMA considers that these estimates provide useful information, although this information must be considered in the round together with other evidence on competitive constraints.
- (a) The shares of supply by revenue (Table 1) indicate the relative position of the independent providers of endpoint security solutions. These consist of three main providers pre-merger (McAfee, NortonLifeLock, and Avast), one significantly smaller provider (Kaspersky), and a number of very small providers.
- (b) The shares of supply by volume (Table 2 and paragraph 75) indicate the large and growing presence of Microsoft through its Microsoft Defender offering.

Shares of supply by revenue

72. The Parties submitted estimates of shares of supply by revenue (**revenue shares**) for consumer endpoint security solutions on a worldwide and UK basis for 2020 calculated using data included in the IDC and Gartner market reports.⁹² In addition, the Parties submitted amended revenue share estimates for these segments calculated using their own revenue data together and the third-party estimates provided in the IDC and/or Gartner reports).⁹³ In preparing those estimates, where possible, NortonLifeLock allocated the revenues for its product packages into separate IDC categories based on the product that the customers are likely to value

⁹¹ Merger Assessment Guidelines, paragraph 4.15.

⁹² FMN, paragraphs 205 to 208.

⁹³ FMN, NortonLifeLock RFI 3 Annex 002-1. Tab 'endpoint security'. The Parties also submitted amended revenue share estimates for consumer endpoint security solutions on an EEA+UK basis for 2020.

the most.⁹⁴ Similarly, Avast allocated the revenue generated by its product lines among the various IDC segments.^{95 96}

73. The CMA supplemented the Parties' amended revenue share estimates submitted by the Parties for the UK using data provided by competitors regarding their actual revenues generated from the sale of consumer endpoint security solutions (including individual (ie unbundled) endpoint security solutions, as well as solutions which bundle endpoint security with other CCS solutions such as VPN, identity protection etc.). The CMA considers that these revenue share estimates are more accurate than the Parties' amended revenue share estimates for this segment. Table 1 below shows the CMA's revenue share estimates for endpoint security solutions (including bundled CCS solutions that include endpoint security alongside other CCS solutions) in 2020 the UK.⁹⁷

Table 1 - Shares of supply of consumer endpoint security solutions in the UK, by revenue (2020)

<i>Provider</i>	<i>Revenue (GBP m)</i>	<i>Share (%)</i>
NortonLifeLock	[X]	[30-40]
Avast	[X]	[10-20]
Combined	[X]	[40-50]
McAfee	[X]	[30-40]
Kaspersky	[X]	[0-5]
Aura	[X]	[0-5]
Bitdefender	[X]	[0-5]
OpenText	[X]	[0-5]
F-Secure	[X]	[0-5]
Malwarebytes	[X]	[0-5]
ESET	[X]	[0-5]
J2 Global	[X]	[0-5]
Trend Micro	[X]	[0-5]
Other	[X]	[0-5]
Total	[X]	100

Source: CMA analysis of Parties' data and competitors' data submitted in response to the CMA's questionnaires.

Notes: USD revenues have been converted to GBP using the value of the Bank of England spot exchange rate at 31 December 2020 (1.3649).

74. Based on these estimates, the CMA notes that the largest three providers account for more than three quarters of the revenue of consumer endpoint security solutions in the UK. NortonLifeLock is the second largest provider ([30-40]%) after McAfee

⁹⁴ FMN, paragraph 216. IDC segments CCS solutions into the following categories: (i) endpoint security, (ii) VPNs, (iii) identity protection, (iv) device care, (v) connected home security, (vi) cloud back up, (vii) parental controls, and (viii) password management. [X].

⁹⁵ FMN, paragraph 217.

⁹⁶ The Parties submitted that the Gartner shares of supply estimates include non-endpoint security revenues for antivirus/endpoint security software providers (FMN, paragraphs 205). The Parties also submitted that they understand the IDC shares of supply estimates for endpoint security still include revenues beyond endpoint security such as VPN and device care (FMN, paragraph 207). Therefore, the Parties' estimates of endpoint security shares by revenue may include revenues beyond endpoint security (eg from standalone VPN solutions) for all providers but the Parties (whose revenues have been allocated as described in paragraph 72).

⁹⁷ See [X].

([30-40]%), followed by Avast ([10-20]%). Therefore, the CMA estimates that, post-Merger, the Merged Entity will have the largest share of revenue ([40-50]%). In contrast, all the remaining providers other than McAfee have revenue shares below [0-5]%, and the vast majority of these have revenue shares below [0-5]%).

75. The CMA considers that these estimates capture a significant part of the relevant competitive constraints on the Parties in terms of product offering, given that endpoint security solutions are a core part of the Parties' offering. However, the CMA notes that these estimates exclude OS providers such as Microsoft, as these providers offer their built-in endpoint security solutions for free.
76. As a sensitivity, reflecting the Parties' main areas of overlap within the Parties' CCS solution offering in the UK (namely endpoint security, VPN solutions and 'total security' solutions), the CMA calculated alternative shares of supply estimates that combined revenues from endpoint security and VPN solutions in the UK (see Annex A below).⁹⁸ Based on these alternative revenue share estimates, the Parties have a combined share of supply of [40-50]% (NortonLifeLock: [20-30]%; Avast: [10-20]%).

Shares of supply by volume

77. The Parties also submitted estimates of shares of supply by volume (**volume shares**) for endpoint security solutions in the UK over time (2018-2020) using data from [redacted].⁹⁹ These estimates are based on [redacted]. The Parties submitted that these volume shares likely overestimate the position of Avast, [redacted].¹⁰⁰ Table 2 below shows these volume share estimates for 2020.

Table 2 - Shares of supply of endpoint security solutions in the UK, by volume (2020)

<i>Provider</i>	<i>Share using [redacted] (%)</i>
NortonLifeLock	[5-10]%
Avast	[20-30]%
Combined	[30-40]%
Microsoft Defender	[30-40]%
McAfee	[5-10]%
Kaspersky	[0-5]%
ESET	[0-5]%
Other	[10-20]%
Total	100

Source: Parties' analysis [redacted]

⁹⁸ Although the Parties also overlap in identity protection solutions, the Parties have limited activities to date in the UK market. The CMA considers that the overlap is not material relative to the overlap in endpoint security and VPN in the UK. Moreover, the CMA did not find any reliable shares of supply estimates for the identity protection segment in the UK.

⁹⁹ [redacted] (FMN, paragraph 265).

¹⁰⁰ FMN, paragraphs 265-274.

78. The Parties also provided monthly volume share estimates for endpoint security solutions.¹⁰¹ These estimates show that Microsoft's share has increased from [30-40%] to [30-40%] between November 2018 and March 2021 in the UK. The CMA notes that these estimates are consistent with the Parties' internal assessment of the growth of Microsoft Defender over time and considers this point together with the other evidence about the competitive constraint from Microsoft in paragraph 132 to 140 below.
79. Certain third-party data received by the CMA provided additional volume share estimates for endpoint security solutions (including bundled CCS solutions that include endpoint security alongside other CCS solutions).¹⁰² These third-party estimates differ from the Parties' estimates. In particular, they suggest that McAfee and Microsoft Defender have a larger share of supply than the Parties' volume share estimates [redacted]. However, the CMA has not put material weight on these estimates as they significantly understate, by an order of magnitude, the number of devices with the Parties' endpoint security solutions compared to information from the Parties on their actual sales volumes and user counts.
80. The CMA considers that the estimates in Table 2 and paragraph 78 are a useful indicator of Microsoft's growing presence in the supply of endpoint security solutions through its Microsoft Defender offering. However, these estimates likely overstate the competitive constraint from Microsoft on the Parties, given that Microsoft Defender is a built-in solution on Windows OS and, as such, consumers using Microsoft Defender may not be actively choosing to use Microsoft Defender as a CCS solution, or even be aware that they are using such a product. The CMA notes that this is consistent with some of the Parties' submissions.¹⁰³ Moreover, the fact that Microsoft's volume share is growing over time and [redacted] (see paragraph 68(b) above) is not directly relevant in itself to assess the extent to which the Parties' customers would switch to Microsoft in the event of any price increase or quality degradation of the Parties' offerings post-Merger and, therefore, the extent to which Microsoft would be a constraint post-Merger.

Closeness of competition

81. To assess closeness of competition between the Parties, the CMA considered the following evidence:

¹⁰¹ FMN, paragraphs 265-274.

¹⁰² [redacted].

¹⁰³ [redacted].

- (a) evidence from the Parties' internal documents;
- (b) evidence on consumer switching from the Parties; and
- (c) third party views on closeness of competition between the Parties.

82. Closeness of competition is a relative concept. Where there is a degree of differentiation between the merging firms' products, they may nevertheless still be close competitors if rivals' products are more differentiated, or if there are few rivals. The CMA will consider the overall closeness of competition between the merging firms in the context of the other constraints that would remain post-merger.¹⁰⁴

The Parties' views

83. The Parties submitted that they are not particularly close competitors. In particular, the Parties submitted that NortonLifeLock and Avast differ in their core go-to-market approach (premium vs freemium). The Parties also submitted that NortonLifeLock wins new customers in the UK through indirect channels, including retail, whereas retail is not a material channel for Avast. The Parties stated that their key competitive consideration in endpoint security (where they considered that they traditionally overlap) is not one another, but the competition from the numerous other independent providers of CCS solutions and the existing and growing built-in offering of OS providers.¹⁰⁵ The Parties further submitted that they have different geographic strengths, with NortonLifeLock focussed on the US, whereas Avast has proportionately less of a US focus (with EMEA accounting for [X] % of its revenues).¹⁰⁶

84. The Parties further submitted that they are not particularly close competitors in terms of business model, product offering and the evidence available from their internal documents, for the following reasons.

- (a) The Parties have fundamentally differentiated business models (premium/paid-for vs freemium) which are a key element of differentiation between them, impacting the way in which they recruit customers, pursue partnerships, and compete for marketing space.¹⁰⁷
- (b) The Parties do not compete closely in terms of product offering. Avast's focus is on point solutions (ie individual CCS solutions), whereas NortonLifeLock

¹⁰⁴ Merger Assessment Guidelines, paragraph 4.10.

¹⁰⁵ FMN, paragraphs 17 and 430.

¹⁰⁶ FMN, paragraph 6.

¹⁰⁷ Response to the Issues Letter, paragraph 6.9.

offers both CCS bundles and point solutions.¹⁰⁸ Beyond endpoint security, the Parties' offerings are largely complementary and focus on different features, with NortonLifeLock's key other solution being its (identity protection) LifeLock product in the US and with Avast's success in other CCS solutions being focused on VPN and device care.¹⁰⁹ In particular, Avast [X], whereas [X]¹¹⁰ [X].¹¹¹ Further, rivals' products are not more differentiated than the Parties.¹¹²

(c) The Parties' internal documents do not support a finding that they are close competitors.¹¹³

85. The Parties also submitted that the available quantitative evidence indicates that the Parties are not close competitors.¹¹⁴ In relation to consumer switching behaviour, the Parties provided to the CMA:

(a) a survey commissioned by Avast and run by [X] (**the [X] survey**);

(b) a survey of customers that cancelledⁱ their Avast One subscription (**the Avast One survey**);¹¹⁵

(c) an analysis of the extent of consumer switching between the Parties, [X] (**the Compass Lexecon analysis**);¹¹⁶ ¹¹⁷ and

(d) evidence on the Parties' product usage and customer counts in the UK during 2021.

86. The Parties' views on these weight that should be placed on these indicators of consumer switching behaviour as evidence of closeness of competition between the Parties are summarised below.

The [X] survey

¹⁰⁸ Response to the Issues Letter, paragraphs 6.11, 6.14 and 6.15.

¹⁰⁹ FMN, paragraphs 281 and 431; Response to the Issues Letter, paragraphs 6.12 and 6.16 to 6.24.

¹¹⁰ The Parties noted further that NortonLifeLock has limited activities to date in the UK market in identity protection solutions, with its activities limited to dark web monitoring, [X]. Response to the Issues Letter, paragraphs 6.22 to 6.24.

¹¹¹ Response to the Issues Letter, paragraph 6.19.

¹¹² Response to the Issues Letter, paragraphs 6.13 and 6.25 to 6.29; Response to the Issues Letter, paragraphs 6.16 to 6.24.

¹¹³ Response to the Issues Letter, Annex 5, paragraph 2 and Annex 6, paragraphs 1 and 2.

¹¹⁴ Response to the Issues Letter, paragraph 6.31.

¹¹⁵ FMN, NortonLifeLock Annex 025-2 2021.11.19 RFI 2 Final Responses, Question 1 Parties' response to Q1 of the CMA's request for information dated 9 November 2021.

¹¹⁶ [X].

¹¹⁷ The Compass Lexecon analysis also looked at the level of customer overlaps, [X] over the entire time period of the data made available for this analysis [X].

87. The Parties submitted that the results of the [X] survey should carry limited if any weight in the CMA's assessment of closeness of competition because:
- (a) the [X] survey uses [X], which the Parties submitted is likely to suffer from [X];
 - (b) the [X] survey is likely to be excessively influenced by [X] due to the fact that [X]; and
 - (c) the [X] survey was not designed to measure switching and [X] did not [X].¹¹⁸

The Avast One survey

88. The Parties stated that the Avast One survey is a more robust source of evidence of (a lack of) closeness of competition between the Parties than the [X] survey.¹¹⁹ According to the Parties, the survey shows that [X] would remain post-Merger as one of the most significant alternatives to Avast One, even allowing for some overestimation due to survey design. The Parties considered that the Avast One survey shows [X] and a wide competitor set (including [X] and [X]) when examined in the round.¹²⁰

The Compass Lexecon analysis

89. The Parties submitted that the results of the Compass Lexecon analysis show that the proportion of customers leaving one of the Parties to join the other is low ([X]% or under from NortonLifeLock to Avast and under [X]% from Avast to NortonLifeLock, both globally and in the UK).¹²¹ According to the Parties, to estimate a switching ratio of 10% in the UK would require an increase in the assumed proportion of users exiting the market (ie users that leave one Party and do not buy any replacement endpoint security solution from an alternative provider) to implausible levels, ie from [10-20]% to [80-90]% for Avast and from [10-20]% to [90-100]% for NortonLifeLock.¹²² In response to questions from the CMA about this analysis, the Parties further noted that:

¹¹⁸ Response to the Issues Letter, paragraphs 6.46 to 6.48 and paragraph 1.2.

¹¹⁹ Response to the Issues Letter, paragraphs 6.31 to 6.32.

¹²⁰ Response to the Issues Letter, paragraphs 6.38 to 6.45.

¹²¹ FMN, paragraph 435 and FMN, NortonLifeLock, Annex 015-1, [X].

¹²² Response to the Issues Letter, paragraphs 6.56 to 6.61. These figures are based on the 'baseline results' of the analysis.

- (a) although they are unable to estimate switching ratios for the Parties' competitors, this in itself is not a criticism of the actual results of the study, merely that the study does not produce more results;¹²³ and
- (b) the switching study is informative about constraints exercised by and on free providers, [redacted].¹²⁴

The Parties' product usage and customer counts

90. The Parties submitted that evidence on product usage and customer counts in the UK during 2021 suggest a lack of switching from Avast to NortonLifeLock. In particular, [redacted], which the Parties argued is inconsistent with a view that NortonLifeLock's products are a major switching destination for users of free and paid Avast products.¹²⁵

The CMA's view

Internal documents

- 91. The CMA reviewed the Parties' internal documents to assess closeness of competition between the Parties.
- 92. First, the CMA recognises that the Parties have different business models, in that NortonLifeLock is primarily a premium/paid-for provider, while Avast is primarily a freemium provider. The Parties' internal documents, however, support the view that they are close competitors, irrespective of the differences between the Parties in terms of business model. In particular, internal documents show that [redacted], including in strategy documents presented to their respective Boards, suggesting that all [redacted] firms are close competitors.¹²⁶
- 93. Second, the Parties' internal documents also show that they compete closely in terms of their product portfolio. The Parties have a similar core product offering (particularly in endpoint security), and their offerings appear to be converging in respect of 'total security' solutions (see below). Internal documents show that the

¹²³ Response to the Issues Letter, paragraphs 6.62 to 6.66.

¹²⁴ Response to the Issues Letter, paragraphs 6.67 to 6.71.

¹²⁵ Response to the Issues Letter, paragraphs 6.34 to 6.37.

¹²⁶ By way of example see: FMN, NortonLifeLock Annex 008-5, [redacted], dated 24 March 2021, slide 2 [redacted]; FMN, Avast Annex 020, [redacted], dated 19 May 2020, pages 5, 48-53, 94 and 150 [redacted]. See also the documents cited in footnotes 127 to 129 below.

[REDACTED].¹²⁷ For example, an internal presentation prepared by [REDACTED] dated March 2020 [REDACTED].¹²⁸

94. Third, the CMA notes that more recent internal documents presented to the Parties' boards of directors [REDACTED].¹²⁹ The CMA considers that these documents further indicate that Avast and NortonLifeLock are close competitors and [REDACTED].
95. Finally, the CMA notes that while the Parties' internal documents refer to [REDACTED]. The extent to which other CCS solution providers are a competitive constraint on the Parties is considered further below.

Consumer switching behaviour

- [REDACTED] survey

96. The [REDACTED] survey,¹³⁰ commissioned by Avast [REDACTED], relates to customer retention and acquisition. It was based on [REDACTED] and included one question about potential switching to other providers. [REDACTED].
97. The results [REDACTED] are shown in the tables below. These results show that NortonLifeLock is [REDACTED] that both Avast and AVG users are [REDACTED] to switch to. They also show that Avast is [REDACTED] provider to which NortonLifeLock users would switch.

¹²⁷ FMN, NortonLifeLock Annex 10-04, [REDACTED], dated 22-24 March 2021, slides 8-12 (pages 10-14); FMN, NortonLifeLock Annex 010-5, [REDACTED], dated March 2021, pages 19 and 24 [REDACTED]; FMN, NortonLifeLock Annex 010-54, [REDACTED], page 30; FMN, NortonLifeLock Annex 010-11, [REDACTED], dated June 2020; FMN, Avast Annex 023 [REDACTED], pages 3 and 8.

¹²⁸ FMN, NortonLifeLock Annex 10-16, [REDACTED], dated March 2020, slides 46-52.

¹²⁹ See NortonLifeLock document cited at paragraph 93 above; FMN, Avast Annex 024, [REDACTED], dated 19 April 2021, pages 2 and 6; FMN, Avast Annex 027, [REDACTED], dated 5-6 May 2021, page 8; FMN, Avast Annex 028, [REDACTED], (see eg page 3: [REDACTED]).

¹³⁰ See FMN, Avast Annex [REDACTED].

Table 3 – [X] survey, question to Avast [X] users: [X]

Provider

Proportion of Avast users moving to provider (%)

[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
Total	100

Source: Parties' analysis of [X] data.

Notes: the % of users who replied they would move to AVG ([X]) has been re-allocated to the other competitors on a proportional basis.

Table 4 – [X] survey, question to AVG [X] users: [X]

Provider

Proportion of AVG users moving to provider (%)

[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
[X]	[X]
Total	100

Source: Parties' analysis of [X] data.

Notes: the % of users who replied they would move to Avast ([X]) has been re-allocated to the other competitors on a proportional basis.

Table 5 – [redacted] survey, question to NortonLifeLock [redacted] users: [redacted]

Provider	Proportion of NortonLifeLock users moving to provider (%)
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
Total	100

Source: Parties' analysis of [redacted] data.
 Notes: the % of users who replied they would move to Avira ([redacted]) has been re-allocated to the other competitors on a proportional basis.

98. The results of the [redacted] survey suggest that the Parties are close competitors. The Parties' criticism that the [redacted] survey is overly influenced by [redacted] does not mean that the results of the survey should be discounted in their entirety. The CMA considers the [redacted] survey results to be informative, particularly in the context of an industry, such as this, where [redacted] is a significant driver of consumer behaviour.¹³¹
99. The [redacted] survey relies on [redacted], and that (as the Parties state, correctly) [redacted] are generally regarded by the CMA as potentially suffering from [redacted].¹³² However, the overriding principle in dealing with evidence is to consider each source on its individual merits.¹³³ In general, evidence in the research literature suggests that those who join [redacted].¹³⁴ In this case specifically, the CMA notes that CCS solutions – which, in broad terms, protect against cyber threats – are by definition used by consumers [redacted], many of whom acquire their solution online.¹³⁵ Further, the supply of CCS solutions is characterised by expert reports and industry certifications available online, which compare and attest the effectiveness against threats of the different products available in the market.¹³⁶ Consumers typically search for and compare different providers online (eg using online search engines, product

¹³¹ FMN, Avast Annex 065, page 17. See also paragraph 60 above.
¹³² Good practice in the design and presentation of customer survey evidence in merger cases ([CMA78](#)) May 2018 [redacted].
¹³³ See footnote 132 above.
¹³⁴ See footnote 132 above.
¹³⁵ [redacted]. FMN, paragraph 260(a).
¹³⁶ FMN, paragraph 398.

reviews, AV testing websites, etc).¹³⁷ That suggests that [X]. In this case, the CMA considers that the fact that the [X] survey relies on [X] does not undermine its usefulness as a source of evidence on closeness of competition between the Parties.

100. Another criticism raised by the Parties about the [X] survey was that it was not designed to measure switching and [X].¹³⁸ Nevertheless, the CMA believes that this does not mean that the survey results are not useful to estimate switching to other providers. Through the [X] survey, Avastⁱⁱ sought to understand [X]. The CMA also notes that the [X] survey sample included consumers who [X].

101. The CMA has taken into account the limitations of the [X] survey results but believes these results still provide useful evidence on closeness of competition between the Parties. In any event, the CMA has considered the [X] survey results together with other evidence in the round to assess whether the Parties are close competitors.

- *Avast One survey*

102. Since [X], Avast has presented [X] users of its Avast One offering with a survey when the user uninstalls the product (the Avast One survey). The survey includes questions that ask users [X].¹³⁹

103. The relevant part of the Avast One survey has two questions.

(a) [X]

(b) [X]

104. The [X] results of the Avast One survey show that around [X] of the users who responded to the question [X] selected the option [X].¹⁴⁰ The results for the second question [X] are shown in Table 6 below. These results show that NortonLifeLock is [X] provider that users would move to, [X].¹⁴¹

¹³⁷ Note of a call with [X], paragraph 19; Note of a call with [X], paragraphs 2-6; Note of a call with [X], paragraphs 8-10.

¹³⁸ Response to the Issues Letter, paragraph 6.47(c).

¹³⁹ See FMN, Avast Annex 092, 'Avast Survey Annex', dated 17 January 2022; FMN, Avast Annexes 062 and 063 and Avast Annexes 085 to 087.

¹⁴⁰ The survey asked the following question to users: [X][X]% of respondents selected [X]. The other possible choices were [X] ([X]% respondents), [X] ([X]%), and [X] ([X]%).

¹⁴¹ The survey asked the following question to users: [X] [X] ([X]% of respondents), [X] ([X]%) and [X] ([X]%). The % diversion to AVG ([X]%) has been re-allocated to the other competitors on a proportional basis. [X] users responded.

Table 6 – Question to Avast One [redacted] users, Avast One survey: [redacted]

Provider	Proportion of Avast One users moving to [redacted] (%)
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
Total	100

Source: Parties' analysis.

Notes: the % of users who replied they would move to AVG ([redacted]) has been re-allocated to the other competitors on a proportional basis.

105. Unlike the [redacted] survey, the structure of the Avast One survey [redacted]. Therefore, [redacted]. However, the CMA agrees with the Parties that, even allowing for some overestimation, the Avast One survey does still provide evidence of [redacted].¹⁴²

106. The Avast One survey also provides evidence on the relative level of switching to the other independent providers of endpoint security solutions. These results are broadly in line with the other evidence – albeit with some differences, eg the higher level of switching to [redacted] – which suggest that Avast competes closely with [redacted].

- *Compass Lexecon analysis*

107. As regards the Compass Lexecon analysis, the CMA considers that it has the following limitations:

- (a) It is not clear what proportion of customers who left one Party actually moved to another competitor, rather than exiting the market (ie users that leave one Party and do not buy any replacement CCS solution with endpoint security from an alternative provider). Any significant changes in this proportion would affect the denominator of the switching ratio, and in turn the level of switching estimated between the Parties. For the Parties' main estimate of their switching ratios, the Parties used results from two other surveys that each Party conducted in their ordinary course of business (the NortonLifeLock cancellation survey and the Avast cancellation survey) to estimate the proportion of their leavers that exited the market. In relation to the Parties' submission that the assumed number of users exiting the market would have to reach implausible levels for there to be significant proportion of switching to occur between the Parties, the CMA notes that NortonLifeLock cancellation

¹⁴² The extent to which Microsoft is a competitive constraint on the Parties is considered in more detail below.

survey, [REDACTED], only enables one to conclude that [REDACTED]¹⁴³ [REDACTED].¹⁴⁴ However, it is not possible to determine whether the remaining [REDACTED]. It cannot be assumed, as the Parties do in their analysis, that [REDACTED]. Leaving aside other limitations with the Compass Lexecon analysis, depending on the number of customers which are assumed to [REDACTED], the switching ratio for NortonLifeLock to Avast can vary between [REDACTED]% and [REDACTED]% across the Parties' base case and the sensitivity case which produces the highest switching ratio.¹⁴⁵

- (b) It does not include any information on the level of switching to other CCS solution providers due to data limitations (ie the fact the Parties understandably do not have access to data of their competitors). This makes it difficult to use these estimates to assess the closeness of competition between the Parties relative to other CCS solution providers.¹⁴⁶
- (c) As for the analysis of customer overlaps, the CMA considers that it suffers from the same limitations discussed at sub-paragraphs 107(a)-(b) above. The CMA further considers that this analysis is less relevant than the customer switching analysis for assessing the competitive constraint on the Parties.

108. For these reasons, the CMA considers that the Compass Lexecon analysis does not provide persuasive evidence that the Parties are not close competitors, as indicated by the results of the Parties' previous consumer switching research and internal documents.

109. The CMA notes that there may also be additional weaknesses with this evidence such as [REDACTED]. The CMA also notes that switching ratios estimated in the Compass Lexecon analysis indicate a significantly lower level of switching between the Parties than is estimated in the [REDACTED] survey and the Avast One survey discussed above.

- *Changes in 2021 product usage and customer count*

110. The CMA considers that little or no insight on customer switching can be gained from the Parties' submission that product usage and customer counts in the UK

¹⁴³ [REDACTED].

¹⁴⁴ [REDACTED].

¹⁴⁵ The CMA is unable to carry out a similar analysis in respect of Avast switching to NortonLifeLock on the basis of the data provided by the Parties. In particular, the Avast cancellation survey, on which the assumption of the number of Avast consumers exiting the market is made, does not include any option which [REDACTED].

¹⁴⁶ As regards the Parties' criticism that this limitation is merely that the Compass Lexecon study does not produce more results, the CMA notes that this criticism presupposes that the Parties are able to accurately estimate the level of switching to the Parties and third parties in aggregate. However, as noted in paragraph 107(a) above there is uncertainty regarding the numbers of customers leaving the market or switching to third parties.

during 2021 suggest a lack of switching from Avast to NortonLifeLock. Even if it was possible to consider product usage and customer counts as equivalent (and this is not clear), the net product usage and customer count figures do not allow the CMA to assess the degree of customer switching between the Parties. [REDACTED].

- *Overall conclusion on evidence on consumer switching behaviour*

111. The CMA considers that both of the Avast One survey and [REDACTED] survey have limitations. However, this evidence taken in the round is consistent with the view that the Parties are close competitors. In contrast, the CMA considers that only limited insights on customer switching can be gained from the Compass Lexecon analysis, and little or no insight on customer switching can be gained from the product usage and customer counts data submitted by the Parties.

Third party views

112. The CMA asked the Parties' competitors to list the top five competitors that they believe consumer customers would switch to if NortonLifeLock charged materially higher prices for its CCS solutions in the UK. As part of this question, the CMA asked respondents to state the number of customers that NortonLifeLock would lose to each competitor ('many', 'some', or 'few').^{147 148}

113. The CMA asked the Parties' competitors a similar question but with respect to Avast, that is to list the top five competitors that consumer customers would switch to if Avast charged materially higher prices for its CCS solutions in the UK (or, where Avast's CCS solution is provided for free, if Avast materially degraded the quality of its offering, eg by reducing the functionality, increasing upselling etc.).¹⁴⁹
150

114. These results show that Avast is the provider who received the second highest number of mentions together with Kaspersky in the question about diversion from NortonLifeLock. McAfee is the provider who received most mentions. Microsoft and Bitdefender each received fewer mentions than McAfee, Avast and Kaspersky. Among the reasons for mentioning Avast in response to this question, competitors

¹⁴⁷ The responses were from the following third parties: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED].

¹⁴⁸ The CMA notes that one of the responses to this question has been filled in incorrectly by the respondent [REDACTED]. The CMA has not been able to obtain an amended response at this stage and has therefore excluded this response from its analysis.

¹⁴⁹ The responses were from the following organisations: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED].

¹⁵⁰ The CMA notes that one of the responses to this question has been filled in incorrectly by the respondent [REDACTED]. The CMA has not been able to obtain an amended response at this stage and has therefore excluded this response from the summary figures below.

cited that Avast has market presence and a well-known brand in the UK, and that is likely the biggest competitor of NLL.¹⁵¹

115. These results also show that NortonLifeLock is the provider who received the highest number of mentions together with Kaspersky in the question about diversion from Avast. McAfee follows, while Microsoft and Bitdefender each received fewer mentions. Among the reasons for mentioning NortonLifeLock in response to this question, competitors cited that NortonLifeLock has market presence and a well-known brand in the UK, is the market share leader, has some offerings which are very close to Avast's and that it is in all likelihood Avast's biggest competitor.¹⁵²
116. The Parties submitted that the above analysis is based on a small set of results and should be treated with caution. Further, the Parties stated that the questions and interpretation are highly subjective and vulnerable to bias. In any event, the responses to the CMA's questionnaires to third parties show a range of competitors to both Parties have been identified.¹⁵³
117. The CMA accepts that the results of its questionnaires are based on the responses of small number of competitors, and may also be driven by competitors' incentives, when weighting the evidence. Despite these limitations, the CMA considers that these results provide a further indication that the Parties are close competitors. The results of the CMA's questionnaires are in line with the other evidence discussed above, such as internal documents and the Parties' surveys on consumer switching behaviour, albeit with some variations.

Conclusion on closeness of competition

118. For the above reasons, 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.

Competitive constraint from other CCS solution providers

119. The CMA has separately considered whether the remaining competitive constraints on the Parties are sufficient to offset the loss of competition between the Parties, given the finding above that they are close competitors.¹⁵⁴ This section therefore considers the current and future competitive constraints from:

¹⁵¹ [X], [X], [X] and [X].

¹⁵² [X], [X], [X], [X], [X] and [X].

¹⁵³ Responses to Issues Letter, paragraphs 6.72 to 6.75.

¹⁵⁴ Merger Assessment Guidelines, paragraphs 4.3 and 4.8.

- (a) other independent providers of endpoint security solutions;
- (b) Microsoft and other OS providers; and
- (c) pure play providers.

The Parties' views

120. The Parties submitted that they face competitive constraints from a wide variety of different sources.
121. First, the Parties stated that they are constrained by competing independent providers of endpoint security solutions such as McAfee, Trend Micro, Kaspersky, Bitdefender, ESET and others.¹⁵⁵ The Parties submitted that the existence and similarity of these rivals, as well as others, such as Sophos and Webroot, is supported by expert review sites, which indicate that they have comparable efficacy to the Parties' solutions.¹⁵⁶ The Parties also stated that these providers are present in the UK, actively compete against the Parties to win consumers, and have the ability to expand their position in the UK through increased investment in marketing if the opportunity arises.¹⁵⁷
122. Second, the Parties stated that OS providers are a major driver of product innovation. The Parties highlight Microsoft's built-in CCS solution (Microsoft Defender) and the closed ecosystems for mobile devices such as Apple's iOS and built-in protection such as Google's Google Play Protect, which they stated has increased the pressure on independent CCS solution providers such as the Parties to innovate and evolve.¹⁵⁸
123. As regards Microsoft's offering in particular the Parties submitted the following.
- (a) Microsoft has built a strong position in CCS solutions, having leveraged the significant investments it has made in its enterprise security services. Microsoft has also expanded beyond its core security offering into privacy through a password manager, tracking prevention, a parental control offering, and the

¹⁵⁵ FMN, paragraph 283.

¹⁵⁶ Response to the Issues Letter, paragraphs 6.27 and 6.28.

¹⁵⁷ Response to the Issues Letter, paragraphs 7.72 to 7.78.

¹⁵⁸ FMN, paragraphs 10-12; and Response to the Issues Letter, paragraphs 7.44 to 7.55.

launch of a Microsoft Defender app for iOS and Android.¹⁵⁹ The efficacy of Microsoft Defender has significantly improved.¹⁶⁰

- (b) The Parties consider Microsoft Defender to be a key competitor of theirs, and this is evidenced in [X] external, market-facing publications and in [X].¹⁶¹

124. Third, the Parties also submitted that they face competition from pure play providers.¹⁶² In particular, the Parties submitted that pure play providers gain success by offering best-in-class solutions, thereby exerting competitive pressure on the Parties to maintain feature parity and keep up with rapid innovations at competitive prices. The Parties further submitted that this competitive constraint is reflected in [X].¹⁶³
125. Fourth, the Parties submitted that the CMA should consider the highly dynamic nature of the market for CCS solutions. In particular, the Parties highlight that CMA's Merger Assessment Guidelines state that '...in dynamic markets, firms that may not compete head-to-head today might do so in future'.¹⁶⁴

The CMA's view

Independent providers of endpoint security solutions

126. The CMA believes that, following the Merger, the only independent provider of endpoint security solutions of similar size to the Merged Entity will be McAfee. As noted above, McAfee is [X], indicating that it is also considered by the Parties as a close competitor.¹⁶⁵
127. Beyond McAfee, the remaining independent providers of endpoint security solutions are significantly smaller in scale than the merging Parties. The CMA accepts that these smaller competitors do, however, feature in the Parties' internal documents,

¹⁵⁹ The CMA notes that this application is for enterprise customers only.

¹⁶⁰ Response to the Issues Letter, paragraphs 7.09 to 7.19; The Parties also stated that they compete with Microsoft in relation to other CCS solutions beyond endpoint security. In particular, the Parties highlight Microsoft's offering in privacy, identity protection, password management, cloud back-up and parental which are contained in other Microsoft solutions such as Edge, Microsoft OneDrive, and Microsoft Family Safety (Response to the Issues Letter, paragraphs 7.35 to 7.43.).

¹⁶¹ Response to the Issues Letter, paragraphs 7.20 to 7.34.

¹⁶² FMN, paragraph 12. See footnote 32 above.

¹⁶³ Response to the Issues Letter, paragraphs 7.56 to 7.71.

¹⁶⁴ Response to the Issues Letter, paragraphs 5.10 and 5.11; Merger Assessment Guidelines, paragraph 54.

¹⁶⁵ See [X].

suggesting that the Parties do consider these smaller independent providers of endpoint security solutions to be a competitive constraint to some extent.¹⁶⁶

128. Compared to [redacted],¹⁶⁷ these smaller suppliers are considered in fewer internal documents and, even when they are considered, there is less focus on them.¹⁶⁸ For example, the Parties internal documents [redacted].¹⁶⁹
129. Of the smaller independent providers of endpoint security solutions, [redacted] (for Avast)¹⁷⁰ and [redacted] (for NortonLifeLock)¹⁷¹ appear to provide the greatest competitive constraint on the Parties beyond [redacted] based on a review of their internal documents, even though the competitive constraint exerted still appears to be more limited.
130. The Avast One survey, the [redacted] survey and the results of the CMA's market investigation show (despite their respective limitations) some switching to smaller independent providers of endpoint security solutions, especially [redacted]. This supports the view that these smaller players do provide some degree of competitive constraint on the Parties. However, this evidence in aggregate also demonstrates that these smaller independent providers of endpoint security solutions exert a more limited competitive constraint on the Parties than the Parties and McAfee exert on each other.
131. Finally, the CMA does not agree with the Parties' submissions that post-Merger these smaller providers could readily expand their market position in the UK, through increased investment in marketing if the opportunity arose. As explained in the context of barriers to entry and expansion below, the CMA considers that the evidence suggests that branding and marketing spend plays a significant role in which CCS solutions consumers choose to use, which is likely to act as a significant barrier to smaller players seeking to grow their market share post-Merger.

Microsoft

132. The evidence shows that Microsoft also exerts a competitive constraint on the Parties, primarily through its Microsoft Defender offering. The CMA considers that this competitive constraint appears to be greater for Avast than for NortonLifeLock.

¹⁶⁶ FMN, NortonLifeLock Annex 010-12, [redacted], dated May 2020, page 28; FMN, Avast Annex 001, [redacted], dated 10 August 2020, page 567.

¹⁶⁷ As regards Microsoft, see further below.

¹⁶⁸ See, for example, [redacted].

¹⁶⁹ See documents cited at paragraphs 92 to 94 above; FMN, Avast Annex 027, [redacted], dated 5-6 May 2021, pages 13 to 21.

¹⁷⁰ FMN, Avast Annex 020, [redacted], dated 20 May 2020, pages 50 and 92 [redacted], see page 62.

¹⁷¹ FMN, NortonLifeLock Annex 010-1 [redacted], dated July 2021, pages 2 and 38 [redacted].

133. Based on the [redacted] volume data provided by the Parties, it is clear that Microsoft Defender steadily increased its share of supply in consumer endpoint security solutions in the UK between November 2018 and March 2021.¹⁷² However, it is not possible to assess, based on that data alone, the extent to which consumers actively choose Microsoft Defender, rather than passively relying on it given it is pre-installed on the Windows OS and is the default option on that OS absent an alternative endpoint security solution.
134. In relation to the Parties' internal documents, the CMA considers that the evidence is mixed on the extent to which Microsoft acts as a competitive constraint on the Parties.
- (a) Some internal documents, [redacted], appear to show that [redacted].¹⁷³
- (b) At the same time, other internal documents suggest that [redacted].¹⁷⁴
135. The Parties highlighted a NortonLifeLock internal document which [redacted]. The CMA notes that the example cited by the Parties [redacted], and the same slide pack [redacted].¹⁷⁵ Further, the CMA has not seen material evidence to confirm the Parties' assumption that UK consumers would switch away from bundled offerings towards mix and match CCS solutions in sufficient numbers to constrain the Parties if they were to degrade their current offerings.
136. The CMA also notes that the most instructive quantitative evidence is similarly mixed on the extent to which Microsoft Defender is a competitive constraint on the Parties. In particular, the CMA believes that:
- (a) even accounting for some biasing of the results, the Avast One survey does still suggest that [redacted];
- (b) however, at the same time:
- (i) the [redacted] survey results showed that the proportion of the Parties' customers that would switch to Microsoft [redacted]; and
- (ii) the results from competitors' responses to the diversion question in the CMA questionnaire did not highlight Microsoft as a particularly strong competitor.

¹⁷² Response to the Issues Letter, figure 3.

¹⁷³ [redacted].

¹⁷⁴ [redacted].

¹⁷⁵ [redacted].

137. Separately, in calls with the CMA, many third parties explicitly stated that they thought Microsoft was not a particularly close competitor to the Parties, including some who noted Microsoft's offering was more limited than independent providers of endpoint security solutions.¹⁷⁶
138. Further, the CMA considers that Microsoft has an incentive to ensure that its Windows platform is as secure from threats that might harm users as possible, in addition to any incentive to distribute its own CCS solution. [X].¹⁷⁷ [X].¹⁷⁸ Taking this evidence in the round, the CMA believes that this further demonstrates that, while Microsoft is a competitor of the Parties, it is less close a competitor than the Parties (and McAfee) are to each other.
139. In addition, the CMA has also considered [X].¹⁷⁹ [X].
140. Overall, the evidence is mixed as to the extent to which Microsoft acts as a competitive constraint on the Parties. Taking the various sources of evidence in the round, the CMA believes that Microsoft Defender establishes a baseline level of quality in the market: consumers may not see the value in selecting a third-party CCS provider unless it can provide something more than the MS offering that is pre-installed on their computer.¹⁸⁰ In addition, Microsoft Defender currently does exert some competitive constraint on the Parties. However, the CMA also believes that this competitive constraint is more limited than the competitive constraint the Parties (and McAfee) currently provide on each other.
141. Finally, the CMA has not seen any significant evidence to support the Parties' claims that other OS providers, such as Apple and Google, provide a material competitive constraint on the Parties. In this regard, the CMA notes that [X] in the Parties internal documents.¹⁸¹ The limited additional evidence cited by the Parties in their Response to the Issues Letter does not alter this conclusion.¹⁸²

Pure play providers

142. The CMA notes that pure play providers are [X], suggesting they also exert some degree of competitive constraint on the Parties and their offerings. However, pure play providers are [X]. This suggests that these providers exert a more limited

¹⁷⁶ Note of a call with [X], paragraph 28; Note of a call with [X] paragraphs 22-23; Note of a call with [X], paragraph 28; and Note of a call with [X], paragraph 19.

¹⁷⁷ Note of a call with [X], paragraph 31.

¹⁷⁸ [X].

¹⁷⁹ [X].

¹⁸⁰ For example, [X].

¹⁸¹ See: FMN, Avast Annex 001 [X], dated 10 August 2021, page 567.

¹⁸² Response to the Issues Letter, paragraphs 7.46 to 7.55.

competitive constraint on the Parties than CCS solution providers, such as McAfee, which have a broader product offering similar to the Parties.¹⁸³

143. As noted above, the CMA has not seen material evidence to confirm the Parties' assumption that UK consumers would switch away from bundled offerings to mix and match solutions in sufficient numbers to constrain the Parties, if they were to degrade their services or raise prices to UK users. Therefore, it is not clear the extent to which consumers are prepared to mix and match various CCS solutions from multiple providers (including pure play providers) as opposed to taking all the CCS solutions that they need from the Parties, either by buying multiple products or through a bundled offering.
144. Finally, the results of the [X] survey demonstrates that [X] consumers seem willing to [X]. The CMA's questionnaires also found that third parties considered there would be some limited diversion to the same pure play providers. Overall, this quantitative evidence is consistent with the CMA's view that pure play providers exert some, albeit a much more limited, competitive constraint on the Parties.
145. For the reasons given above, the CMA considers that pure play providers are likely to exert a much more limited competitive constraint on the Parties than they (and McAfee) do on each other, in particular because these providers typically lack the full range of CCS solutions offered by the Parties, particularly endpoint security.

Conclusion

146. The CMA believes that other providers of CCS solutions, including independent providers of endpoint security solutions, Microsoft and other OS software providers, and pure play providers provide (to varying degrees) a more limited competitive constraint on the Parties. On balance, the CMA does not believe that the competitive constraint provided by other CCS solution providers considered in aggregate are sufficient to offset the loss of competition between Parties resulting from the Merger.

Conclusion on SLC

147. For the reasons set out above, the CMA believes that the Merger creates a realistic prospect of an SLC arising from horizontal unilateral effects in the supply of CCS solutions in the UK. The CMA notes that some of the evidence, particularly in relation to the competitive constraint imposed by Microsoft, is mixed. The CMA

¹⁸³ See: [X].

believes that the evidence, taken in round, shows that there is a realistic prospect of an SLC in this case.

BARRIERS TO ENTRY AND EXPANSION

148. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.¹⁸⁴

The Parties' views

149. The Parties submitted that barriers to entry in the CCS space are low as evidenced by the large number of players including recent entrants globally, including in the EEA and UK. The Parties stated that white-labelling or licencing of technology can be leveraged by any established consumer software or technology company or other entrant, large or small, to expand their product portfolio or strengthen their package propositions. The Parties also highlight open-source software, and limited regulatory barriers as being further evidence of low barriers to entry. In addition, the Parties stated that existing brands in adjacent or related industries could easily add endpoint security, VPN, identity or device care propositions and leverage their existing brand and distribution channels to grow a user base. The Parties consider that OS providers are particularly well-placed to enter/expand into wider and/or additional cyber safety offerings.¹⁸⁵

150. In addition, the Parties pointed to the market entry of [X] as evidence that white-labelling and licensing are fully viable routes to market entry.¹⁸⁶ The Parties submitted that, since its launch in [X], [X] has [X] and reported [X].¹⁸⁷ In addition, [X] has the necessary resources to invest in marketing.¹⁸⁸

151. The Parties stated that branding and marketing costs are not a significant barrier to entry. The Parties highlighted to the CMA marketing campaigns and investment from competing CCS providers, including Nord Security sponsoring Liverpool and Rangers Football Clubs and Kaspersky partnering with Ferrari Formula One.¹⁸⁹

¹⁸⁴ Merger Assessment Guidelines, March 2021, paragraph 8.40 et seq.

¹⁸⁵ FMN, paragraphs 535 to 543.

¹⁸⁶ Response to the Issues Letter, paragraphs 8.3 to 8.10.

¹⁸⁷ Response to the Issues Letter, paragraph 8.5.

¹⁸⁸ Response to the Issues Letter, paragraph 8.7.

¹⁸⁹ Response to the Issues Letter, paragraphs 8.11 to 8.18.

The CMA's view

152. The evidence received by the CMA from third parties during its investigation indicates that there are significant barriers to entry and expansion, indicating that such entry or expansion will not be timely, likely and sufficient to mitigate any SLC arising.
153. In particular, the CMA notes the following points:
- (a) in calls with the CMA, several competitors pointed to high barriers to entry and expansion, especially in terms of establishing a strong brand;¹⁹⁰
 - (b) several competitors who responded to the CMA questionnaire highlighted the significant time and investment that would be required for them to increase their share of supply in the UK. For some competitors, this investment would be very large compared to their annual UK revenues;¹⁹¹
 - (c) white-labelling or licensing of a threat analytics engine from a third-party provider might, in principle, be a viable way to enter as a provider of endpoint security solutions. However, the CMA considers that even if one provider managed to enter in this way, it would still encounter significant difficulties in building a strong brand and expand successfully. Further, many competitors who responded to the CMA questionnaire submitted that having an owned and operated threat analytics engine gives advantages over competitors that license their engine from a third-party. The CMA has received and assessed information about third parties' plans for licensing threat analytics engines and this evidence indicates that the options available to providers who want to license a threat analytics engine are limited.¹⁹² Contrary to the Parties' submissions,¹⁹³ the finding that it would be difficult for a third party to white-label or license a threat analytics engine is not inconsistent with the fact that the CMA has not identified any vertical foreclosure theory of harm. Rather, the CMA believes that third parties currently have difficulties entering the supply of endpoint security solutions through white-labelling or licensing of a threat analytics engine and this will continue to be the case post-Merger.

¹⁹⁰ Note of a call with [REDACTED], paragraph 15 and [REDACTED]; Note of a call with [REDACTED], paragraph 13, and Note of a call with [REDACTED], paragraphs 19-20.

¹⁹¹ [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] responses to the CMA competitor questionnaire, Q5.

¹⁹² Note of call with [REDACTED], paragraphs 13 to 15. The CMA notes that Avira, which is owned by NortonLifeLock, is one of the main providers of white-labelling of threat analytics engines (eg [REDACTED] and [REDACTED] rely on an Avira engine).

¹⁹³ Response to the Issues Letter, paragraph 8.10.

154. In addition, despite having supplied CCS solutions [X] remains a small provider of CCS solutions, and is substantially smaller than the Parties. The Parties estimated that its share of supply by volume for its [X] in the UK is merely [X]%.¹⁹⁴ The CMA has also not seen evidence in the Parties' internal documents to suggest [X] is a significant competitive constraint. Therefore, the CMA considers that [X] entry indicates that smaller competitors, without significant brand awareness and marketing spend, are likely to struggle to make significant gains in the supply of CCS solutions in the UK. Notwithstanding, the CMA accepts that existing providers of CCS solutions which already have strong brand awareness are more likely to be able to overcome the difficulties associated with branding and marketing.
155. During its investigation, the CMA has received some evidence of planned changes to third party offerings in the next few years.¹⁹⁵ The CMA believes that this evidence is not sufficient to mitigate its concerns about the Merger, given that there is significant uncertainty surrounding the impact these changes will have on the competitive constraints faced by the Parties today.
156. For the reasons set out above, the CMA believes that entry, or expansion of existing firms, would not be sufficient, timely or likely to prevent a realistic prospect of an SLC as a result of the Merger.

THIRD PARTY VIEWS

157. The CMA notes that several third parties have expressed concerns relating to the Merger.
158. The most common concerns expressed were that the Merger:
- (a) brings together two major competitors with high market share and may lead to price increases;¹⁹⁶
 - (b) may reduce the number available independent options for consumers, especially for free products, as NortonLifeLock would own both Avira and Avast;¹⁹⁷ and

¹⁹⁴ FMN, NortonLifeLock RFI 3 Annex 002-1, [X]; the Parties did not provide estimates by revenue for [X] and it is not possible for the CMA to estimate volume shares for [X], although the CMA understands [X].

¹⁹⁵ [X], [X], and [X] response to the CMA competitor questionnaire.

¹⁹⁶ [X], [X], and [X], responses to the CMA competitor questionnaire, Q12 and 13. Note of a call with [X], paragraphs 24 and 26.

¹⁹⁷ [X] and [X], responses to the CMA competitor questionnaire, Q12 and 13. Note of a call with [X], paragraph 27.

(c) may harm innovation, in particular with respect to investment in R&D and threat analytics engines.¹⁹⁸

159. A smaller number of third parties were positive or did not think that the Merger would have an impact on consumers.¹⁹⁹ Further, several third parties were neutral or gave no views on whether the Merger would give rise to an SLC in the UK.²⁰⁰

160. Third party comments have been taken into account where appropriate in the competitive assessment above.

CONCLUSION ON SUBSTANTIAL LESSENING OF COMPETITION

161. Based on the evidence set out above, the CMA believes that it is or may be the case that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in relation to the supply of CCS solutions in the UK.

¹⁹⁸ [X], [X] and [X] responses to the CMA competitor questionnaire, Q12 and 13. Note of a call with [X], paragraph 38. [X] stated that they could not say this concern was likely, but it was possible.

¹⁹⁹ [X] and [X].

²⁰⁰ [X], [X], [X], [X], [X], [X], [X] and [X].

DECISION

162. Consequently, the CMA believes that it is or may be the case that (i) arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and (ii) the creation of that situation may be expected to result in an SLC within a market or markets in the United Kingdom.
163. The CMA therefore believes that it is under a duty to refer under section 33(1) of the Act. However, the duty to refer is not exercised whilst the CMA is considering whether to accept undertakings under section 73 of the Act instead of making such a reference.²⁰¹ The Parties have until 23 March 2022²⁰² to offer an undertaking to the CMA.²⁰³ The CMA will refer the Merger for a phase 2 investigation²⁰⁴ if the Parties do not offer an undertaking by this date; if the Parties indicate before this date that they do not wish to offer an undertaking; or if the CMA decides²⁰⁵ by 30 March 2022 that there are no reasonable grounds for believing that it might accept the undertaking offered by the Parties, or a modified version of it.

David Stewart
Executive Director, Markets and Mergers
Competition and Markets Authority
16 March 2022

²⁰¹ Section 33(3)(b) of the Act.

²⁰² Section 73A(1) of the Act.

²⁰³ Section 73(2) of the Act.

²⁰⁴ Sections 33(1) and 34ZA(2) of the Act.

²⁰⁵ Section 73A(2) of the Act.

ANNEX A: ADDITIONAL SHARES OF SUPPLY ESTIMATES

A.1 As a sensitivity, the CMA has constructed an alternative version of the shares of supply estimates presented in Table 1 above by adding revenues from VPN solutions in the UK.²⁰⁶ The latter has been provided by the Parties and rely on estimates from IDC and Maia reports, as well as the Parties' revenues from VPN solutions.²⁰⁷ The CMA has also used the actual revenues provided by competitors generated from the sale of any CCS solutions (as opposed to using endpoint security solutions only as done for the shares in Table 1). The resulting figures are presented in the table below.

Table 7 - Shares of supply of endpoint security and VPN solutions in the UK, by revenue (2020)

<i>Provider</i>	<i>Revenues (GBP m)</i>	<i>Share (%)</i>
NortonLifeLock	[X]	[20-30]
Avast	[X]	[10-20]
Combined	[X]	[40-50]
McAfee	[X]	[30-40]
Kaspersky	[X]	[0-5]
Aura	[X]	[0-5]
Bitdefender	[X]	[0-5]
NordVPN	[X]	[0-5]
OpenText	[X]	[0-5]
F-Secure	[X]	[0-5]
Malwarebytes	[X]	[0-5]
ESET	[X]	[0-5]
J2 Global	[X]	[0-5]
NetProtect	[X]	[0-5]
ExpressVPN	[X]	[0-5]
Pango	[X]	[0-5]
Surfshark	[X]	[0-5]
Trend Micro	[X]	[0-5]
Other	[X]	[0-5]
Total	[X]	100

Source: CMA analysis of Parties' data and competitor responses to the CMA questionnaire.

Notes: USD revenues have been converted to GBP using the value of the Bank of England spot exchange rate at 31 December 2020 (1.3649).

A.2 The CMA notes that these shares of supply are conservative as they are likely to underestimate the Parties' shares for the following reasons:

- (a) as explained in paragraph 72 above, the Parties' estimates of endpoint security shares for third-party providers may include revenues beyond endpoint security (eg from standalone VPN solutions). The CMA does not have details on what proportion of third-party revenues beyond endpoint security come from VPN products. Therefore, the revenues and, in turn, shares of third-party endpoint security providers in Table 7 above are likely to be overestimated; and

²⁰⁶ See [X].

²⁰⁷ FMN, NortonLifeLock RFI 3 Annex 002-1. Tab 'VPN'.

- (b) the revenues allocated to 'Other' may include duplicated revenues for some providers, as they are the sum of revenues allocated to 'Other' in the Parties' endpoint security and VPN shares of supply estimates, respectively. From point (a) above, the revenues of 'Other' in the Parties' endpoint security shares of supply estimates may contain some revenues from VPN, which in turn would lead to the double-counting.

GLOSSARY

the Act	The Enterprise Act 2002 (as amended)
Avast	Avast plc
the Avast One survey	The results of an Avast One cancellation survey prepared by Avast
CCS	Consumer cyber safety
the Compass Lexecon analysis	An analysis of consumer switching using a subscription level dataset prepared by Compass Lexecon for the Parties
FMN	The Parties' final merger notice, submitted on 17 January 2022
Independent providers	CCS solutions providers which are not built-in to an OS
the Merged Entity	Refers to the combination of NortonLifeLock and Avast
the Merger	NortonLifeLock, through its wholly owned subsidiary, Nitro Bidco Limited, acquiring the entire issued and to be issued ordinary share capital of Avast
NortonLifeLock	NortonLifeLock Inc.
OEMs	Original equipment manufacturers
OS	Operating system
OS providers	Providers of CCS solutions built-in to an OS (see footnote 20)
the Parties	NortonLifeLock and Avast
Independent providers of endpoint security solutions	Independent CCS solution providers that have endpoint security solutions as their core offering
Pure play	Independent CCS solution providers that focus on a small number of solutions other than endpoint security
SLC	Substantial lessening of competition

SME	Small and medium-sized enterprises
VPN	Virtual private network
the [X] survey	A survey commissioned by Avast and run by [X]

ⁱ By way of correction, the Avast One survey surveyed customers that uninstalled Avast One (which may include but is not limited to users that cancelled their Avast One subscription).

ⁱⁱ The reference to 'Avast' in this sentence should be read as '[X]'.